
**TOWN OF CHEVY CHASE,
MARYLAND**

**Financial Statements and Report of
Independent Certified Public
Accountants**

**For the Years Ended
June 30, 2014 and 2013**

LSWG
Linton Shafer Warfield & Garrett, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF CHEVY CHASE, MARYLAND
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TOWN OF CHEVY CHASE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013

As management of the Town of Chevy Chase, (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. The MD&A is best understood if read in conjunction with the Town's basic financial statements.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the 2014 fiscal year by \$9,962,212 (net position). Of the total net position, \$8,623,165 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors and \$1,339,047 is invested in capital assets.

As of June 30, 2014, the Town's governmental funds reported an ending fund balance of \$8,647,446, an increase of \$474,465 in comparison with the prior year. Of this amount, \$8,564,248 is available for spending at the government's discretion (unassigned fund balance). The unassigned fund balance of \$8,564,248 is 219% of the total fiscal year 2014 general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *Statement of Net Position*, Exhibit A-1, presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Program Activities*, Exhibit A-2, presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are

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intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, streets and roads, sanitation and waste removal, and parks and recreation. The Town does not have any business-type activities.

The government-wide financial statements include only the Town of Chevy Chase because the Town has no component unit relationships with any other agency. The government-wide financial statements can be found in Exhibits A-1 to A-3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The Town of Chevy Chase has only a governmental fund, the General Fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of available, spendable resources*, as well as on *balances of those resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found in Exhibits A-4 to A-6.

Proprietary funds. The Town does not have a proprietary-type fund (enterprise fund.) *Enterprise funds* are used to report the same functions presented as *business-type activities* in the governmental-wide financial statements.

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Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town has no fiduciary funds.

Summary of significant accounting policies and notes to the financial statements. The summary and notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are part of the basic financial statements and can be found on pages 1 to 15 of Exhibit A-7.

Other information. In addition to the basic financial statements and accompanying notes this report also presents certain *supplementary information* in Exhibits B-1 and B-2.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the Town, assets exceeded liabilities by \$9,962,212 at the close of the current fiscal year. The Town of Chevy Chase's net position is divided into two categories – 1) investment in capital assets, net of related debt, and 2) unrestricted net position. The smaller portion of the Town's net position (13.4%) reflects its investment in capital assets net of depreciation (e.g., land, improvements, buildings, machinery, equipment and vehicles). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The unrestricted net position of the government has a balance of \$8,623,165 (86.6% of total net position), which may be used to meet the government's ongoing obligations to citizens and creditors.

For the fiscal years ended June 30, 2014 and 2013 the Town reported the following assets and liabilities:

Town of Chevy Chase's Net Position

	2014	2013
Assets		
Current and other assets	\$ 8,823,525	\$ 8,334,266
Capital assets	<u>1,339,047</u>	<u>776,188</u>
Total assets	<u>10,162,572</u>	<u>9,110,454</u>
Deferred Outflows	<u>-</u>	<u>-</u>
Liabilities	<u>200,360</u>	<u>190,751</u>
Deferred Inflows	<u>-</u>	<u>-</u>
Net Position		
Invested in capital assets	1,339,047	776,188
Unrestricted and undesignated	<u>8,623,165</u>	<u>8,143,515</u>
Total net position	<u>\$ 9,962,212</u>	<u>\$ 8,919,703</u>

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The following table indicates the changes in net position for governmental activities:

Town of Chevy Chase's Change in Net Position

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 116,376	\$ 120,228
Operating grants and contributions	73,618	60,839
General revenues:		
Property and income, taxes levied for general purposes	4,046,311	4,487,169
Miscellaneous	120,628	222,549
Unrestricted investment earnings	<u>10,493</u>	<u>8,537</u>
Total revenues	<u>4,367,426</u>	<u>4,899,322</u>
Expenditures		
General government	1,697,936	1,195,802
Public safety	515,730	500,287
Parks and recreation	347,672	349,693
Public works	<u>763,579</u>	<u>552,194</u>
Total expenses	<u>3,324,917</u>	<u>2,597,976</u>
Increase in net position	1,042,509	2,301,346
Net position, beginning of year	<u>8,919,703</u>	<u>6,618,357</u>
Net position, end of year	<u>\$ 9,962,212</u>	<u>\$ 8,919,703</u>

Governmental activities: Revenues for the governmental activities were \$4,367,426 while total expenditures, net of charges for services, grants and contributions, were \$3,324,917. The increase in net position for governmental activities was \$1,042,509, which is largely attributable to income tax revenue.

As compared to last fiscal year, expenditures increased by \$726,941 while revenues decreased by \$531,896.

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Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's *governmental fund* is to provide information on current inflows, outflows, and balances of available, *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year-end.

The General Fund is the operating fund of the Town of Chevy Chase. At June 30, 2014, the Town's General Fund reported an ending fund balance of \$8,647,446, an increase of \$474,465 in comparison with the prior year. Of this amount, \$8,564,248 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. The total fund balance represents 221% of total General Fund expenditures including capital projects for Town office improvements.

General Fund Budgetary Highlights

Total expenditures on Exhibit B-1 of \$3,906,676 were \$278,830 under budget. With unexpended operating funds accounting for \$36,851 of the variance and unexpended capital project funds accounting for \$241,979 of the variance.

Total revenues on Exhibit B-1 of \$4,381,141 were \$316,141 over budget. With \$246,356 in additional income tax revenue accounting for the majority of the variance.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of June 30, 2014, was \$1,339,047 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, vehicles and furniture and equipment.

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June 30, 2014 and 2013**

The following table of the Town's capital assets is listed below. Additional information can be found in Note 3 on page 11 of Exhibit A-7.

**Town of Chevy Chase's Capital Assets
(net of depreciation)**

	2014	2013
Building and improvements	\$ 196,201	\$ 220,883
Vehicles	45,820	65,275
Furniture and Equipment	161,605	63,511
Streets and roads, Parks and Grounds	935,421	426,519
Total	\$ 1,339,047	\$ 776,188

Major capital asset events during the year ending June 30, 2014 included the following:

Expenditures for street and sidewalk work were \$589,812 and expenditures for furniture and equipment were \$124,360.

Economic Factors and Next Year's Budgets and Rates

In fiscal year 2015 the Council adopted a property tax rate of \$0 per \$100 of assessed value, which is the same rate as fiscal year 2014.

Income tax revenues for fiscal year 2015 are budgeted at \$4,000,000, which represents an increase of \$200,000 from the fiscal year 2014 budget.

General government administration expenditures for fiscal year 2015 are budgeted at \$2,129,000, which represents an increase of \$448,994 from the fiscal year 2014 budget due in part to the environmental initiatives program, charitable contributions, and professional services for the Purple Line analysis.

Public safety expenditures for fiscal year 2015 are budgeted at \$505,000, which represents a decrease of \$1,000 from the fiscal year 2014 budget.

Public works expenditures for fiscal year 2015 are budgeted at \$855,500, which represents a decrease of \$161,500 from the fiscal year 2015 budget due in part to the household organic waste collection and anticipated increases in recycling collection costs.

Capital improvement expenditures for fiscal year 2015 are budgeted at \$917,500, which represents a decrease of \$65,000 from the fiscal year 2014 budget. The capital improvement budget includes funds for anticipated infrastructure repairs, street lighting and open space acquisition.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Requests for Information

This financial report is designed to provide a general overview of the Town of Chevy Chase's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Town Manager, Town of Chevy Chase, 4301 Willow Avenue, Chevy Chase, Maryland 20815 or send an e-mail to jhappy@townofchevyCHASE.org.



Linton Shafer Warfield & Garrett, P.A.
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Mayor and Council of the
Town of Chevy Chase, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Chevy Chase, Maryland (the Town), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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 where the financial statements are free from 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 entity'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 entity'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 audit 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, each major fund, and the aggregate remaining fund information of the Town of Chevy Chase Maryland as of June 30, 2014 and 2013, and the respective changes in financial position for the years then ended in accordance 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 budgetary comparison information 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 inquires 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.

October 10, 2014

Linton Shafer Warfield & Garrett

TOWN OF CHEVY CHASE, MARYLAND
Statements of Net Position
June 30,

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Assets		
Cash and cash equivalents	\$ 1,319,564	\$ 1,295,546
Investments	7,466,456	6,956,050
Due from other governments	36,307	82,670
Prepaid expenses	1,198	-
Capital assets, net	<u>1,339,047</u>	<u>776,188</u>
 Total Assets	 <u>10,162,572</u>	 <u>9,110,454</u>
 Deferred Outflows	 <u>-</u>	 <u>-</u>
Liabilities		
Accounts payable	68,602	74,453
Performance bonds	66,695	46,895
Accrued salaries	28,018	27,937
Accrued compensated absences	<u>37,045</u>	<u>41,466</u>
 Total Liabilities	 <u>200,360</u>	 <u>190,751</u>
 Deferred Inflows	 <u>-</u>	 <u>-</u>
Net Position		
Invested in capital assets	1,339,047	776,188
Unrestricted	<u>8,623,165</u>	<u>8,143,515</u>
 Total Net Position	 <u>\$ 9,962,212</u>	 <u>\$ 8,919,703</u>

The accompanying notes are an integral part of these statements.

TOWN OF CHEVY CHASE, MARYLAND
Statement of Program Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenue		Net (Expenses) Revenue and Changes in Net Position		2014 Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Governmental Activities					
General government	\$ 1,676,030	\$ 70,357	\$ -	\$ (1,605,673)	\$ (1,605,673)
Building and zoning	21,906	35,150	-	13,244	13,244
Public works	763,579	1,010	73,618	(688,951)	(688,951)
Public safety	515,730	9,859	-	(505,871)	(505,871)
Parks and recreation	347,672	-	-	(347,672)	(347,672)
Total Governmental Activities	\$ 3,324,917	\$ 116,376	\$ 73,618	(3,134,923)	(3,134,923)
General Revenues					
Property taxes				(45)	(45)
Income taxes				4,046,356	4,046,356
Intergovernmental				130,807	130,807
Interest				10,493	10,493
Loss on disposal of fixed assets				(13,042)	(13,042)
Miscellaneous				2,863	2,863
Total General Revenues				4,177,432	4,177,432
Changes in Net Position				1,042,509	1,042,509
Net Position, Beginning of Year				8,919,703	8,919,703
Net Position, End of Year				\$ 9,962,212	\$ 9,962,212

The accompanying notes are an integral part of this statement.

TOWN OF CHEVY CHASE, MARYLAND
Statement of Program Activities
For the Year Ended June 30, 2013

	Program Revenue		Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs				2013 Total
Governmental Activities				
General government	\$ 1,173,603	\$ 71,312	\$ -	\$ (1,102,291)
Building and zoning	22,199	37,200	-	15,001
Public works	552,194	1,010	60,839	(490,345)
Public safety	500,287	10,706	-	(489,581)
Parks and recreation	349,693	-	-	(349,693)
Total Governmental Activities	<u>\$ 2,597,976</u>	<u>\$ 120,228</u>	<u>\$ 60,839</u>	<u>(2,416,909)</u>
General Revenues				
Property taxes			122,217	122,217
Income taxes			4,364,952	4,364,952
Intergovernmental			130,807	130,807
Interest			8,537	8,537
Loss on disposals on fixed assets			(3,939)	(3,939)
Miscellaneous			95,681	95,681
Total General Revenues			<u>4,718,255</u>	<u>4,718,255</u>
Changes in Net Position				
Net Position, Beginning of Year			2,301,346	2,301,346
Net Position, End of Year			<u>6,618,357</u>	<u>6,618,357</u>
			<u>\$ 8,919,703</u>	<u>\$ 8,919,703</u>

The accompanying notes are an integral part of this statement.

TOWN OF CHEVY CHASE, MARYLAND
Balance Sheets
Governmental Funds
June 30,

	General Fund <u>2014</u>	General Fund <u>2013</u>
Assets		
Cash and cash equivalents	\$ 1,319,564	\$ 1,295,546
Investments	7,466,456	6,956,050
Due from other governments	36,307	82,670
Prepaid expenses	<u>1,198</u>	<u>-</u>
Total Assets	<u>8,823,525</u>	<u>8,334,266</u>
Deferred Outflows		
	<u>-</u>	<u>-</u>
Liabilities		
Accounts payable	68,602	74,453
Performance bonds	66,695	46,895
Accrued salaries	28,018	27,937
Accrued compensated absences - current	<u>11,571</u>	<u>10,134</u>
Total Liabilities	<u>174,886</u>	<u>159,419</u>
Deferred Inflows		
	<u>1,193</u>	<u>1,866</u>
Fund Balances		
Nonspendable		
Prepaid expenses	1,198	-
Assigned		
Fund balance for fiscal year 2014-2015 budget	82,000	-
Unassigned	<u>8,564,248</u>	<u>8,172,981</u>
Total Fund Balances	<u>\$ 8,647,446</u>	<u>\$ 8,172,981</u>

Reconciliation of Total Governmental Fund Balances To Net

Assets of the Governmental Activities		
Total Governmental Fund Balances	\$ 8,647,446	\$ 8,172,981
Amounts reported for governmental activities in the statement of net position are different because:		
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	1,193	1,866
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,339,047	776,188
Compensated absences that are not available to pay for current-period expenditures deferred in the funds.	<u>(25,474)</u>	<u>(31,332)</u>
Net Position of Governmental Activities	<u>\$ 9,962,212</u>	<u>\$ 8,919,703</u>

The accompanying notes are an integral part of these statements.

TOWN OF CHEVY CHASE, MARYLAND
Statements of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Years Ended June 30, 2014 and 2013

	2014	2013
	General	General
	Fund	Fund
	<u> </u>	<u> </u>
Revenues		
General property taxes	\$ 628	\$ 121,667
State shared taxes	4,046,356	4,364,952
Permits, fee and licenses	105,507	108,512
Intergovernmental revenue	204,425	191,646
Miscellaneous	<u>24,225</u>	<u>115,935</u>
 Total Revenues	 <u>4,381,141</u>	 <u>4,902,712</u>
 Expenditures		
General government	1,781,988	1,215,484
Public safety	515,353	500,287
Public works	<u>1,609,335</u>	<u>1,003,102</u>
 Total Expenditures	 <u>3,906,676</u>	 <u>2,718,873</u>
 Excess of Revenues Over Expenditures	 474,465	 2,183,839
 Fund Balance at Beginning of Year	 <u>8,172,981</u>	 <u>5,989,142</u>
 Fund Balance at End of Year	 <u>\$ 8,647,446</u>	 <u>\$ 8,172,981</u>

The accompanying notes are an integral part of these statements.

TOWN OF CHEVY CHASE, MARYLAND
Reconciliation of the Statements of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Program Activities
For the Years Ended June 30,

	<u>2014</u>	<u>2013</u>
Net Change in Fund Balance - Total Governmental Funds	\$ 474,465	\$ 2,183,839
Amounts reported for governmental activities in the Statement of Program Activities are different because:		
Property tax revenues in the Statement of Program Activities that (do) do not provide current financial resources (are) are not reported as revenues in the funds.	(673)	550
Sale of property is reported as a gain or loss on sale in the Statement of Program Activities but is shown as proceeds from sale and expenses are expensed in the governmental funds.	(13,042)	(3,939)
Governmental funds report capital outlays as expenditures. However, in the Statement of Program Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation is less than (exceeded) capital outlay in the current period.	575,901	107,372
Compensated absences in the Statement of Program Activities do (do not) require the use of current financial resources and therefore are (are not) reported as expenditures in governmental funds.	<u>5,858</u>	<u>13,524</u>
Net Change in Net Position	<u>\$ 1,042,509</u>	<u>\$ 2,301,346</u>

The accompanying notes are an integral part of these statements.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Town of Chevy Chase (Town) was established as a municipality and incorporated in 1918 under the laws of the State of Maryland. The Town operates under a Council-Manager form of government consisting of a Town Manager and Town Council. The Town provides the following services as authorized by its charter: streets, sanitation, building inspection, public safety and general administration services. The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for established governmental and financial reporting principles. The Town implemented the accounting and financial reporting requirements of GASB Statements No. 34, Basic Financial Statements and Management's Discussion and Analysis for States and Local Governments. GASB No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements – These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Position and the Statement of Program Activities.

Statement of Net Position – The Statement of Net Position displays the financial position of the Town. All assets, deferred outflows, liabilities and deferred inflows of resources associated with the operation of the Town are included on the Statement of Net Position. The net position of a government are broken into three categories –1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities – The Statement of Program Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants.)

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

The financial statements were prepared in accordance with GASB Statement No.14, The Financial Reporting Entity, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with the basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town of Chevy Chase. There are no organizations for which the Town is financially accountable and there are no component units of the Town.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The reporting model focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. The Town has one governmental fund, the general fund, to account for all activities of the government, and does not have any business-type activities at this time.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise fees, utility taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent years' operations. For governmental fund financial statements unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Town has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

The Town reports the following major governmental fund:

The General Fund – This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. No other funds are currently required.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Deposits and Investments

Cash and cash equivalents, which are cash and short-term investments with maturities of three months or less, include cash on hand and demand deposit accounts.

2. Capital Assets

Capital assets, which include property improvements, furniture, equipment, infrastructure and vehicles are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life of five years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 2004 are not reported in the basic financial statements. Total infrastructure increases for June 30, 2014 and 2013 were \$587,478 and \$164,935, respectively. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

- Infrastructure – 10 years
- Property improvements – 16-40 years
- Furniture and equipment – 5 - 10 years
- Vehicles – 10 years

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)

3. Compensated Absences

Town employees are granted vacation in varying amounts based on length of service. Carryover is limited to two hundred and forty (240) hours. Unused vacation pay, if any, is paid with the employee's termination or retirement. Those amounts estimated to be liquidated with expendable available financial resources from the general fund are reported as an expenditure and a fund liability of the general fund.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any of this type of item.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town recognizes unearned property taxes as a deferred inflow.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, inflation rates, etc. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)

6. Property Taxes

Property taxes for the current year were assessed and collected by Montgomery County and subsequently remitted to the Town. Property taxes are assessed on July 1st and are due and payable one half by September 30th and one half by December 31st. All unpaid taxes levied July 1st become delinquent on October 1st and January 1st. The real property tax rate for the Town for fiscal year ended June 30, 2014 and 2013 was .0104 and .0104, respectively, per \$100 of assessed taxable value. The public utilities, corporate and personal property tax rates for the Town for the fiscal year ended June 30, 2014 and 2013 was .10 and .10, respectively, per \$100 of assessed taxable value. Procedures for the collection of delinquent taxes by Montgomery County are provided for in the laws of Maryland.

7. Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 2 – Reconciliation of Government-Wide and Fund Financial Statements

- A. Explanation of certain differences between the governmental fund balance and the government-wide statement of net position:

The governmental fund balance sheet includes reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statement of net position.

Note 3 – Detailed Notes on All Funds

- A. Deposits and Temporary Investments

Deposits

State statutes require all deposits be insured by the Federal Depository Insurance Corporation (FDIC) or fully collateralized. Cash and cash equivalents as presented on the balance sheet and statement of net position include deposits (cash) and money market accounts. At June 30, 2014 and 2013 the carrying amount of the Town's cash and deposits totaled \$1,319,564 and \$1,295,546 and the bank balances totaled \$1,458,466 and \$1,312,523, respectively. Of the bank balances at June 30, 2014 and 2013, \$250,000 was covered by federally depository insurance, respectively, and the remaining balance was covered by collateral held by the bank's trust department in the Town's name.

Investments

The Town investments are pooled in the Montgomery County Pooled Investment Fund. These funds are part of collateralized investment pools. The Fund is managed by Montgomery County, with oversight by the Investment Committee and in compliance with the Annotated Code of Maryland. The average maturity of the portfolio is generally less than six months. Deposits are fully insured or collateralized. Investment income during the year is allocated to pool participants based upon their average equity in the pool. The carrying amount and fair value of the Fund at June 30, 2014 and 2013 is \$7,466,456 and \$6,956,050, respectively.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 3 – Detailed Notes on All Funds (continued)

Credit Risk

The Town investment policy permits investments in Government and U.S. Government agency obligations, certificates of deposits, prime commercial paper, investment pools as authorized by the State of Maryland and repurchase agreements collateralized with U.S. Treasury bills, notes or bonds.

The Town invests in the Montgomery County Pooled Investment Fund (the Fund). The Fund seeks to maintain a constant yield value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party.

B. Due from Other Governments

Due from other governments represents accrued revenue at June 30, 2014 and 2013 consisting of the following:

	<u>2014</u>	<u>2013</u>
Primary Government		
State		
General Fund	\$ 17,029	\$ 19,107
Total State	<u>17,029</u>	<u>19,107</u>
County		
General Fund	<u>19,278</u>	<u>63,563</u>
Total County	<u>19,278</u>	<u>63,563</u>
Total Primary Government	<u>\$ 36,307</u>	<u>\$ 82,670</u>

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 3 – Detailed Notes on All Funds (continued)

C. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

D. Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable – such as fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable and property held for resale.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the Mayor and council of the Town of Chevy Chase.

Assigned fund balance – includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance – is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 3 – Detailed Notes on All Funds (continued)

D. Fund Balance (continued)

Assigned Fund Balance

The Town's Assigned Fund Balance is fund balance reporting occurring by the Mayor and Town Council under the direction of the Town Manager.

The Town's fiscal year 2014-2015 budget, adopted on May 14, 2014, contains a projected use of \$82,000 of fund balance for the projected operating deficit. Consequently, that amount has been included in the assigned fund balance.

Order of Fund Balance Spending Policy

The Town's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year.

First non-spendable fund balance is determined. Then restricted fund balances for specific purposes are determined, followed by committed fund balance and assigned fund balance. Unassigned fund balance cannot fall to a negative balance.

TOWN OF CHEVY CHASE MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 3 – Detailed Notes on All Funds (continued)

E. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning 7/1/2013	Increase	Decreases	Ending 6/30/2014
Governmental Activities				
Capital assets, being depreciated				
Building improvements	\$ 461,515	\$ -	\$ -	\$ 461,515
Vehicles	114,603	-	(50,474)	64,129
Furniture and equipment	203,277	124,360	(14,799)	312,838
Streets and roads	<u>638,524</u>	<u>587,478</u>	<u>-</u>	<u>1,226,002</u>
Total capital assets being depreciated	<u>1,417,919</u>	<u>711,838</u>	<u>(65,273)</u>	<u>2,064,484</u>
Less accumulated depreciation for:				
Building improvements	(240,632)	(24,682)	-	(265,314)
Vehicles	(49,328)	(6,413)	37,432	(18,309)
Furniture and equipment	(139,766)	(26,266)	14,799	(151,233)
Streets and roads	<u>(212,005)</u>	<u>(78,576)</u>	<u>-</u>	<u>(290,581)</u>
Total accumulated depreciation	(641,731)	(135,937)	52,231	(725,437)
Total capital assets, being depreciated, net	<u>776,188</u>	<u>575,901</u>	<u>(13,042)</u>	<u>1,339,047</u>
Governmental activities capital assets, net	<u>\$ 776,188</u>	<u>\$ 575,901</u>	<u>\$ (13,042)</u>	<u>\$ 1,339,047</u>

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	2014	2013
General government	\$ 46,167	\$ 37,072
Public works	87,222	61,550
Public safety	377	-
Recreation	<u>2,171</u>	<u>2,171</u>
Total depreciation	<u>\$ 135,937</u>	<u>\$ 100,793</u>

TOWN OF CHEVY CHASE MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 3 – Detailed Notes on All Funds (continued)

F. Long-Term Debt

Changes in Long-Term Debt are as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Accrued compensated absences	\$ 31,332	\$ -	\$ (5,858)	\$ 25,474
	<u>\$ 31,332</u>	<u>\$ -</u>	<u>\$ (5,858)</u>	<u>\$ 25,474</u>

Note 4 – Commitment and Contingencies

A. Risk Management

The Town is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the Town carries insurance through Local Government Insurance Trust. Premiums for coverages are charged to the Town's general fund, with no provision made for claim liability in addition to premiums unless an assessment is made by the Trust. Claims over the past three years have been significantly less than that amount.

The agreement with the pool provides that the pool will be self-sustaining through member premiums, and will reinsure through commercial companies for claims in excess of \$1,000,000. The Town continues to carry commercial insurance for health, life, short-term disability and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years.

B. Retirement Plans

The Town participates in three retirement plans. The first plan is the Employees Retirement System of Montgomery County (the Plan), which is a cost-sharing, multiple employer defined benefit plan which covers all full time employees of the Town hired prior to June 30, 1996. At June 30, 2014 and 2013, two and three employees participated in the plan, respectively.

TOWN OF CHEVY CHASE MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 4 – Commitment and Contingencies (continued)

B. Retirement Plans (continued)

The policy of the Town is to make contributions at the rate required by the Plan, which was 38.60% and 34.58% of eligible employee's salaries for the fiscal years ended June 30, 2014 and 2013, respectively. In addition, employees had 4% withheld from their wages. The amounts withheld are forwarded to the plan.

The second plan, for those employees hired after June 30, 1996, is the Montgomery County Retirement Savings Plan, which is a cost-sharing, multiple employer defined contribution plan. As of June 30, 2014, there were four employees enrolled in the plan. For the years ended June 30, 2014 and 2013, the required contribution was 8%, plus a 0.1% administrative fee. For the years ended June 30, 2014 and 2013, the administrative fee was waived by the County. The employees also have 1.5% withheld from wages and forwarded to the plan.

The third plan is the Guaranteed Retirement Income Plan (GRIP). Those eligible for the GRIP are full time employees hired between December 31, 2008 and July 1, 2009 enrolled in the Retirement Savings Plan (RSP) who are not public safety employees and full and part time employees hired on or after October 1, 1994 who participate in the RSP and who are not public safety employees. For the years ended June 30, 2014 and 2013 employer contributions were 6.44% and 7.09% respectively, of employee's regular pay, and employees may contribute 4% of regular pay up to Social Security Wage Base, and 8% of pay in excess of Social Security Wage Base. At June 30, 2014 and 2013 there was one employee participating in the plan. Pension expense for the years ended June 30, 2014 and 2013 was \$99,015 and \$104,873, respectively.

TOWN OF CHEVY CHASE MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 5 – Leases

The Town rents office space from Montgomery County under a 35 year lease that began in 1986. During the time period that general obligation bonds were outstanding, no rent was due under the lease. Once the bonds had completely matured, in 2002, the Town began paying rent. As of July 1, 2003, rent was \$795 per month, with annual inflationary adjustments. During the 2004 fiscal year, the Town entered into an agreement with Montgomery County (the County), which assigned additional space in the County owned Leland Center where the Town offices are located. In consideration of the transfer of office space to the Town, the Town agreed to construct an addition to the Leland Center for use by the County. The Town agreed to bear the entire cost of the construction of the addition and the incorporation of the additional space into the Town offices. The County agreed to suspend the lease payments for the remaining 16 years of the lease. The project was completed in 2005 and rent payments ceased.

Note 6 – New GASB Pronouncement

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement 68). This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

Governmental employers participating in a cost-sharing plan will also be required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan. All governments participating in the defined benefit pension plan would also have the following in their note disclosures:

- Description of the plan and benefits provided
- Significant assumptions employed in the measurement of the net pension liability
- Description of benefit changes and changes in assumptions
- Assumptions related to the discount rate and impact on the total pension liability of a 1 percentage point increase and decrease in the discount rate
- Net pension assets and liabilities

The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The Town is currently evaluating the effects of this statement on its financial statements.

TOWN OF CHEVY CHASE MARYLAND
Notes to Financial Statements
June 30, 2014 and 2013

Note 7 – Subsequent Events

Management has evaluated subsequent events through October 10, 2014, the date that the financial statements were available to be issued. There were no significant events to report.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF CHEVY CHASE, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Local				
Real property tax	\$ -	\$ -	\$ 628	\$ 628
Total Taxes - Local	-	-	628	628
State Shared				
Income taxes	3,800,000	3,800,000	4,046,356	246,356
Total Taxes - State Shared	3,800,000	3,800,000	4,046,356	246,356
Total Taxes	3,800,000	3,800,000	4,046,984	246,984
Licenses and Permits				
Variance application fee	6,000	6,000	6,100	100
Permit fees	30,000	30,000	29,050	(950)
Cable franchise tax	60,000	60,000	70,357	10,357
Total Licenses and Permits	96,000	96,000	105,507	9,507
Intergovernmental Revenues				
County revenue sharing	130,000	130,000	130,297	297
State highway user tax	23,000	23,000	73,618	50,618
Financial corporation -bank shares	500	500	510	10
Total Intergovernmental Revenues	153,500	153,500	204,425	50,925
Miscellaneous				
Special trash pickup	1,000	1,000	1,010	10
Miscellaneous revenues	1,500	1,500	2,863	1,363
Parking fines and meters	9,000	9,000	8,451	(549)
Municipal citations	-	-	1,408	1,408
Interest	4,000	4,000	10,493	6,493
Total Miscellaneous	15,500	15,500	24,225	8,725
Total Revenues	\$ 4,065,000	\$ 4,065,000	\$ 4,381,141	\$ 316,141

Continued

TOWN OF CHEVY CHASE, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Administration:				
Salaries and benefits	\$ 879,500	\$ 876,200	\$ 898,362	\$ (22,162)
Services and supplies	225,000	444,806	438,358	6,448
Civic affairs and constituent services:				
Services and supplies	<u>369,000</u>	<u>359,000</u>	<u>320,908</u>	<u>38,092</u>
Total General Government	<u>1,473,500</u>	<u>1,680,006</u>	<u>1,657,628</u>	<u>22,378</u>
Public Safety				
Parking control, building inspections, services and supplies	<u>506,000</u>	<u>506,000</u>	<u>515,353</u>	<u>(9,353)</u>
Total Public Safety	<u>506,000</u>	<u>506,000</u>	<u>515,353</u>	<u>(9,353)</u>
Public Works				
Sanitation and waste removal:				
Household trash	172,000	172,000	172,584	(584)
Yard trash	19,500	19,500	18,624	876
Organic waste collection	-	30,000	18,327	11,673
Leaf collection	72,000	72,000	76,358	(4,358)
Recycling	37,000	105,500	100,616	4,884
Streets and roads	156,500	281,500	265,751	15,749
Parks, grounds and trees	<u>336,500</u>	<u>336,500</u>	<u>340,914</u>	<u>(4,414)</u>
Total Public Works	<u>793,500</u>	<u>1,017,000</u>	<u>993,174</u>	<u>23,826</u>
Total Expenditures Before Capital Projects Expenditures	<u>2,773,000</u>	<u>3,203,006</u>	<u>3,166,155</u>	<u>36,851</u>
Capital Project Expenditures				
General government	180,000	180,000	124,360	55,640
Streets and roads	305,000	655,000	589,812	65,188
Parks, grounds and trees	<u>147,500</u>	<u>147,500</u>	<u>26,349</u>	<u>121,151</u>
Total Capital Project Expenditures	<u>632,500</u>	<u>982,500</u>	<u>740,521</u>	<u>241,979</u>
Total Expenditures After Capital Project Expenditures	<u>\$ 3,405,500</u>	<u>\$ 4,185,506</u>	<u>\$ 3,906,676</u>	<u>\$ 278,830</u>

The accompanying notes are an integral part of this schedule.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Required Supplemental Information
June 30, 2014

Note 1 – Summary of Significant Budget Policies

The Town Council annually adopts a budget for the General Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund. On May 8, 2013 the Town Council approved the original adopted budget and on September 10, 2014, approved the revised budget reflected in the financial statements for the fiscal year ending June 30, 2014.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Note 2 – Material Violations

There were no material violations of the annual appropriated budgets for the General Fund for the fiscal years ended June 30, 2014. In addition, there were no excesses of budgetary expenditures for that period.

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