

**CHEVY CHASE VILLAGE, MARYLAND  
FINANCIAL STATEMENTS  
JUNE 30, 2019**

**CHEVY CHASE VILLAGE  
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JUNE 30, 2019**

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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, 2019, 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, 2019, 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 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.

*Hindley & Associates, LLC*

October 17, 2019

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

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, 2019. The following pages include:

- I. Summary Statement of Net Position (full accrual basis)
- II. Change in Net Position including Revenues and Expenses (full accrual basis)
- III. Accounting Methods: Full versus Modified Accrual
- IV. Fund Accounting and Budgeting
- V. Management’s Discussion
- 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, 2019, and June 30, 2018.

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash, investments and receivables	\$ 11,469,712	\$ 9,813,604
Capital assets, net of depreciation	7,648,173	7,967,160
	<u>19,117,885</u>	<u>17,780,764</u>
<u>Liabilities</u>		
Payables and other current obligations	135,892	491,414
Long term obligations*	1,395,182	1,339,022
	<u>1,531,074</u>	<u>1,830,436</u>
<u>Net Position</u>		
Net investment in capital assets	7,648,173	7,967,160
Restricted for Safe Speed Program approved projects	6,389	262,218
Unrestricted net position	9,932,249	7,720,950
	<u>17,586,811</u>	<u>15,950,328</u>
<u>Total Net Position</u>	<u>17,586,811</u>	<u>15,950,328</u>
<u>Total Liabilities and Net Position</u>	<u>\$ 19,117,885</u>	<u>\$ 17,780,764</u>

\*See Notes 9 and 10.

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

The comparative data below present the change in the Village's Net Position resulting from governmental activities during the fiscal years ending June 30, 2019, and June 30, 2018.

**II. Change in Net Position  
(including Revenues and Expenses, on a full accrual basis;  
see page 12 for additional detail)**

	Governmental Activities	
	2019	2018
Program revenues		
Charges for services (1)	\$ 906,409	\$ 1,192,395
Grants and contributions	277,161	292,556
	1,183,570	1,484,951
General revenues		
Property and income taxes		
levied for general purposes	4,850,402	3,439,741
<i>SafeSpeed</i> program investment earnings	2	5
Unrestricted investment earnings	63,271	62,612
	4,913,675	3,502,358
Total revenues	6,097,245	4,987,309
Expenses		
Police and communications	2,184,544	2,279,620
Public works, parks, and recreation	1,252,390	1,275,457
Administration and special projects	1,023,828	946,902
Total expenses	4,460,762	4,501,979
Gain/(Loss) - See Note 9 re: Wynne case	-	6,725
Change in net position (2)	1,636,483	492,055
Net position, beginning of year	15,950,328	15,458,273
Net position, end of year	17,586,811	15,950,328

(1) Includes *SafeSpeed* citations

(2) Change in net position equals total revenues minus total expenses plus/minus gains/losses.

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**III. 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.

**IV. 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 44. A summary comparison of General and Special Revenue Funds – budget vs. actual is shown below:

**Schedule of Revenue and Expenditures - Budget and Actual  
(Modified Accrual Basis - General and Special Revenue Funds)**

	Final Budget	Actual	Variance Positive / (Negative)
Revenue	\$ 4,680,424	\$ 5,723,073	\$ 1,042,649
Expenditures	4,915,745	4,133,953	781,792
Excess of revenue over expenditures	<u>\$ (235,321)</u>	<u>\$ 1,589,120</u>	<u>\$ 1,824,441</u>



**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**V. Management's Discussion**

The Village continues to enjoy a strong financial position. The Village has substantial liquid assets (\$10.286m), enough to cover approximately 2.2 times budgeted operating expenses for FY2019. In recent years the Village has benefited from income received through the *SafeSpeed* Program, a photo-speed enforcement program along Connecticut Avenue. These funds have been used for the operation of this program as well as public safety-related expenses. Even though tax revenues were higher than expected in FY 2019, the Village's management team continues to be judicious in its expenditures and will continue to do so going forward. The following sections explain the Village's accomplishments, issues and plans for fiscal 2020 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 real estate tax rate as estimated by the State of Maryland at \$.081 per \$100 of assessed property value. By adopting the constant yield tax rate, this enabled the Village's 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 largely affected as high-earning residents move into and out of the Village. Income tax revenues in fiscal 2019 were 56%, or \$1,242,735 higher than the budgeted amount.

Income tax revenues for fiscal 2020 are budgeted at \$2,200,000 or approximately 56% lower than fiscal 2019's actual receipts, 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 pages 9 and 10), whereby certain Maryland income tax filers can potentially offset their county tax revenue if they also earn income that is taxed by other states. The payments will start May of 2021.

Overall General and Special Revenue Funds Revenues

The general and special revenue funds' budget projected total revenues of \$4,680,424. The Village received \$1,042,650 more than projected attributable to the above-outlined increase in income tax revenue on a cash basis.

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

SafeSpeed Program

The Village has maintained a *SafeSpeed* Program (photo speed enforcement) since fiscal 2008. The revenue collected in fiscal 2019, including fines for current and delinquent citations and accrued interest, were \$760,304, which is 20.6% lower than fiscal 2018. This continued the downward trend in revenue associated with this program; however, the program achieved a net revenue of approximately \$148,182 after deducting \$612,122 in direct operating expenses.

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 \$300,000 in additional public safety-related expenses currently allocated to the Special Revenue Fund. This amount has been refined to more accurately reflect current direct expenses related to the program.

Overall Expenses

The Village’s overall operating expenses came in 9% below budget for FY 2019. This was due to open positions for some of the year, lower than budgeted legal expenses, and conservative spending by Village management. Special and Capital Projects (including General and Special Revenue funds) came in under budget by \$160,359 due to the deferment of some capital projects into FY 20 such as the purchase of new police cruisers and street maintenance.

Budget Modifications During FY2019

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 2019:

**Reallocations:**

From various operating and capital projects categories to planning for municipal storm drain system	\$ 161,000
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**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

Capital Assets

The Village’s Total Net Position at June 30, 2019 totaled \$17,586,811. This includes capital assets, net of accumulated depreciation. At June 30, 2019, 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.

In FY2019, the Village updated its Investment Policy to also allow investments in money-market funds backed by US treasury bills, in addition to direct investment in US Treasury bills, as was allowed previously. Please refer to Note 3 for further details.

The overall increase in net position in fiscal 2019 primarily reflects the Village’s investment in its infrastructure and vehicles.

Major capital asset additions during the year ended June 30, 2019 include the following:

Brookville Road Park Redevelopment and Dog Park	\$	12,757
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Next Year

The costs of operations in fiscal year 2020 are expected to be \$4,755,545. Based on the budget initially approved by the Board of Managers, the costs of Capital Projects are expected to be \$291,500. Revenues are also budgeted at \$3,745,501 for general operations and \$825,005 for *SafeSpeed* operations, for a total revenue budget of \$4,570,506. Revenues received through income taxes are expected to continue to serve as the Village’s primary source of revenue. While the income tax receipts in fiscal 2019 were very encouraging in that they well-exceeded the budgeted amount, 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 2016, the State of Maryland lost the Maryland Comptroller vs. Wynne case in the United States Supreme Court by a 5-4 vote. As a result, the State of Maryland must not only allow credits for out-of-state taxes paid by businesses or non-passive 1099 self-employed individuals, but must 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 will be paid over a period of five years, starting May 2021. The liability as of June 30, 2019 is \$966,752. The liability will be paid over twenty quarterly installments.

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

The Village is pursuing a few Capital Projects in fiscal 2020 including the continued maintenance of Village streets and sidewalks, the potential for the acquisition of new public safety technology and equipment, programmed vehicle and equipment replacements, and design and planning for a municipal storm drain project. This storm drain project is anticipated to be a multi-year project.

**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, 2019**

	Governmental Activities
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents - unrestricted	\$ 1,796,394
Cash and cash equivalents - restricted	36,735
Investments	8,532,777
Amounts due from other governments	1,006,178
Accounts receivable, net of allowances	97,628
Total Current Assets	11,469,712
Noncurrent Assets	
Long-term receivable	-
Net capital assets	7,648,173
Total Noncurrent Assets	7,648,173
<b>TOTAL ASSETS</b>	<b>19,117,885</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 19,117,885</b>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued expenses	\$ 127,402
Amounts held in escrow and deposit	8,490
Current portion of Due to State	-
Total Current Liabilities	135,892
Noncurrent Liabilities	
Compensated absences	428,430
Due to State - see Note 9	966,752
Total Noncurrent Liabilities	1,395,182
<b>TOTAL LIABILITIES</b>	<b>1,531,074</b>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>
<b>NET POSITION</b>	
Net investment in capital assets	7,648,173
Restricted	
Safe Speed Program - public safety	6,389
Unrestricted	9,932,249
Total Net Position	17,586,811
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 19,117,885</b>

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, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	
			Capital Grants and Contributions	Primary Governmental Activities	
Primary Government					
Governmental Activities:					
Administration	\$ 1,023,828	\$ 146,105	\$ 100,524	\$ -	\$ (777,199)
Public safety	1,836,675	760,304	101,843	-	(974,528)
Public works	899,571	-	74,794	-	(824,777)
Communications	347,869	-	-	-	(347,869)
Facilities, infrastructure, and equipment	352,819	-	-	-	(352,819)
Total Governmental Activities	<u>4,460,762</u>	<u>906,409</u>	<u>277,161</u>	<u>-</u>	<u>(3,277,192)</u>
Total Primary Government	<u>\$ 4,460,762</u>	<u>\$ 906,409</u>	<u>\$ 277,161</u>	<u>\$ -</u>	<u>\$ (3,277,192)</u>
			General revenues:		
			Taxes		
			Income taxes		3,816,907
			Property taxes		1,033,495
			Interest and investment earnings		63,273
			Total General Revenues		<u>4,913,675</u>
			Change in Net Position		1,636,483
			Net Position, beginning of year		<u>15,950,328</u>
			Net Position, end of year		<u>\$ 17,586,811</u>

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

**CHEVY CHASE VILLAGE, MARYLAND  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 1,796,394	\$ -	\$ 1,796,394
Cash and cash equivalents - restricted	-	36,735	36,735
Investments	8,532,411	366	8,532,777
Due from other funds	35,032	-	35,032
Amounts due from other governments	1,006,178	-	1,006,178
Accounts receivable, net of allowances	19,739	77,889	97,628
<b>TOTAL ASSETS</b>	<u>11,389,754</u>	<u>114,990</u>	<u>11,504,744</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 11,389,754</u>	<u>\$ 114,990</u>	<u>\$ 11,504,744</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 95,300	\$ 32,102	\$ 127,402
Amounts held in escrow	8,490	-	8,490
Due to other funds	-	35,032	35,032
<b>TOTAL LIABILITIES</b>	<u>103,790</u>	<u>67,134</u>	<u>170,924</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,006,178</u>	<u>41,467</u>	<u>1,047,645</u>
<b>FUND BALANCES</b>			
Restricted - Safe Speed Program - public safety	-	6,389	6,389
Unassigned	10,279,786	-	10,279,786
<b>TOTAL FUND BALANCES</b>	<u>10,279,786</u>	<u>6,389</u>	<u>10,286,175</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 11,389,754</u>	<u>\$ 114,990</u>	<u>\$ 11,504,744</u>

**RECONCILIATION OF TOTAL GOVERNMENTAL  
FUND BALANCE TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019**

<i>Total Governmental Fund Balances</i>	\$ 10,286,175
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(1,395,182)
Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	1,047,645
Capital assets used in governmental activities are not financial resources and therefore are not reported on the funds.	<u>7,648,173</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 17,586,811</u>

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, 2019**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 4,476,230	\$ -	\$ 4,476,230
Safe speed citations	-	760,304	760,304
Intergovernmental	277,161	-	277,161
Fees, licenses, and permits	44,692	-	44,692
Rents	89,972	-	89,972
Interest income	63,271	2	63,273
WSSC reimbursement	-	-	-
Miscellaneous	11,441	-	11,441
<b>Total Revenues</b>	<u>4,962,767</u>	<u>760,306</u>	<u>5,723,073</u>
<b>Expenditures</b>			
Administration	776,013	-	776,013
Public safety	796,539	1,016,135	1,812,674
Public works	867,001	-	867,001
Communications	348,287	-	348,287
Facilities, infrastructure, and equipment	307,520	-	307,520
Principal payment on long-term debt	-	-	-
Capital outlay	22,458	-	22,458
<b>Total Expenditures</b>	<u>3,117,818</u>	<u>1,016,135</u>	<u>4,133,953</u>
<b>Excess (deficiency) of revenues over expenditures</b>	1,844,949	(255,829)	1,589,120
<b>Other financing sources (uses)</b>			
Transfers	-	-	-
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	1,844,949	(255,829)	1,589,120
<b>Fund balance, beginning of year</b>	8,434,837	262,218	8,697,055
<b>Fund balance, end of year</b>	<u>\$ 10,279,786</u>	<u>\$ 6,389</u>	<u>\$ 10,286,175</u>

**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, 2019**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 1,589,120
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.	(318,987)
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.	374,172
Difference between accrual and modified accrual in accounting for compensated absences.	<u>(7,822)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 1,636,483</u>

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



**CHEVY CHASE VILLAGE, MARYLAND  
STATEMENT OF FIDUCIARY NET POSITION  
DEFERRED COMPENSATION TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>ASSETS</b>	
Cash and cash equivalents	\$ -
Investments, at fair value (Note 7)	3,244,942
Due from other funds	-
Total assets	<u>3,244,942</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	<u>-</u>
 <b>LIABILITIES</b>	
Accounts payable	-
Total liabilities	<u>-</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
	<u>-</u>
 <b>NET POSITION</b>	
Held in trust for retirement benefit	3,244,942
Total net position	<u>\$ 3,244,942</u>

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, 2019**

**ADDITIONS**

Contributions		
Employer	\$	200,862
Plan member		-
Total contributions		200,862
Investment Income		
Net increase in fair value of investments		170,182
Net investment income		170,182
Total additions		371,044

**DEDUCTIONS**

Distributions		(153,824)
Administrative expenses		-
		(153,824)
<b>Net increase</b>		217,220
<b>Net position held in trust for retirement benefits, beginning of year</b>		3,027,722
<b>Net position held in trust for retirement benefits, end of year</b>	\$	3,244,942

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

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 as to which the Village serves in a fiduciary capacity.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Basis of Accounting**

**Government-Wide Financial Statements (pages 11 – 12)**

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 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 (pages 13 – 16)**

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.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 as to which the Village serves in a fiduciary capacity.

**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, 2019**

**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, 2019, 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 (Special Revenue Fund)**

Receivables at June 30, 2019, consist of *SafeSpeed* camera citations totaling \$406,155. The Village recognizes an allowance for doubtful accounts to ensure that speed camera receivables are not overstated due to uncollectability. At June 30, 2018, the allowance for doubtful accounts in the special revenue fund is \$328,266. The resulting accounts receivable – net of allowances at June 30, 2019, is \$77,889.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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.

**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.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019, the balance of deferred inflows of resources consisted of income taxes in the general fund of \$1,006,178.

**Local Tax Reserve Fund**

At June 30, 2019, the Village was advised by the State of Maryland that \$1,006,178 of the Local Tax Reserve Fund was allocable to the Village. The Village recorded receivable and deferred inflows of resources in the amount of \$1,006,178 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, 2019, the liability to Village employees for accrued annual, compensatory and sick leave was \$428,430 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.



**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019**

**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 be spent 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 2019. 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.

Collateral is held by a third party custodian designated by the Village.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Deposits**

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned or the Village will not be able to recover collateral securities in the possession of an outside party. The Village's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by a surety bond or collateral valued at 102 percent of principal and accrued interest.

At year-end, the carrying amounts of the Village's deposits were \$1,833,129 (\$1,796,394 unrestricted and \$36,735 restricted) and the bank balances totaled \$1,982,671. 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 at 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 five years 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 investment funds in any one qualifying institution shall not exceed half of the total of Village funds, divided among three or more institutions.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019, all of the Village’s investments were insured or registered, invested in US Treasury securities or US Treasury money market funds, 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:

- U.S. Treasury Obligations
- Bank accounts, CDs and CDARs
- Money Market Funds investing solely in direct United States obligations and repurchase agreements backed by such obligations
- The Maryland Local Government Investment Pool (“MLGIP”)

For additional information on the Village’s deposit and investment policies, please visit the Village website (<https://www.chevy Chase Village MD.gov/>) or contact the Village office.

**CHEVY CHASE VILLAGE, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**Investments**

At June 30, 2019, the Village had the following investments. See page 25 for information about the Village’s operating (checking) account.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings</u>
MLGIP	\$ 3,234,622	\$ 3,234,622	AAAm
Certificates of Deposit	2,279,752	2,279,752	N/A
Treasury Bills and Treasury Money Market	<u>3,018,403</u>	<u>3,018,403</u>	N/A
	<u>\$ 8,532,777</u>	<u>\$ 8,532,777</u>	

The Village also serves in a fiduciary capacity for the following funds:

Deferred Compensation Trust Fund - mutual funds	<u>\$ 3,244,942</u>	<u>\$ 3,244,942</u>	N/A
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Note: Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable. For bank balance see page 25. For additional information, see the monthly treasurer’s report.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 – RECEIVABLES**

Accounts receivable are comprised of the following as of June 30, 2019:

Income taxes	\$ 1,006,178
Other receivables	19,739
Safe Speed Program	<u>77,889</u>
Total	<u><u>\$ 1,103,806</u></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 personal 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, 2019 was \$.0807 per \$100 of assessed value and \$.66 per \$100 of assessed value respectively.

During the year ended June 30, 2019, the Village received \$146,036 in personal property taxes and \$887,459 in real property taxes.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2019, 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	6,458,039	-	-	6,458,039
Village building and improvements	3,096,410	22,458	-	3,118,868
Furniture and fixtures	300,883	-	-	300,883
Vehicles and equipment	1,530,862	-	-	1,530,862
Subtotal	11,386,194	22,458	-	11,408,652
Total capital assets	11,700,085	22,458	-	11,722,543
Accumulated depreciation:				
Street and sidewalk improvements	782,889	162,172	-	945,061
Village building and improvements	1,558,452	60,418	-	1,618,870
Furniture and fixtures	337,522	7,346	-	344,868
Vehicles and equipment	1,054,062	111,509	-	1,165,571
Subtotal, accumulated depreciation	3,732,925	341,445	-	4,074,370
Net capital assets	\$ 7,967,160	\$ (318,987)	\$ -	\$ 7,648,173

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 235,030
Recreation and culture	45,299
Public works	50,613
Public safety	10,503
Total government activities depreciation expense	<u>\$ 341,445</u>

As of June 30, 2019, there were no material construction commitments.

**CHEVY CHASE VILLAGE, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 – DEFINED CONTRIBUTION PLAN (pages 15-16)**

The Board of Managers established a trust-administered, single employer, defined contribution plan effective May 15, 1964, for eligible employees. The plan administrator is 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 defined contribution 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 \$200,863 for the year ended June 30, 2019.



**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 MassMutual Financial Group. Employee contributions to the plan for the year ended June 30, 2019, were \$44,325.

**NOTE 9 – 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 30, 2019, the Comptroller's Office states that the fiscal impact of the ruling on the Village will be \$966,752 of refunds for prior years' taxes. Tax revenues will be reduced \$193,350 each year going forward.

The amount of refunds that must be returned to the State of Maryland has decreased by \$6,725 due to overallocation by the State and has been recorded as a gain on the Statement of Activities, which now totals \$966,752. This amount is reflected as a liability on the Statement of Net Position, as the Village will be required to start reimbursing the State in the fourth quarter of fiscal year 2021. The State will collect these funds by withholding \$48,338 of the Village's income tax distributions each quarter over a period of five years.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 9 – COMPTROLLER OF THE TREASURY OF MARYLAND V. WYNNE**

The changes in this liability are as follows:

	Balance June 30, 2018	Net Change During Year	Balance June 30, 2019	Amount Due Within 1 Year
State of Maryland	\$ 966,752	\$ -	\$ 966,752	\$ -

The annual deductions will be as follows:

FY	Amount
2020	\$ -
2021	96,675
2022	193,350
2023	193,350
2024	193,350
2025	193,350
2026	96,677
	<u>\$966,752</u>

**NOTE 10 – 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, 2019.

<u>Compensated Absences</u>	<u>Balance July 1, 2018</u>	<u>Increase / (Decrease)</u>	<u>Balance June 30, 2019</u>	<u>Due within one year</u>
Accrued sick leave	\$ 231,963	\$ 11,098	\$ 243,061	\$ -
Accrued vacation	168,954	(4,129)	164,825	-
Accrued compensatory time	19,691	853	20,544	-
Total	<u>\$ 420,608</u>	<u>\$ 7,822</u>	<u>\$ 428,430</u>	<u>\$ -</u>

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11 – 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 12 – 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, 2019, and the amounts of settlements have not exceeded coverage for each of the past three years. During the year ended June 30, 2019, the Village paid premiums of \$40,067 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 13 – DEFERRED INFLOWS OF RESOURCES**

At June 30, 2019, Chevy Chase Village was advised by the State of Maryland that \$1,006,178 of the Local Income Tax Reserve Fund was allocable to Chevy Chase Village. The Village recorded receivable and deferred inflows of resources for this amount. The change in this 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, 2019**

**NOTE 14 – 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, which totaled \$5,000,000. 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 Village contributed just over \$350,000 toward developing the property into a park

The Commission and the Village finalized 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 15 – 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 16 – FUND BALANCE REPORTING**

Fund balances for the Village’s governmental funds consisted of the following as of June 30, 2019:

All fund balances in the general fund are unassigned. At June 30, 2019, this amount was \$10,279,786.

All fund balances in the special revenue fund are restricted. As of June 30, 2019, this amount was \$6,389.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17 – 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, 2019, the Village has determined that \$0 is due to the State Comptroller as a result of this law.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 18 – NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued the following statements:

Statement No. 84, *Fiduciary Activities*, issued January 2018, effective for financial statements for fiscal years beginning after December 15, 2018.

Statement No. 87, *Leases*, issued June 2018, effective for financial statements for fiscal years beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018, effective for reporting periods beginning after December 15, 2019.

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, 2019**

	<b>General Fund and Special Revenue Fund</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>Revenues</b>				
Taxes	\$ 3,191,667	\$ 3,191,667	\$ 4,476,230	\$ 1,284,563
SafeSpeed citations	1,012,500	1,012,500	760,306	(252,194)
Intergovernmental	273,000	273,000	277,161	4,161
Interest income	53,000	53,000	63,271	10,271
Miscellaneous	150,257	150,257	146,105	(4,152)
<b>Total Revenues</b>	<b>\$ 4,680,424</b>	<b>\$ 4,680,424</b>	<b>\$ 5,723,073</b>	<b>\$ 1,042,649</b>
<b>Expenditures</b>				
Administration	\$ 908,195	\$ 908,195	\$ 776,013	\$ 132,182
Public safety	1,852,253	1,852,283	1,807,544	44,739
Public works	1,010,766	1,010,766	865,448	145,318
Communications	411,396	411,396	348,287	63,109
Special projects	189,500	375,500	29,141	346,359
Facilities, infrastructure, and equipment acquisitions	357,605	357,605	307,520	50,085
<b>Total Expenditures</b>	<b>\$ 4,729,715</b>	<b>\$ 4,915,745</b>	<b>\$ 4,133,953</b>	<b>\$ 781,792</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (49,291)</b>	<b>\$ (235,321)</b>	<b>\$ 1,589,120</b>	<b>\$ 1,824,441</b>

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, 2019**

	Final Budget	Actual - General Fund	Budget Favorable (Unfavorable)
<b>REVENUES</b>			
<b>Taxes</b>			
Real and personal property taxes	\$ 991,667	\$ 1,033,495	\$ 41,828
State income taxes	2,200,000	3,442,735	1,242,735
<b>Total Taxes</b>	<u>3,191,667</u>	<u>4,476,230</u>	<u>1,284,563</u>
<b>From Other Governments</b>			
State of Maryland			
Highway user revenue	65,000	74,794	9,794
State police aid	108,000	101,843	(6,157)
Montgomery County			
Duplicative services	100,000	100,524	524
<b>Total From Other Governments</b>	<u>273,000</u>	<u>277,161</u>	<u>4,161</u>
<b>Miscellaneous</b>			
Investment income	53,000	63,271	10,271
Building rent	90,557	89,972	(585)
Fees, licenses and permits	29,600	44,692	15,092
Other income	30,100	11,441	(18,659)
<b>Total Miscellaneous</b>	<u>203,257</u>	<u>209,376</u>	<u>6,119</u>
<b>Total Revenues</b>	<u><u>\$ 3,667,924</u></u>	<u><u>\$ 4,962,767</u></u>	<u><u>\$ 1,294,843</u></u>



**CHEVY CHASE VILLAGE, MARYLAND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>Administration</b>			
Personnel			
Salaries	\$ 465,494	\$ 437,191	\$ 28,303
Employer obligations	40,116	29,474	10,642
Employee benefits	122,895	102,729	20,166
Organizational development	24,500	23,845	655
Operations			
Communications	8,100	6,669	1,431
Community relations	26,300	31,703	(5,403)
General expenditures	32,850	12,654	20,196
Insurance	32,850	22,050	10,800
Professional services	22,500	22,019	481
Service contracts	9,515	6,909	2,606
Supplies	7,500	4,941	2,559
Engineers and other	100,000	60,928	39,072
Equipment maintenance and repair	600	647	(47)
Computer and technical support	14,975	14,254	721
<b>Total Administration</b>	<b>908,195</b>	<b>776,013</b>	<b>132,182</b>
<b>Public Safety</b>			
Personnel			
Salaries	467,654	431,642	36,012
Employer obligations	56,900	55,715	1,185
Employee benefits	235,818	238,391	(2,573)
Organizational development	4,500	3,357	1,143
Operations			
Communications	10,050	9,330	720
General expenditures	12,000	11,827	173
Insurance	11,000	11,796	(796)
Professional services	381	-	381
Service contracts	5,700	3,489	2,211
Supplies	5,080	4,442	638
Vehicle operations	23,000	23,052	(52)
Equipment maintenance and repair	1,500	480	1,020
Computer and technical support	3,700	3,018	682
<b>Total Public Safety</b>	<b>837,283</b>	<b>796,539</b>	<b>40,744</b>

**CHEVY CHASE VILLAGE, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND - continued**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Budget Favorable (Unfavorable)</u>
<b>Public Works</b>			
Personnel			
Salaries	\$ 431,652	\$ 366,375	\$ 65,277
Employer obligations	49,994	41,035	8,959
Employee benefits	129,912	114,883	15,029
Contracts labor/staff	12,000	17,110	(5,110)
Organizational development	750	584	166
Operations			
Communications	3,000	2,686	314
Disposal and recycling	297,058	248,633	48,425
General expenditures	2,500	1,543	957
Insurance	4,900	5,000	(100)
Weather events	33,500	17,439	16,061
Small tools and shop supplies	4,000	3,182	818
Vehicles - operations	41,000	46,680	(5,680)
Equipment maintenance and repair	500	298	202
<b>Total Public Works</b>	<u>1,010,766</u>	<u>865,448</u>	<u>145,318</u>

**CHEVY CHASE VILLAGE, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND - continued**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>Communications</b>			
Personnel			
Salaries	\$ 284,373	\$ 252,943	\$ 31,430
Employer obligations	22,998	19,579	3,419
Employee benefits	81,405	56,764	24,641
Organizational development	225	375	(150)
Operations			
Communications	2,570	1,812	758
Medical and physicals	-	-	-
Service contracts	14,175	14,520	(345)
Supplies	2,000	957	1,043
Equipment purchases maintenance and repair	1,000	1,237	(237)
Computer and technical support	2,650	100	2,550
<b>Total Communications</b>	<u>411,396</u>	<u>348,287</u>	<u>63,109</u>
<b>Special and Capital Projects</b>			
Parks development	12,757	12,757	-
Sidewalks	-	1,553	(1,553)
Storm drain system	163,243	9,701	153,542
Street lights	10,000	-	10,000
<b>Total Special Projects</b>	<u>186,000</u>	<u>24,011</u>	<u>161,989</u>

**CHEVY CHASE VILLAGE, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND - continued**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>Facilities, Infrastructure and Equipment Acquisitions</b>			
<b>Village Hall</b>			
Systems & structures	\$ 17,500	\$ 4,702	\$ 12,798
Insurance	2,375	2,070	305
Service contracts	42,292	35,795	6,497
Supplies	4,450	7,236	(2,786)
Utilities	38,000	32,438	5,562
<b>Total Village Hall</b>	<u>104,617</u>	<u>82,241</u>	<u>22,376</u>
<b>Parks, Trees and Greenspace</b>			
Communications	8,250	9,570	(1,320)
Utilities	4,100	2,750	1,350
Equipment repair and maintenance	500	-	500
Supplies	250	-	250
Grounds and amenities	48,000	43,152	4,848
Service contracts	5,388	9,276	(3,888)
Tree programs	146,500	131,161	15,339
<b>Total Parks, Trees, and Greenspace</b>	<u>212,988</u>	<u>195,909</u>	<u>17,079</u>
<b>Streets, Walks, Drains, and Lights</b>			
Utilities	40,000	29,370	10,630
<b>Total Streets, Walks, Drains, and Lights</b>	<u>40,000</u>	<u>29,370</u>	<u>10,630</u>
<b>Vehicle and Equipment Replacement</b>			
Public works			
Capital outlay	-	-	-
<b>Total Vehicle and Equipment Replacement</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Facilities, Infrastructure, and Equipment Acquisitions</b>	<u>357,605</u>	<u>307,520</u>	<u>50,085</u>
<b>Total Expenditures</b>	<u>\$ 3,711,245</u>	<u>\$ 3,117,818</u>	<u>\$ 593,427</u>

**CHEVY CHASE VILLAGE, MARYLAND  
 SCHEDULE OF REVENUES  
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>REVENUES</b>			
SafeSpeed citations	\$ 1,010,000	\$ 760,304	\$ (249,696)
Investment interest	2,500	2	(2,498)
<b>Total Revenues</b>	\$ 1,012,500	\$ 760,306	\$ (252,194)

**CHEVY CHASE VILLAGE, MARYLAND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Budget Favorable (Unfavorable)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXPENDITURES</b>			
Department Services			
General government	\$ -	\$ -	\$ -
Police	1,015,000	1,011,005	3,995
<b>Total Department Services</b>	<u>1,015,000</u>	<u>1,011,005</u>	<u>3,995</u>
Special Projects			
Sidewalk - repairs	3,500	5,130	(1,630)
Street light upgrades	10,000	-	10,000
Brookville Road park development	12,757	-	12,757
Storm drain system	163,243	-	163,243
<b>Total Special Projects</b>	<u>189,500</u>	<u>5,130</u>	<u>184,370</u>
 <b>Total Expenditures</b>	 <u>\$ 1,204,500</u>	 <u>\$ 1,016,135</u>	 <u>\$ 188,365</u>

October 17, 2019

To the Board of Managers  
Chevy Chase Village, Maryland

We have audited the financial statements of the governmental activities and each major fund of Chevy Chase Village (the “Village”) for the year ended June 30, 2019, and have issued our report thereon dated October 17, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 21, 2019, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Village. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the Village’s compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our test was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2019, except as may be explained in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### *Difficulties Encountered in Performing the Audit*

There were no difficulties encountered during the audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The Village maintains its books on a cash basis of accounting. At year end, we proposed adjusting journal entries to convert the Village's books to generally accepted accounting principles for governmental entities (accrual and modified accrual). Management has made the following adjustments pertaining to converting the books to GAAP.

- Fixed assets, depreciation expense and related accumulated depreciation
- Noncurrent liabilities



### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that is included in the management representation letter dated October 17, 2019.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationships and our responses were not a condition to our retention.

Very truly yours,

A handwritten signature in cursive script that reads "Lindsey's Associates, LLC". The signature is written in black ink and is positioned to the right of the "Very truly yours," text.