CHEVY CHASE VILLAGE, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, 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, 2016, 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.

Emphasis of Matters

As discussed in Notes 1 and 9 to the financial statements, there was a prior period accounting error by the State of Maryland pertaining to income tax allocation, resulting in an understatement of previously reported equity and revenue. As a result of the State's error, the Village has restated beginning Net Position by $161,741 from $14,642,593 to $14,804,334 and beginning Fund Balance in the general fund by $161,741 from $6,621,353 to $6,783,094. Our opinion is not modified with respect to this matter.

As discussed in Note 10, in 2015, in *Comptroller of the Treasury of Maryland v. Wynne*, the Supreme Court invalidated a portion of Maryland's personal income tax scheme after determining that it inherently burdened the earnings of individuals who resided in one state but earned income in another. As a result of this ruling, the Village has recognized a noncurrent liability Due to State in the amount of $896,564. Our opinion is not modified with respect to this matter.

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 10 and 37 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 38 through 44, 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.

October 6, 2016

Kimley + Associates, LLC

CHEVY CHASE VILLAGE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The management of Chevy Chase Village (the "Village") consists of the elected Board of Managers and the Village Manager. As management, we offer readers financial statements and this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2016. The following pages include:

I. Summary Statement of Net Position (full accrual basis)
II. Change in Net Position (including Revenues and Expenses, on a full accrual basis)
III. Budget versus Actual Revenues and Expenses (modified accrual basis)
IV. Management's Discussion
V. Accounting Methods: Full versus Modified Accrual
VI. Additional Information

I. Summary Statement of Net Position (full accrual basis)

(see page 11 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, 2016 and June 30, 2015.

	2016	2015
Assets		
Cash, investments and receivables	$ 8,371,432	$ 7,657,775
Capital assets, net of depreciation	7,932,337	7,479,944
	16,303,769	15,137,719
Liabilities		
Payables and other current obligations	182,721	154,882
Long term obligations*	1,323,033	340,244
	1,505,754	495,126
Net Position		
Net investment in capital assets	7,035,773	7,479,944
Restricted for Safe Speed Program approved projects	318,010	395,398
Unrestricted net position	7,444,232	6,767,251
Total Net Position	14,798,015	14,642,593
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 16,303,769	$ 15,137,719

*The increase in long-term obligations is due primarily to the Wynn case repayments as described in Note 10.

The comparative data below present the change in the Village's Net Position resulting from governmental activities during the fiscal years ending June 30, 2016 and June 30, 2015.

II. Change in Net Position
(including Revenues and Expenses, on a full accrual basis - see page 12)

	Governmental Activities	
	2016	2015
Program revenues		
Charges for services (1)	1,562,024	1,708,673
Operating grants and contributions	265,607	1,373,530 (2)
	1,827,631	3,082,203
General revenues		
Property and income taxes levied for general purposes	3,764,852	3,203,098
SafeSpeed program investment earnings	2,952	1,043
Unrestricted investment earnings	83,064	19,234
	3,850,868	3,223,375
Total revenues	5,678,499	6,305,578
Expenses		
Police and communications	2,482,582	2,377,024
Public works, parks, and recreation	1,279,259	1,131,857
Administration and special projects	1,026,413	975,456
Total expenses	4,788,254	4,484,337
Loss - See Note 10	(896,564)	-
Change in net position	(6,319)	1,821,241
Net position, beginning of year (2016 restated)	14,804,334	12,821,352
Net position, end of year	14,798,015	14,642,593

(1) Includes *SafeSpeed* citations
(2) Includes $1.1 million in payments from WSSC for the cost of repaving roadways following the utility's company's replacement of their mains.

III. 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 by the Board of Managers in April. Budgetary comparison statements have been provided for these funds. The budget-to-actual comparisons are presented by department on pages 37 through 43. 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	$ 5,085,045	$ 5,601,121	$ 516,076
Expenditures	5,501,776	5,154,422	347,354
Excess of revenue over expenditures	$ (416,731)	$ 446,699	$ 863,430

IV. Management's Discussion

The Village continues to enjoy a strong financial position. The Village has substantial reserves ($7.6m), enough to cover approximately 1.6 times operating expenses ($4.8m) just from our reserves alone. In recent years the Village has benefited from income received through the *SafeSpeed* Program, a photo-speed enforcement program along Connecticut Avenue. Even though tax revenues were higher than expected in FY 2016, 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 2017 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 sources of revenue, which are beyond the Village's direct control, are quite variable, especially the income tax portion of the tax revenues. The Village maintained the constant yield for its real estate taxes to $.082 per $100 of assessed property value. This enabled the Villages real estate tax collections to remain relatively constant from the previous fiscal year.

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 high-earning residents move into and out of the Village. Income tax revenues in fiscal 2016 were 26% higher than budgeted and were $707,735 or 33% higher than fiscal 2015's collections on a cash basis.

During FY2016, the State performed an audit of income tax returns to evaluate the classifications of addresses to correct allocations that had been made to the wrong jurisdictions for those tax years. An independent auditor was hired to conduct a review of the returns for tax year 2014, and staff in the Comptroller's office used the independent auditor's methodology to review the tax returns for tax years 2010 through 2013. As a result of these audits, the Village was the beneficiary of a reallocation surplus of $851,741, of which $690,000 was received in FY2016 for returns filed in tax year 2014 (which the Village should have received as a normal correct distribution), and $161,741 was received as a correction for the income tax returns filed in tax years 2010-2013.

Income tax revenues for fiscal 2017 are budgeted at $2,200,000 or almost 23% lower than fiscal 2016's actual receipts due to one-time additional revenues received in FY 2016 due to the State's audit; in an effort to maintain a conservative projection; and to account for the effects of the Wynne case (a further explanation of this case can be found on page 10), whereby certain Maryland income tax filers can potentially offset their county tax revenue if they also earn income, and that is taxed by other states.

Overall General Funds Revenues

The general and special revenue funds' budget projected total revenues of $5,085,045. The Village received $677,814 more than projected attributable the above-outlined increase in income tax revenue on a cash basis.

SafeSpeed Program

The Village has maintained a *SafeSpeed,* or photo speed enforcement, Program since fiscal 2008. The fines collected in fiscal 2016, including current and delinquent citations, were $1,326,605, which is 11.8% lower than fiscal 2015. While *SafeSpeed* revenue was actually ahead of budget in the first part of FY 2016, due to construction on Connecticut Avenue, citation issuance and payments for issued citations decreased during and after construction was completed.

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. The use of these funds for public safety expenditures originally depleted the *Safe Speed* revenue fund, however, with the continuation of stable revenues for program and due to limiting funding of direct expenses and eligible capital projects in FY 2016, a reserve is slowly being built back up.

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 6% below budget for FY 2016. This was due to lower than budgeted legal expenses for the year and conservative spending by Village management. Special Projects came in under budget by $43,088 with certain projects, including Western Grove Park, New Vehicle Replacement, Street Maintenance, and the Laurel Park/West Kirke Street renovation, coming in close to their budgeted amounts.

Budget Modifications During FY2016

The budget for the fiscal year is approved at the Village's Annual Meeting held on the third Monday in 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 2016:

Park Development Project	$ 13,500
Village Hall Landscaping	5,900
Refuse and Recycling Contract increase	36,000
Newlands Street Repaving*	30,000
System Software Upgrades	6,650
Capital Projects sidewalk Maintenance	6,500
Reallocations:	
From Village boundary study to Western Grove Park	13,350
From Village boundary study to Laurel Park/W. Kirke intersection	43,000

*Reimbursed by the Chevy Chase Club

Capital Assets

The Village's Total Net Position at June 30, 2016 totaled $14,798,015 of which $452,393 is the increase in net investments in capital assets. This represents capital assets, net of accumulated depreciation, and reduced or increased by deferred inflows and outflows attributable to the acquisition, construction or improvement of those assets. At June 30, 2016, 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 Note 6 for a detailed schedule of capital assets and related depreciation.

The overall increase in net position in fiscal 2016 primarily reflects the Village's investment in its infrastructure and vehicles.

Major capital asset additions during the year ended June 30, 2016 include the following:

Brookville Road Sidewalk	$	105,813
Street Maintenance		94,879
Laurel Pkwy./W. Kirke St. Intersection Improvements		193,741
Police and Public Works Vehicles		82,904
W. Newlands Street Repaving		28,137

Next Year

The costs of general and *SafeSpeed* operations in fiscal year 2017 are expected to be $4,821,624. Based on the budget initially approved by the Board of Managers, the costs of Capital Projects are expected to be $227,500. Revenues are also budgeted at $3,610,507 for general operations and $1,392,500 for *SafeSpeed* operations, for a total revenue budget of $5,003,007. 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 2016 was encouraging, it is impossible to predict upcoming income tax revenues with any certainty, so restraining on-going expenditures will continue to be a high priority.

Early this year, the State of Maryland lost the Maryland Comptroller vs. Wynne case in the United States Supreme Court by a 5-4 vote. As a result, the State of Maryland must not only allow credits for out-of-state taxes paid by businesses or non-passive 1099 self-employed individuals, but must also allow for the county and local tax credits as well which the state was not previously doing. The full impact of this ruling to the Village is not completely known as of now; however, there will be a liability owed by the Village to the State of Maryland for the payment of protective claims dating back up to six years, payment for refiled claims dating back three years and an almost certain reduction in core income tax revenue going forward. The reimbursement due by the Village to the State for claims related to the adjustment of prior years' taxes is anticipated to be paid over a

period of five years, starting May 2019. The current liability as of July 2016 is $896,564; this could increase as more amended returns are filed and processed, however, the prevailing opinion among officials at the State is that most substantial amended returns have already been filed and processed so this number will potentially increase by a non-substantial amount. The liability will be paid over twenty quarterly installments.

The Village is pursuing a few Capital Projects in fiscal 2017 including the continued street maintenance, new crime fighting technology and equipment; and vehicle and equipment replacements.

V. 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 11 and 12. The modified accrual format presents the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds on pages 13 and 14. 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 17 through 36.

VI. Other Information

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, 2016

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	$ 3,386,751
Cash and cash equivalents - restricted	694,649
Investments	3,726,512
Amounts due from other governments	522,053
Accounts receivable, net of allowances	41,467
Total Current Assets	8,371,432
Noncurrent Assets	
Net capital assets	7,932,337
Total Noncurrent Assets	7,932,337
TOTAL ASSETS	16,303,769
DEFERRED OUTFLOWS OF RESOURCES	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 16,303,769
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	$ 175,118
Amounts held in escrow and deposit	7,603
Total Current Liabilities	182,721
Noncurrent Liabilities	
Compensated absences	426,469
Due to State - see Note 10	896,564
Total Noncurrent Liabilities	1,323,033
TOTAL LIABILITIES	1,505,754
TOTAL DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Net investment in capital assets	7,035,773
Restricted	
Safe Speed Program - public safety	318,010
Unrestricted	7,444,232
TOTAL NET POSITION	14,798,015
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 16,303,769

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, 2016

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	$ 1,026,413	$ 235,419	$ 100,524	$ -	$ (690,470)
Public safety	2,107,853	1,326,605	98,230	-	(683,018)
Public works	997,301	-	66,853	-	(930,448)
Communications	374,729	-	-	-	(374,729)
Facilities, infrastructure, and equipment	281,958	-	-	-	(281,958)
Total Governmental Activities	4,788,254	1,562,024	265,607	-	(2,960,623)
Total Primary Government	$ 4,788,254	$ 1,562,024	$ 265,607	$ -	$ (2,960,623)

General revenues:	
Taxes	
Income taxes	2,759,111
Property taxes	1,005,741
Interest and investment earnings	86,016
Total General Revenues	3,850,868
Loss - see Note 10	(896,564)
Change in Net Position	(6,319)
Net Position, beginning of year - restated	14,804,334
Net Position, end of year	$ 14,798,015

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

CHEVY CHASE VILLAGE, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents - unrestricted	$ 3,386,751	$ -	$ 3,386,751
Cash and cash equivalents - restricted	-	694,649	694,649
Investments	3,726,155	357	3,726,512
Due from other funds	268,566	-	268,566
Amounts due from other governments	522,053	-	522,053
Accounts receivable, net of allowances	-	41,467	41,467
TOTAL ASSETS	7,903,525	736,473	8,639,998
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 7,903,525	$ 736,473	$ 8,639,998
LIABILITIES			
Accounts payable and accrued expenses	$ 66,688	$ 108,430	$ 175,118
Amounts held in escrow	7,603	-	7,603
Due to other funds	-	268,566	268,566
TOTAL LIABILITIES	74,291	376,996	451,287
DEFERRED INFLOWS OF RESOURCES	522,053	41,467	563,520
FUND BALANCES			
Restricted - Safe Speed Program - public safety	-	318,010	318,010
Unassigned	7,307,181	-	7,307,181
TOTAL FUND BALANCES	7,307,181	318,010	7,625,191
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 7,903,525	$ 736,473	$ 8,639,998

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total Governmental Fund Balances	$ 7,625,191
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(1,323,033)
Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	563,520
Capital assets used in governmental activities are not financial resources and therefore are not reported on the funds.	7,932,337
Net Position of Governmental Activities	$ 14,798,015

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, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Taxes	$ 3,687,474	$ -	$ 3,687,474
Safe speed citations	-	1,326,605	1,326,605
Intergovernmental	265,607	-	265,607
Fees, licenses, and permits	62,468	-	62,468
Rents	91,783	-	91,783
Interest income	83,064	2,952	86,016
WSSC reimbursement	-	-	-
Miscellaneous	81,168	-	81,168
Total Revenues	4,271,564	1,329,557	5,601,121
Expenditures			
Administration	788,246	-	788,246
Public safety	655,009	1,380,969	2,035,978
Public works	942,529	-	942,529
Communications	369,807	-	369,807
Facilities, infrastructure, and equipment	249,462	9,445	258,907
Capital outlay	742,424	16,531	758,955
Total Expenditures	3,747,477	1,406,945	5,154,422
Excess (deficiency) of revenues over expenditures	524,087	(77,388)	446,699
Other financing sources (uses)			
Transfers	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	524,087	(77,388)	446,699
Fund balance, beginning of year - restated	6,783,094	395,398	7,178,492
Fund balance, end of year	$ 7,307,181	$ 318,010	$ 7,625,191

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, 2016

Net Change in Fund Balances - Total Governmental Funds	$ 446,699
Decreases in Safe Speed Program uncollected revenues do not use current financial resources and are not reported as revenue in the funds.	-
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.	452,393
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.	77,378
Difference between accrual and modified accrual in accounting for compensated absences.	(86,225)
Contingency loss pertains to a long-term payable which is not due in the current period and is not recognized in the funds.	(896,564)
Change in Net Position of Governmental Activities	$ (6,319)

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

CHEVY CHASE VILLAGE, MARYLAND
STATEMENT OF FIDICUARY NET POSITION
DEFERRED COMPENSATION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2016

ASSETS	
Cash and cash equivalents	$ -
Investments, at fair value (Note 7)	2,162,261
Due from other funds	-
Total assets	2,162,261
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
Accounts payable	-
Total liabilities	-
DEFFRED INFLOWS OF RESOURCES	-
NET POSITION	
Held in trust for pension benefit	2,162,261
Total net position	$ 2,162,261

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
DEFERRED COMPENSATION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2016

ADDITIONS		
Contributions		
Employer	$	184,385
Plan member		-
Total contributions		184,385
Investment Income		
Net increase in fair value of investments		173,289
Interest		-
Net investment income		173,289
Total additions		357,674
DEDUCTIONS		
Distributions		-
Administrative expenses		-
		-
Net increase		357,674
Net position held in trust for pension benefits, beginning of year		1,804,587
Net position held in trust for pension benefits, end of year	$	2,162,261

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 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 Deferred Compensation 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.

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.

Fund Financial Statements

Separate financial statements are provided for governmental funds (General Fund and Special Revenue Fund), 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 – Deferred Compensation Trust Fund

The Village currently has one Fiduciary Fund. The Deferred Compensation 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, 2016 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, 2016 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, 2016, the allowance for doubtful accounts in the special revenue fund is $328,266. The resulting accounts receivable – net of allowances at June 30, 2016 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.

Post-Employment Benefits

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

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, 2016, the balance of deferred inflows of resources consisted of income taxes in the general fund of $522,053 and *SafeSpeed* camera citations in the special revenue fund of $41,467.

Local Tax Reserve Fund

At June 30, 2016, the Village was advised by the State of Maryland that $522,053 of the Local Tax Reserve Fund was allocable to the Village. The Village recorded receivable and deferred inflows of resources in the amount of $522,053 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 and compensatory (earned in lieu of overtime payout) hours 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, compensatory time and sick leave are accrued when earned by the employee and a liability is recorded in the government-wide financial statements. At June 30, 2016, the liability to Village employees for accrued annual, compensatory and sick leave was $426,469 based on the wage rates in effect during the fiscal year.

Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Equity Classifications

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

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

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

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.

As discussed further in Note 9 to the financial statements, there was a prior period accounting error by the State of Maryland pertaining to income tax allocation, resulting in an understatement of previously reported equity and revenue. As a result of the State's error, the Village has restated beginning Net Position by $161,741 from $14,642,593 to $14,804,334 and beginning Fund Balance in the general fund by $161,741 from $6,621,353 to $6,783,094.

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 2016. 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.

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 $4,081,400 ($3,386,751 unrestricted and $694,649 restricted) and the bank balances totaled $3,512,942. 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.

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, 2016, 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, 2016, the Village had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings
MLGIP - unrestricted	$ 1,210,043	$ 1,210,043	AAAm
MLGIP - restricted	357	357	AAAm
Total MLGIP	1,210,400	1,210,400	
Certificates of Deposit issued by:			
BB&T Bank	512,939	512,939	N/A
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
First National Bank	250,000	250,000	N/A
SunTrust Bank	250,000	250,000	N/A
Total Certificates of Deposit	2,512,968	2,512,968	
Money Market	3,144	3,144	
	$ 3,726,512	$ 3,726,512	
Deferred Compensation Trust Fund - mutual funds	$ 2,162,261	$ 2,162,261	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, 2016:

Income taxes	$	522,053
Safe Speed Program		41,467
Total	$	563,520

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, 2016 was $.085 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, 2016 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	5,634,182	333,292	-	5,967,474
Village building and improvements	3,092,693	3,717	-	3,096,410
Furniture and fixtures	300,883	-	-	300,883
Vehicles and equipment	892,852	421,946	-	1,314,798
Subtotal	9,920,610	758,955	-	10,679,565
Total capital assets	10,234,501	758,955	-	10,993,456
Accumulated depreciation:				
Street and sidewalk improvements	329,577	145,460	-	475,037
Village building and improvements	1,377,569	60,047	-	1,437,616
Furniture and fixtures	308,990	8,048	-	317,038
Vehicles and equipment	738,421	93,007	-	831,428
Subtotal, accumulated depreciation	2,754,557	306,562	-	3,061,119
Net capital assets	$ 7,479,944	$ 452,393	$ -	$ 7,932,337

Depreciation was charged to functions as follows:

Government activities:	
General government	$ 218,649
Recreation and culture	25,423
Public works	29,829
Public safety	32,661
Total government activities depreciation expense	$ 306,562

As of June 30, 2016, there were no material construction commitments.

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. The Trustee for the plan was changed approximately half-way through the 2015 fiscal year from Principal Financial Group to the International City/County Management Association Retirement Corporation (ICMA-RC).

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 deferred compensation 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 $204,575 for the year ended June 30, 2016.

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 or their beneficiaries 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, 2016 were $38,800.

NOTE 9 – INCOME TAX REALLOCATION

In December, 2015, Maryland informed municipalities within Montgomery County that some income tax returns for County residents had been incorrectly assigned by the State. The coding error resulted in certain returns having been assigned to municipalities when those returns should have been assigned to addresses outside of the municipal boundaries. In addition, some income tax returns should have been assigned to a municipality but were not.

A review of the income tax allocation process going back to FY2010 was performed by an outside consultant who determined that the Village was owed $161,741 in additional income tax revenue pertaining to prior years. This additional income tax revenue was received during FY2016.

As a result of the State's error, the Village has restated beginning Net Position by $161,741 from $14,642,593 to $14,804,334 and beginning Fund Balance in the general fund by $161,741 from $6,621,353 to $6,783,094.

NOTE 10 – COMPTROLLER OF THE TREASURY OF MARYLAND V. WYNNE

In 2015, in *Comptroller of the Treasury of Maryland v. Wynne*, the Supreme Court invalidated a portion of Maryland's personal income tax scheme after determining that it inherently burdened the earnings of individuals who resided in one state but earned income in another.

In response, Maryland has enacted corrective legislation allowing a credit for Maryland residents against personal income tax for income taxed by other states. The Court had ruled that the failure of Maryland law to allow such a credit rendered Maryland's personal income tax scheme unconstitutional.

As of June 2016, the Comptroller's Office states that the fiscal impact of the ruling on the Village will be $896,564 of refunds for prior years' taxes. Tax revenues are estimated to be reduced $30,000 each year going forward. As taxpayers have three years to amend their returns, this number could increase.

The estimated amount of refunds to be paid has been recorded as a loss on the Statement of Activities, and as a noncurrent liability on the Statement of Net Position, as the Village will not be required to start reimbursing the State until the fourth quarter of fiscal year 2019, and will be paid back to the State over a period of five years as a reduction in income tax distribution.

NOTE 11 – LONG-TERM LIABILITIES

The Village's only long-term liabilities relate to accrued sick leave, accrued vacation and accrued compensatory (generated in lieu of overtime) hours. The Village policy is to pay employees meeting certain eligibility requirements one hour wages for each three hours of accumulated sick leave. The following summarizes the changes in long-term liabilities for the year ended June 30, 2016.

Compensated Absences	Balance July 1, 2015	Increase / (Decrease)	Balance June 30, 2016	Due within one year
Accrued sick leave	$ 168,114	$ 49,274	$ 217,388	$ -
Accrued vacation	140,400	36,511	176,911	-
Accrued compensatory time	31,730	440	32,170	-
Total	$ 340,244	$ 86,225	$ 426,469	$ -

NOTE 12 – 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 13 – 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, 2016 and the amounts of settlements have not exceeded coverage for each of the past three years. During the year ended June 30, 2016 the Village paid premiums of $37,103 to the Trust.

The Village is insured for worker's compensation through the Montgomery County Self-Insurance Program. 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 14 – DEFERRED INFLOWS OF RESOURCES

At June 30, 2016, Chevy Chase Village was advised by the State of Maryland that $522,053 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.

NOTE 15 – WESTERN GROVE PARK

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 Western Grove Park (formerly referred to as the "Wohlfarth Property") 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 16 – 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 17 – FUND BALANCE REPORTING

Fund balances for the Village's governmental funds consisted of the following as of June 30, 2016:

All fund balances in the general fund are unassigned. At June 30, 2016, this amount was $7,307,181.

All fund balances in the special revenue fund are restricted. As of June 30, 2016, this amount was $318,010.

NOTE 18 – 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, 2016, the Village has determined that $0 is due to the State Comptroller as a result of this law.

NOTE 19 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions,* issued June 2015, effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* issued June 2015, effective for financial statements for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures,* issued August 2015, effective for financial statements for fiscal years beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* issued December 2015, effective for financial statements for fiscal years beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14,* issued March 2016, effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements,* issued March 2016, effective for financial statements for fiscal years beginning after December 15, 2016.

Statement No. 82, *Pension Issues – an amendment of GASB States No. 67, No. 68, and No. 73,* issued March 2016, effective for financial statements for fiscal years beginning after June 15, 2016.

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, 2016

	General Fund and Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	$ 3,205,500	$ 3,205,500	$ 3,687,474	$ 481,974
Safe speed citations	1,390,000	1,390,000	1,326,605	(63,395)
Intergovernmental	259,535	259,535	265,607	6,072
Interest income	20,500	20,500	86,016	65,516
Miscellaneous	209,510	209,510	235,419	25,909
Total Revenues	$ 5,085,045	$ 5,085,045	$ 5,601,121	$ 516,076
Expenditures				
Administration	$ 878,040	$ 884,690	$ 788,246	$ 96,444
Public safety	2,133,175	2,133,175	2,035,978	97,197
Public works	920,416	956,416	942,529	13,887
Communications	378,220	378,220	369,807	8,413
Special projects	644,500	700,400	676,051	24,349
Facilities, infrastructure, and equipment acquisitions	448,875	448,875	341,811	107,064
Total Expenditures	$ 5,403,226	$ 5,501,776	$ 5,154,422	$ 347,354
Excess (deficiency) of revenues over expenditures	$ (318,181)	$ (416,731)	$ 446,699	$ 863,430

Note: The Village passes one budget with the General and SafeSpeed Funds combined. The schedules on pages 38 through 44 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, 2016

	Final Budget	Actual - General Fund	Budget Favorable (Unfavorable)
REVENUES			
Taxes			
Real estate	$ 955,500	$ 1,005,741	$ 50,241
State income taxes	2,250,000	2,681,733	431,733
Total Taxes	3,205,500	3,687,474	481,974
From Other Governments			
State of Maryland			
Highway user revenue	66,535	66,853	318
State police aid	108,000	98,230	(9,770)
Montgomery County			
Duplicative services	85,000	100,524	15,524
Total From Other Governments	259,535	265,607	6,072
Miscellaneous			
Investment income	18,000	83,064	65,064
Building rent	90,560	91,783	1,223
Fees, licenses and permits	49,100	62,468	13,368
Other income	69,850	81,168	11,318
Total Miscellaneous	227,510	318,483	90,973
Total Revenues	$ 3,692,545	$ 4,271,564	$ 579,019

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Budget Favorable (Unfavorable)
Administration			
Personnel			
Salaries	$ 458,288	$ 446,166	$ 12,122
Employer obligations	40,850	35,132	5,718
Employee benefits	102,262	122,665	(20,403)
Organizational development	22,950	16,927	6,023
Operations			
Communications	6,000	5,803	197
Community relations	26,850	28,576	(1,726)
General expenditures	42,500	29,621	12,879
Insurance	30,350	21,786	8,564
Professional services	116,000	52,494	63,506
Service contracts	8,915	7,888	1,027
Supplies	7,500	5,617	1,883
Equipment maintenance and repair	600	1,225	(625)
Computer and technical support	21,625	14,346	7,279
Total Administration	884,690	788,246	96,444
Public Safety			
Personnel			
Salaries	470,000	442,353	27,647
Employer obligations	76,355	57,608	18,747
Employee benefits	106,350	84,743	21,607
Organizational development	5,000	4,256	744
Operations			
Communications	8,520	6,752	1,768
General expenditures	19,950	22,135	(2,185)
Insurance	8,000	6,323	1,677
Professional services	500	995	(495)
Service contracts	-	3,294	(3,294)
Supplies	11,050	6,605	4,445
Vehicle operations	22,500	18,571	3,929
Equipment maintenance and repair	1,250	898	352
Computer and technical support	3,700	476	3,224
Total Public Safety	733,175	655,009	78,166

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Budget Favorable (Unfavorable)
Public Works			
Personnel			
Salaries	$ 411,165	$ 407,293	$ 3,872
Employer obligations	48,225	47,007	1,218
Employee benefits	130,900	131,903	(1,003)
Contracts labor/staff	14,276	10,519	3,757
Organizational development	750	400	350
Operations			
Communications	3,000	2,500	500
Disposal and recycling	291,100	273,990	17,110
General expenditures	2,500	2,339	161
Insurance	4,500	4,075	425
Weather events	17,500	28,837	(11,337)
Small tools and shop supplies	4,000	3,398	602
Vehicles - operations	28,000	29,902	(1,902)
Equipment maintenance and repair	500	366	134
Total Public Works	956,416	942,529	13,887

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Budget Favorable (Unfavorable)
Communications			
Personnel			
Salaries	$ 256,547	$ 255,815	$ 732
Employer obligations	21,428	19,020	2,408
Employee benefits	79,600	77,722	1,878
Organizational development	225	58	167
Operations			
Communications	2,270	2,041	229
Service contracts	12,500	12,933	(433)
Supplies	2,000	1,074	926
Equipment purchases maintenance and repair	1,000	313	687
Computer and technical support	2,650	831	1,819
Total Communications	378,220	369,807	8,413
Special Projects			
Western Grove Park	313,350	313,348	2
Engineers and other	-	5,142	(5,142)
Website redesign	-	6,160	(6,160)
Village Hall landscaping	5,900	3,717	2,183
Newlands St. repaving	30,000	28,137	1,863
Parks & greenspace	13,500	13,960	(460)
Laurel	188,100	193,741	(5,641)
Village boundary study	3,550	-	3,550
Sidewalk maintenance	-	436	(436)
Street light upgrades	10,000	-	10,000
Street maintenance	106,000	94,879	11,121
Total Special Projects	670,400	659,520	10,880

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - continued
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Budget Favorable (Unfavorable)
Facilities, Infrastructure and Equipment Acquisitions			
Village Hall			
Systems & Structures	$ 17,500	$ 4,901	$ 12,599
Insurance	2,175	2,116	59
Service contracts	34,800	30,228	4,572
Supplies	4,450	3,926	524
Utilities	38,000	32,015	5,985
Total Village Hall	96,925	73,186	23,739
Parks, Trees and Greenspace			
Communications	7,750	7,377	373
Utilities	1,750	3,391	(1,641)
Equipment repair and maintenance	500	-	500
Supplies	250	-	250
Grounds and amenities	49,000	38,770	10,230
Service contracts	1,700	4,155	(2,455)
Tree programs	142,000	91,711	50,289
Total Parks, Trees, and Greenspace	202,950	145,404	57,546
Streets, Walks, Drains, and Lights			
Utilities	42,500	30,872	11,628
Total Streets, Walks, Drains, and Lights	42,500	30,872	11,628
Vehicle and Equipment Replacement			
Equipment purchase	27,500	11,940	15,560
Public works			
Capital outlay	69,000	70,964	(1,964)
Total Vehicle and Equipment Replacement	96,500	82,904	13,596
Total Facilities, Infrastructure, and Equipment Acquisitions	438,875	332,366	106,509
Total Expenditures	$ 4,061,776	$ 3,747,477	$ 314,299

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Budget Favorable (Unfavorable)
REVENUES			
Safe Speed citations	$ 1,390,000	$ 1,326,605	$ (63,395)
Investment interest	2,500	2,952	452
Total Revenues	$ 1,392,500	$ 1,329,557	$ (62,943)

CHEVY CHASE VILLAGE, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Budget Favorable (Unfavorable)
EXPENDITURES			
Department Services			
General government	$ -	$ -	$ -
Police	1,400,000	1,380,969	19,031
Total Department Services	1,400,000	1,380,969	19,031
Facilities, Fleet and Infrastructure			
Parks, Trees & Greenspace	10,000	9,445	555
Total Facilities, Fleet and Infrastructure	10,000	9,445	555
Special Projects			
Sidewalk - repairs	10,000	10,957	(957)
Crime technology	20,000	5,574	14,426
Total Special Projects	30,000	16,531	13,469
Total Expenditures	$ 1,440,000	$ 1,406,945	$ 33,055