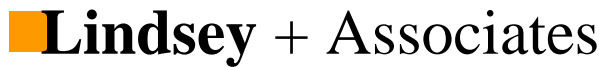


**CHEVY CHASE VILLAGE, MARYLAND  
FINANCIAL STATEMENTS  
JUNE 30, 2009**

**CHEVY CHASE VILLAGE  
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JUNE 30, 2009**

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606 Baltimore Avenue  
Suite 101  
Towson, MD 21204

410.825.1994 phone  
301.596.1996 DC phone  
410.825.1997 fax

[www.acpafirm.com](http://www.acpafirm.com)

## Independent Auditor's Report

Board of Managers  
Chevy Chase Village, Maryland

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, 2009, which collectively comprise the basic financial statements of the Village as listed in the table of contents. These financial statements are the responsibility of Chevy Chase Village's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, the Village has adopted a Special Revenue fund effective July 1, 2008, and also began to account for the Village's defined contribution plan in a Fiduciary Fund.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Chevy Chase Village as of June 30, 2009, 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.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 30 through 31, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chevy Chase Village, Maryland's basic financial statements. The supplemental schedules on pages 32 through 38 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 6, 2009

*Hindley & Associates, P.C.*

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

The management of Chevy Chase Village, (the "Village"), consists of the Village Manager and the elected Board of Managers. As management, we offer readers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2009.

**Overview of the Financial Statements**

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 Assets and the Statement of Activities, are found on pages 8 and 9 and summarized below. The modified accrual format presents the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds on pages 10 and 11. 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 14 through 29.

**Financial Summary**

The comparative data shown below represents the Village's net assets on the full accrual basis.

	2009	2008
<u>Assets</u>		
Cash, investments and receivables	\$ 9,041,216	\$ 7,224,130
Capital assets, net of depreciation	2,228,221	2,268,483
	11,269,437	9,492,613
 <u>Liabilities</u>		
Payables and other current obligations	268,777	471,967
Long term obligations	228,608	248,454
	497,385	720,421
 <u>Net Assets</u>		
Invested in capital assets, net of related debt	2,228,221	2,268,483
Restricted for Safe Speed Program approved projects	3,878,174	1,989,854
Unrestricted net assets	4,665,657	4,513,855
 <u>Total Net Assets</u>	\$ 10,772,052	\$ 8,772,192

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

The amounts reported as "Net Assets" in the Statement of Net Assets (page 8) are different from the amounts reported as "Fund Balance" in the Balance Sheet – Governmental Funds (page 10). This occurs primarily because of the differences in the treatment of capital assets and the revenue and expense/expenditure recognition principles found in full accrual and modified accrual accounting.

**Village Operations**

The Statement of Activities (page 9) presents the change in the Village's Net Assets during the most recent fiscal year measured on the full accrual basis of accounting. Essentially, all changes in net assets are reported as soon as the underlying event that gives rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). These statements record an expense for depreciation and the related outlays for capital items are reflected in the corresponding yearend balance sheet (Statement of Net Assets – full accrual basis).

**Change in Net Assets**

	Governmental Activities	
	2009	2008
Program revenues		
Charges for services	177,125	226,000
Safe speed program	4,318,645	2,876,449
Operating grants and contributions	429,196	235,000
	4,924,966	3,337,449
General revenues		
Property and income taxes		
levied for general purposes	3,679,048	4,314,535
Miscellaneous	-	18,388
Safe speed program investment earnings	25,485	199
Unrestricted investment earnings	84,726	111,314
	3,789,259	4,444,436
Total revenues	8,714,225	8,404,102
Expenses		
Police and communications	1,371,401	1,258,411
Safe speed program	2,423,837	1,509,174
Public works, parks, and recreation	1,734,147	1,570,640
Administration and special projects	1,184,980	1,063,085
Total expenses	6,714,365	5,401,310
Change in net assets	1,999,860	3,002,792
Net assets, beginning of year	8,772,192	5,769,400
Net assets, end of year	10,772,052	8,772,192

**CHEVY CHASE VILLAGE, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2009**

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *SafeSpeed* Program began several months into the FY2008 fiscal year; therefore, the FY2008 audit reflected less than a full year's citation revenues. The citations collected in FY2009 reflect a \$1,811,733 increase over the FY2008 fiscal year due to a full year's operation of the program.

The Village's net assets at June 30, 2009 totaled \$10,772,052, of which \$2,228,221 is invested in capital assets, net of related debt. This represents capital assets presented at cost, less the accumulated depreciation and any unpaid debt incurred to acquire the asset. At June 30, 2009, there was no debt associated with the capital assets. Capital assets include property, buildings and improvements, furniture and equipment, and vehicles. An asset is capitalized if it has a cost in excess of \$1,000 and a useful life greater than one year. Refer to footnote 6 for a detailed schedule of capital assets and related depreciation.

Major capital asset additions during the year ended June 30, 2009 include the following:

Police cruiser	\$ 18,453
Granturk Truck - public works	80,081
Silverado truck with salt spreader - public works	31,919
	<hr/>
	\$ 130,453

**Fund Accounting and Budgets**

The Village groups related accounts into two funds, General Fund and Special Revenue Fund, to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

At its annual meeting, the Village adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget. The budget-to-actual comparisons are presented by department on pages 30 to 31. The financial statements for the General Fund are presented on pages 10 and 11. A summary comparison of General Funds – budget vs. actual is shown below:

**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**Schedule of Revenue and Expenses - Budget and Actual  
(Modified Accrual Basis)**

	Final Budget	Actual	Variance Positive / (Negative)
Revenue	\$ 4,227,515	\$ 4,750,536	\$ 523,021
Expenditures	4,776,750	4,189,512	587,238
Excess of revenue over expenditures	<u>\$ (549,235)</u>	<u>\$ 561,024</u>	<u>\$ 1,110,259</u>

The General Fund is the operating fund for Chevy Chase Village. At June 30, 2009, the Village's General Fund reported an ending fund balance of \$4,422,929, all of which is unreserved and undesignated, which means it is available for spending at the Village's discretion. At June 30, 2009, the Special Revenue Fund reported an ending fund balance of \$3,878,174, all of which is reserved for public safety purposes, including, but not limited to pedestrian safety programs.

As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total expenditures. The current General Fund Balance is 95% of current year expenditures.

**Economic Factors and the Status of Village Funds**

The Village enjoys a strong position, but is dependent on State income tax collections and real property assessments to provide the funding for the regular Village operations. These factors, which are beyond its direct control, are quite variable. The State of Maryland is realizing significant growth in real property assessments and this trend has impacted the Village's property tax revenues. However, the difficulties experienced in the housing industry are expected to impact the assessment cycle and property tax revenue increases are not expected to match prior periods.

Income tax revenues are much more variable than the property taxes. While the property tax base is relatively steady, the income tax revenues are impacted by the tax liability of the residents and can be impacted as residents move into and out of the Village. Income tax revenues in fiscal 2009 were 19% higher than the budget and were materially unchanged from fiscal 2008's collections. Income tax revenues for fiscal 2010 are budgeted as \$1,800,000 or almost 40% less than fiscal 2009's actual receipts.



**CHEVY CHASE VILLAGE, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

In addition to the cost of normal operations, which is expected to decrease 6% to \$3,797,325, the Village is pursuing special projects including the continuation of the payments to Montgomery County for the Wohlfarth property and modifications to the interior of the Village Hall. Long range plans for Village improvements include projects under consideration, in evaluation for feasibility or in the engineering design phase. They include development work with the Maryland State Highway Administration for a pedestrian walkway along Brookville Road and other sidewalk and street light improvements.

A significant portion of the Village's assets is in cash and investments. The cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, and, by agreement with the Bank, the excess deposits are collateralized at 102% to protect the Village's position. Investments are primarily in instrumentalities of the U.S. Government and in the Maryland Local Government Investment Pool, which is a money market type account operated by the Maryland Treasurer and rated AAA by Standard & Poor and in certificates of deposit which are fully insured by the FDIC.

**Contacting the Village's Financial Management**

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

**CHEVY CHASE VILLAGE, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents - unrestricted	\$ 84,675
Cash and cash equivalents - restricted	527,196
Investments	7,475,069
Other accounts receivable	18,375
Amounts due from other governments	551,936
Safe Speed program citations receivable, net of allowance	383,965
Total Current Assets	<u>9,041,216</u>
Noncurrent Assets	
Net capital assets	<u>2,228,221</u>
Total Noncurrent Assets	<u>2,228,221</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,269,437</u></u>
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued expenses	\$ 175,196
Amounts held in escrow and deposit	6,476
Compensated absences	80,600
Unearned revenue	6,505
Current portion of long-term debt	-
Total Current Liabilities	<u>268,777</u>
Noncurrent Liabilities	
Compensated absences	228,608
Loan payable - long-term	-
Total Noncurrent Liabilities	<u>228,608</u>
<b>TOTAL LIABILITIES</b>	<u>497,385</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,228,221
Restricted	-
Safe Speed Program approved projects	3,878,174
Unrestricted	4,665,657
Total Net Assets	<u>10,772,052</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 11,269,437</u></u>

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, 2009**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	
Primary Government					
Governmental Activities:					
General government	\$ 1,076,859	\$ 177,125	\$ 9,561	\$ 242,227	\$ (647,946)
Public safety	1,057,314	-	71,125	-	(986,189)
Public works	935,251	-	106,283	-	(828,968)
Communications	314,087	-	-	-	(314,087)
Safe speed program	2,423,837	4,318,645	-	-	1,894,808
Facilities, infrastructure, and equipment	798,896	-	-	-	(798,896)
Special projects	108,121	-	-	-	(108,121)
Total Governmental Activities	6,714,365	4,495,770	186,969	242,227	(1,789,399)
Total Primary Government	\$ 6,714,365	\$ 4,495,770	\$ 186,969	\$ 242,227	\$ (1,789,399)
			General revenues:		
			Taxes		
			Income taxes	2,591,759	
			Property taxes	1,087,289	
			Interest and investment earnings	110,211	
			Total General Revenues	3,789,259	
			Transfers in (out)	-	
			Change in Net Assets	1,999,860	
			Net Assets, beginning of year	8,772,192	
			Net Assets, end of year	\$ 10,772,052	

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

**CHEVY CHASE VILLAGE, MARYLAND  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2009**

**RECONCILIATION OF TOTAL GOVERNMENTAL  
FUND BALANCE TO NET ASSETS OF  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>	
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 84,675	\$ -	\$ 84,675	<i>Total Governmental Fund Balances</i> \$ 8,301,103
Cash and cash equivalents - restricted	-	527,196	527,196	
Investments	4,403,188	3,071,881	7,475,069	Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.   (309,208)
Due to other funds	52,496	(52,496)	-	
Accounts receivable, net of allowances	18,375	383,965	402,340	
Accounts receivable - income taxes	551,936	-	551,936	Deferred income tax revenues are recorded on the modified accrual basis.                     551,936
<b>TOTAL ASSETS</b>	<u>\$ 5,110,670</u>	<u>\$ 3,930,546</u>	<u>\$ 9,041,216</u>	Capital assets used in governmental activities are not financial resources and therefore are not reported on the funds. <u>2,228,221</u>
<b>LIABILITIES</b>				<i>Net Assets of Governmental Activities</i> <u>\$ 10,772,052</u>
Accounts payable and accrued expenses	\$ 122,824	\$ 52,372	\$ 175,196	
Amounts held in escrow	6,476	-	6,476	
Deferred revenues	558,441	-	558,441	
<b>TOTAL LIABILITIES</b>	<u>687,741</u>	<u>52,372</u>	<u>740,113</u>	
<b>FUND BALANCES</b>				
Reserved				
Safe Speed Program approved projects	-	3,878,174	3,878,174	
Unreserved	4,422,929	-	4,422,929	
<b>TOTAL FUND BALANCES</b>	<u>4,422,929</u>	<u>3,878,174</u>	<u>8,301,103</u>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,110,670</u>	<u>\$ 3,930,546</u>	<u>\$ 9,041,216</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, 2009**

**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, 2009**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 4,059,489	\$ -	\$ 4,059,489
Safe speed citations	-	4,688,182	4,688,182
Intergovernmental	348,510	-	348,510
Fees, licenses, and permits	48,048	-	48,048
Rents	82,927	-	82,927
Interest income	84,726	25,485	110,211
Miscellaneous	126,836	-	126,836
<b>Total Revenues</b>	<u>4,750,536</u>	<u>4,713,667</u>	<u>9,464,203</u>
<b>Expenditures</b>			
General government	984,106	14,102	998,208
Public safety	1,000,203	1,878,272	2,878,475
Public works	811,746	43	811,789
Communications	321,234	2,512	323,746
Facilities, infrastructure, and equipment	793,079	68,221	861,300
Special projects	108,121	381,520	489,641
Capital projects	40,570	79,167	119,737
Capital outlay	130,453	-	130,453
<b>Total Expenditures</b>	<u>4,189,512</u>	<u>2,423,837</u>	<u>6,613,349</u>
<b>Excess (deficiency) of revenues over expenditures</b>	561,024	2,289,830	2,850,854
<b>Other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	561,024	2,289,830	2,850,854
<b>Fund balance, beginning of year</b>	<u>3,861,905</u>	<u>1,588,344</u>	<u>5,450,249</u>
<b>Fund balance, end of year</b>	<u>\$ 4,422,929</u>	<u>\$ 3,878,174</u>	<u>\$ 8,301,103</u>

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 2,850,854
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 depreciation exceeded capital outlays in the current period.	(40,262)
Decrease in Safe Speed Program uncollected revenues current financial resources and are not reported as revenue in the funds.	(369,537)
Decrease in deferred state income taxes do not provide current financial resources and are not reported as revenue in the funds.	(380,441)
Difference between accrual and modified accrual in accounting for compensated absences.	<u>(60,754)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u>\$ 1,999,860</u>

**CHEVY CHASE VILLAGE, MARYLAND  
STATEMENT OF FIDUCIARY NET ASSETS  
PENSION TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>ASSETS</b>	
Cash and cash equivalents	\$ -
Investments, at fair value	1,174,796
Due from other funds	-
Total assets	<u>\$ 1,174,796</u>
	-
 <b>LIABILITIES</b>	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
 <b>NET ASSETS</b>	
Held in trust for pension benefits	<u>1,174,796</u>
Total net assets	<u>\$ 1,174,796</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 ASSETS  
PENSION TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

**ADDITIONS**

Contributions		
Employer	\$	162,247
Plan member		-
Total contributions		<u>162,247</u>
Investment Income		
Net decrease in fair value of investments		(172,673)
Interest		-
Net investment income		<u>(172,673)</u>
Total additions		(10,426)

**DEDUCTIONS**

Distributions		-
Administrative expenses		<u>(235)</u>
		<u>(235)</u>
<b>Net decrease</b>		(10,661)
<b>Net assets held in trust for pension benefits, July 1, 2008</b>		<u>1,185,457</u>
<b>Net assets held in trust for pension benefits, June 30, 2009</b>	<b>\$</b>	<b><u><u>1,174,796</u></u></b>

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**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 the 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. 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 or incomplete. 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 Safe Speed program.

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



**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**Basis of Accounting**

**Government-Wide Financial Statements**

The statement of net assets 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 assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**Fund Financial Statements**

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

**Governmental Funds**

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

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

**Fiduciary Fund – Pension Trust Fund**

The Village currently has one Fiduciary Fund. The Pension Trust Fund is used to account for defined contribution plan assets held by the Village in a trustee 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.

Some revenues, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, some revenues are recorded as receivables and deferred until they become available. Safe Speed camera revenues are recognized as revenue when received.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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**

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments," investments held at June 30, 2009 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.

**Receivables**

Receivables at June 30, 2009 consist of income taxes, property taxes, and highway user revenue. Taxes and highway user revenues are deemed collectible in full.

**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.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**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 \$1,000 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.

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 uses restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are 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.

**Compensated Absences**

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

Vested or accumulated vacation or sick leave is accrued when earned by the employee and a liability is recorded in the government-wide financial statements. At June 30, 2009, the liability to Village employees for accrued annual and sick leave was \$309,208 based on the wage rates in effect during the fiscal year.

**Post-Employment Benefits**

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

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**Estimates**

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

**Equity Classifications**

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

*Invested in capital assets, net of related debt* – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* – Consists of net assets 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.

*Unrestricted net assets* – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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.

**Change in Accounting**

Effective July 1, 2008, the Village has adopted the use of a Special Revenue fund to account for all financial resources pertaining to the Village’s Safe Speed program. The Village also began to account for the defined contribution plan in a Fiduciary Fund.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

**Budget Requirements, Accounting, and Reporting**

**Requirements for all funds:**

Annual budgets are adopted for all Village funds. The Board of Managers may subsequently amend the budget. The budget was amended during fiscal year 2009. For day-to-day management control, expenditures may not exceed budget at the department level. The Village prepares an annual operating budget on a basis consistent with generally accepted accounting principles.

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

The Village's deposits are insured by FDIC or secured by a surety bond or collateralized with securities held by the Village, its agent, or by the pledging financial institution's trust department or agent in the name of the Village.

**Deposits**

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

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

At year-end, the carrying amounts of the Village's deposits were \$611,571 and the bank balances totaled \$890,306. 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.

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, 2009, 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:

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

- 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

**Investments**

At June 30, 2009, the Village had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings	Weighted Average Days to Maturity
MLGIP - unrestricted	\$ 1,039,379	\$ 1,039,379	AAAm	50
MLGIP - restricted	231,786	231,786	AAAm	50
<b>Total MLGIP</b>	<b>1,271,165</b>	<b>1,271,165</b>		
Certificates of Deposit issued by:				
Chevy Chase Bank - CDAR SC	345,000	345,000	N/A	90
Chevy Chase Bank - CDAR	2,012,104	2,012,104	N/A	120
Frederick County Bank	250,000	250,000	N/A	90
The Columbia Bank	98,021	98,021	N/A	365
Baltimore County Savings Bank	150,000	150,000	N/A	330
Baltimore County Savings Bank	100,000	100,000	N/A	330
Midstate Federal Savings & Loan	250,000	250,000	N/A	90
OBA Bank	250,000	250,000	N/A	365
SunTrust Bank	250,000	250,000	N/A	90
<b>Total Certificates of Deposit</b>	<b>3,705,125</b>	<b>3,705,125</b>		
Treasury Bills	2,495,095	2,495,095	N/A	120
Brokerage Accounts	3,684	3,684		
	<u>\$ 7,475,069</u>	<u>\$ 7,475,069</u>		
Pension Trust Fund - mutual funds	<u>\$ 1,174,796</u>	<u>\$ 1,174,796</u>	N/A	N/A

Notes: 1- Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

2- **Interest Rate Risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.



**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 4 – RECEIVABLES**

Accounts receivable are comprised of the following as of June 30, 2009:

Income taxes	\$ 551,936
Highway user	16,316
Property taxes	2,059
Safe Speed Program	383,965
Total	<u>\$ 954,276</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 tax rate 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, 2009 was \$.103 per \$100 of assessed value and \$.66 per \$100 of assessed value respectively.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2009 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	7,200	-	-	7,200
Village building and improvements	2,571,458	-	-	2,571,458
Furniture and fixtures	300,883	-	-	300,883
Vehicles and equipment	1,134,235	130,453	-	1,264,688
Subtotal	4,013,776	130,453	-	4,144,229
Total capital assets	4,327,667	130,453	-	4,458,120
Accumulated depreciation:				
Street and sidewalk improvements	90	180	-	270
Village building and improvements	1,027,057	46,643	-	1,073,700
Furniture and fixtures	249,632	16,167	-	265,799
Vehicles and equipment	782,405	107,725	-	890,130
Subtotal, accumulated depreciation	2,059,184	170,715	-	2,229,899
Net capital assets	\$ 2,268,483	\$ (40,262)	\$ -	\$ 2,228,221

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 62,990
Recreation and culture	5,817
Public works	68,687
Public safety	33,221
Total government activities depreciation expense	\$ 170,715

As of June 30, 2009, there were no material construction commitments.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 7 – DEFINED CONTRIBUTION PLAN**

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

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

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

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

<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 \$162,247 for the year ended June 30, 2009.

**NOTE 8 – DEFERRED COMPENSATION PLAN**

The Village offers a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 to all its employees. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property rights purchased with those amounts, and all income attributable to those amounts (until paid or made available to the employee or other beneficiary) shall be held in trust for the exclusive benefit of plan participants and their beneficiaries, and the assets can not be diverted for any other purpose and are not included in the Village's financial statements. The plan is administered by the Hartford Life Insurance Corporation. Employer contributions to the plan for the year ended June 30, 2009 were \$12,274.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 9 – LONG-TERM DEBT**

The Village’s only long-term liabilities relate to accrued sick leave and accrued vacation. The Village policy is to pay employees meeting certain eligibility requirements one hour wages for each three hours of accumulated sick leave. The Village may pay employees for compensatory time. The following summarizes the changes in long-term liabilities for the year ended June 30, 2009.

<u>Compensated Absences</u>	<u>Balance July 1, 2008</u>	<u>Increase</u>	<u>Balance June 30, 2009</u>	<u>Due within one year</u>
Accrued sick leave	\$ 115,152	\$ 16,393	\$ 131,545	\$ 19,100
Accrued vacation	133,302	12,340	145,642	61,500
Accrued compensatory time	-	32,021	32,021	-
Total	<u>\$ 248,454</u>	<u>\$ 60,754</u>	<u>\$ 309,208</u>	<u>\$ 80,600</u>

**NOTE 10 – CONCENTRATION OF REVENUES**

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

**NOTE 11 – RISK MANAGEMENT**

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

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

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

Premiums are charged to the appropriate 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, 2009 and the amounts of settlements have not exceeded coverage for each of the past three years. During the year ended June 30, 2009 the Village paid premiums of \$22,515 to the Trust.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 11 – RISK MANAGEMENT - continued**

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

**NOTE 12 – POLICE SERVICES**

The Village has entered into agreements with Martin's Additions, Chevy Chase View, the Village of Somerset, and Sections 3 and 5 of the Villages of Chevy Chase to provide police services to their communities. All agreements are for one-year renewable terms with payments based on upon police service hours rendered. During fiscal year 2009, Martin's Additions, Somerset, Chevy Chase View and Section 3 of Chevy Chase Village renewed contracts for the period of July 1, 2008 through June 30, 2009. Section 5 of the Village of Chevy Chase signed a contract for the period January 1, 2009 through June 30, 2009.

**NOTE 13 – DEFERRED REVENUE**

At June 30, 2009, Chevy Chase Village was advised by the State of Maryland that \$551,936 of the Local Income Tax Reserve Fund was allocable to Chevy Chase Village. In accordance with the provisions of Government Accounting Standards Board ("GASB") 33 regarding the accounting and reporting of nonexchange transactions, the Village recorded a receivable and deferred income tax of this amount. This deferred amount has been reflected as an increase in the entity-wide statements in accordance with full accrual accounting.

In 2008, Chevy Chase Village instituted a program to enforce compliance with the posted speed limits in the Village. The program utilizes photographic equipment to capture the license number of vehicles determined to be in violation of the posted limits. As of June 30, 2009 there was \$383,965 in accounts receivable pertaining to this program. Safe Speed revenues are recognized when received.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 14 – CHEVY CHASE OPEN SPACE**

On August 12, 2002, the Village entered into a memorandum of understanding with Montgomery County (the “County”) and the Maryland-National Capital Park Planning Commissions (the “Commission”) for the purpose of acquiring property immediately adjacent to the Village. This property known as Chevy Chase Open Space is to be maintained and operated as a public park. The Village is expected to contribute \$1,250,000 to the cost of the acquisition. Approximately \$311,600 of that amount will be provided by Program Open Space Funds which the Village will receive from the County. In addition to the \$200,000 paid in fiscal year 2003, the Village will contribute \$100,000 per year through 2009 and the balance will be due July 15, 2010. The Village paid their required annual contribution of \$100,000 for fiscal 2009.

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 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.

**Litigation**

In the normal course of business the Village is a defendant in two lawsuits which management is defending. No contingency has been established because neither the outcome of the cases nor the amount of an award, if any, can be determined. The Village is defending these matters.

**CHEVY CHASE VILLAGE, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 16 – FUND BALANCE REPORTING**

GASB No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” is effective for the year ended June 30, 2011. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The Village has not determined the financial statement effect of GASB No. 54.

**NOTE 17 – SUBSEQUENT EVENTS AND CONTINGENCY**

Senate Bill 277, “Vehicle Laws – Speed Monitoring Systems – Statewide Authorization and Use in Highway Work Zones,” is 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.”

**CHEVY CHASE VILLAGE, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES AND EXPENDITURES - UNAUDITED  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>General Fund</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>Revenues</b>				
Taxes	\$ 3,541,001	\$ 3,541,001	\$ 4,059,489	\$ 518,488
Intergovernmental	348,510	318,817	348,510	29,693
Interest income	128,542	119,042	84,726	(34,316)
Miscellaneous	209,462	248,655	257,811	9,156
<b>Total Revenues</b>	<b>\$ 4,227,515</b>	<b>\$ 4,227,515</b>	<b>\$ 4,750,536</b>	<b>\$ 523,021</b>
<b>Expenditures</b>				
General government	\$ 831,370	\$ 1,093,868	\$ 984,106	\$ 109,762
Public safety	1,062,814	1,104,375	1,018,656	85,719
Public works	1,011,099	1,011,097	923,746	87,351
Communications	363,707	369,711	321,234	48,477
Capital Projects	39,779	39,779	40,570	(791)
Special projects	260,000	260,000	108,121	151,879
Facilities, infrastructure, and equipment acquisitions	817,250	845,750	793,079	52,671
Phase 2 & 3 staffing changes	90,170	52,170	-	52,170
<b>Total Expenditures</b>	<b>\$ 4,476,189</b>	<b>\$ 4,776,750</b>	<b>\$ 4,189,512</b>	<b>\$ 587,238</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (248,674)</b>	<b>\$ (549,235)</b>	<b>\$ 561,024</b>	<b>\$ 1,110,259</b>



**CHEVY CHASE VILLAGE, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES - UNAUDITED**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Special Revenue Fund</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>Revenues</b>				
Safe speed citations	\$ 7,360,427	\$ 7,360,427	\$ 4,688,182	\$ (2,672,245)
Interest income	-	-	25,485	25,485
<b>Total Revenues</b>	<b>\$ 7,360,427</b>	<b>\$ 7,360,427</b>	<b>\$ 4,713,667</b>	<b>\$ (2,646,760)</b>
<b>Expenditures</b>				
General government	\$ 6,406	\$ 18,406	\$ 14,102	\$ 4,304
Public safety	3,192,193	3,192,193	1,878,272	1,313,921
Public works	4,008	4,008	43	3,965
Communications	4,926	4,926	2,512	2,414
Capital Projects	109,394	97,394	68,221	29,173
Special projects	77,500	633,434	381,520	251,914
Facilities, infrastructure, and equipment acquisitions	66,000	106,000	79,167	26,833
<b>Total Expenditures</b>	<b>\$ 3,460,427</b>	<b>\$ 4,056,361</b>	<b>\$ 2,423,837</b>	<b>\$ 1,632,524</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 3,900,000</b>	<b>\$ 3,304,066</b>	<b>\$ 2,289,830</b>	<b>\$ (1,014,236)</b>

**CHEVY CHASE VILLAGE, MARYLAND  
SCHEDULE OF REVENUES  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2009**

	Final Budget	Actual - General Fund	Budget Favorable (Unfavorable)
<b>REVENUES</b>			
<b>Taxes</b>			
Real estate	\$ 1,041,001	\$ 1,087,289	\$ 46,288
State income taxes	2,500,000	2,972,200	472,200
<b>Total Taxes</b>	<u>3,541,001</u>	<u>4,059,489</u>	<u>518,488</u>
<b>From Other Governments</b>			
State of Maryland			
Highway user revenue	125,000	106,283	(18,717)
State police aid	87,980	136,390	48,410
Montgomery County			
Duplicative services	105,837	105,837	-
<b>Total From Other Governments</b>	<u>318,817</u>	<u>348,510</u>	<u>29,693</u>
<b>Miscellaneous</b>			
Contracted police services	70,080	71,125	1,045
Investment income	119,042	84,726	(34,316)
Building rent	93,775	82,927	(10,848)
Fees, licenses and permits	46,991	48,048	1,057
Other income	37,809	55,711	17,902
<b>Total Miscellaneous</b>	<u>367,697</u>	<u>342,537</u>	<u>(25,160)</u>
<b>Total Revenues</b>	<u>\$ 4,227,515</u>	<u>\$ 4,750,536</u>	<u>\$ 523,021</u>

**CHEVY CHASE VILLAGE, MARYLAND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>General Government (Administration)</b>			
Personnel			
Salaries	\$ 356,162	\$ 364,571	\$ (8,409)
Employer obligations	28,633	25,372	3,261
Employee benefits	106,087	81,500	24,587
Organizational development	20,500	16,745	3,755
Operations			
Communications	7,820	7,405	415
Community relations	39,800	36,695	3,105
General expenditures	31,450	26,196	5,254
Insurance	6,966	8,103	(1,137)
Professional services	463,600	392,763	70,837
Service contracts	5,600	9,484	(3,884)
Supplies	6,000	7,106	(1,106)
Vehicle operations	500	-	500
Equipment maintenance and repair	5,250	2,148	3,102
Computer and technical support	15,500	6,018	9,482
<b>Total General Government</b>	<u>1,093,868</u>	<u>984,106</u>	<u>109,762</u>
<b>Public Safety</b>			
Personnel			
Salaries	685,612	695,984	(10,372)
Employer obligations	100,641	78,059	22,582
Employee benefits	176,677	131,662	45,015
Organizational development	26,350	20,956	5,394
Operations			
Communications	9,374	8,235	1,139
Community relations	200	-	200
General expenditures	8,560	18,000	(9,440)
Insurance	9,000	6,360	2,640
Professional services	4,200	476	3,724
Service contracts	6,250	1,773	4,477
Supplies	5,900	5,505	395
Vehicle operations	48,000	31,104	16,896
Equipment maintenance and repair	5,500	4,253	1,247
Computer and technical support	18,111	16,289	1,822
<b>Total Public Safety</b>	<u>1,104,375</u>	<u>1,018,656</u>	<u>85,719</u>

**CHEVY CHASE VILLAGE, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND - continued**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>Public Works</b>			
Personnel			
Salaries	\$ 438,209	\$ 445,642	\$ (7,433)
Employer obligations	63,048	52,163	10,885
Employee benefits	112,040	94,639	17,401
Contracts labor/staff	20,000	3,418	16,582
Operations			
Communications	5,350	4,812	538
Disposal and recycling	287,000	266,002	20,998
General expenditures	9,000	9,272	(272)
Insurance	7,000	5,356	1,644
Professional services	250	-	250
Weather events	18,200	14,016	4,184
Small tools and shop supplies	3,000	4,303	(1,303)
Vehicles - operations	47,000	23,293	23,707
Equipment maintenance and repair	1,000	830	170
<b>Total Public Works</b>	<u>1,011,097</u>	<u>923,746</u>	<u>87,351</u>

**CHEVY CHASE VILLAGE, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND - continued**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>Communications</b>			
Personnel			
Salaries	\$ 251,044	\$ 232,339	\$ 18,705
Employer obligations	21,600	17,768	3,832
Employee benefits	65,611	47,097	18,514
Organizational development	3,500	1,947	1,553
Operations			
Communications	2,406	1,859	547
General expenditures	2,650	947	1,703
Service contracts	12,000	13,255	(1,255)
Supplies	1,150	2,898	(1,748)
Equipment purchases maintenance and repair	4,500	192	4,308
Computer and technical support	5,250	2,932	2,318
<b>Total Communications</b>	<u>369,711</u>	<u>321,234</u>	<u>48,477</u>
<b>Special Projects</b>			
Chevy Chase Open Space	100,000	100,000	-
Village Hall improvements	75,000	834	74,166
Buffer	25,000	-	25,000
Brookville Park	15,000	-	15,000
Website redesign	20,000	7,287	12,713
Electronic archiving	25,000	-	25,000
<b>Total Special Projects</b>	<u>260,000</u>	<u>108,121</u>	<u>151,879</u>
<b>Capital Projects</b>			
Personnel			
Salaries	19,206	20,493	(1,287)
Employer obligations	1,560	1,018	542
Employee benefits	7,217	6,861	356
Organizational development	561	701	(140)
Operations			
Communications	832	1,081	(249)
Insurance	242	-	242
Professional services	9,500	9,866	(366)
Supplies	100	550	(450)
Equipment purchases maintenance and repair	66	-	66
Vehicles - operations	495	-	495
<b>Total Capital Projects</b>	<u>39,779</u>	<u>40,570</u>	<u>(791)</u>
<b>Phase 3 Staffing Change</b>			
One FTE	52,170	-	52,170
<b>Total Phase 3 Staffing Change</b>	<u>52,170</u>	<u>-</u>	<u>52,170</u>

**CHEVY CHASE VILLAGE, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND - continued**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Final Budget	Actual	Budget Favorable (Unfavorable)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Facilities, Infrastructure and Equipment Acquisitions</b>			
<b>Village Hall</b>			
Systems & Structures	\$ 7,000	\$ 13,043	\$ (6,043)
Insurance	9,500	5,040	4,460
Service contracts	22,300	22,811	(511)
Supplies	3,300	3,446	(146)
Utilities	45,500	30,801	14,699
Equipment repair and maintenance	3,000	914	2,086
<b>Total Village Hall</b>	<u>90,600</u>	<u>76,055</u>	<u>14,545</u>
<b>Parks, Trees and Greenspace</b>			
Communications	1,700	2,504	(804)
Utilities	3,800	2,643	1,157
Equipment repair and maintenance	1,500	221	1,279
Supplies	200	274	(74)
Grounds and amenities	69,000	64,210	4,790
Professional services	5,000	7,566	(2,566)
Service contracts	6,950	7,220	(270)
Tree programs	329,500	317,303	12,197
<b>Total Parks, Trees, and Greenspace</b>	<u>417,650</u>	<u>401,941</u>	<u>15,709</u>
<b>Streets, Walks, Drains, and Lights</b>			
In-house maintenance & repair	12,500	6,021	6,479
Utilities	50,000	41,493	8,507
Contracted	113,000	108,227	4,773
<b>Total Streets, Walks, Drains, and Lights</b>	<u>175,500</u>	<u>155,741</u>	<u>19,759</u>
<b>Vehicle and Equipment Replacement</b>			
Administration	7,500	8,235	(735)
Public safety	-	11,861	(11,861)
Capital outlay	35,000	18,453	16,547
Public works	-	8,793	(8,793)
Capital outlay	119,500	112,000	7,500
<b>Total Vehicle and Equipment Replacement</b>	<u>162,000</u>	<u>159,342</u>	<u>2,658</u>
<b>Total Facilities, Infrastructure, and Equipment Acquisitions</b>	<u>845,750</u>	<u>793,079</u>	<u>52,671</u>
<b>Total Expenditures</b>	<u>\$ 4,776,750</u>	<u>\$ 4,189,512</u>	<u>\$ 587,238</u>

**CHEVY CHASE VILLAGE, MARYLAND  
 SCHEDULE OF REVENUES  
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2009**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>REVENUES</b>			
Safe Speed citations	\$ 7,360,427	\$ 4,688,182	\$ (2,672,245)
Investment interest	-	25,485	25,485
<b>Total Revenues</b>	\$ 7,360,427	\$ 4,713,667	\$ (2,646,760)

**CHEVY CHASE VILLAGE, MARYLAND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	Final Budget	Actual	Budget Favorable (Unfavorable)
<b>EXPENDITURES</b>			
Department Services			
General government	\$ 18,406	\$ 14,102	\$ 4,304
Police	3,192,193	1,878,272	1,313,921
Communications	4,926	2,512	2,414
Public works	4,008	43	3,965
Capital projects	97,394	79,167	18,227
<b>Total Department Services</b>	<u>3,316,927</u>	<u>1,974,096</u>	<u>1,342,831</u>
Facilities, Fleet and Infrastructure			
Vehicle and equipment replacement	106,000	68,221	37,779
<b>Total Facilities, Fleet and Infrastructure</b>	<u>106,000</u>	<u>68,221</u>	<u>37,779</u>
Special Projects			
Building modifications police station	45,000	41,140	3,860
Right of way security & call boxes	26,000	-	26,000
Systems engineering	303,500	277,109	26,391
Brookville Park emergency phone	6,500	-	6,500
Brookville Road walkway	252,434	63,271	189,163
<b>Total Special Projects</b>	<u>633,434</u>	<u>381,520</u>	<u>251,914</u>
 <b>Total Expenditures</b>	 <u><u>\$ 4,056,361</u></u>	 <u><u>\$ 2,423,837</u></u>	 <u><u>\$ 1,632,524</u></u>