
**TOWN OF CHEVY CHASE,
MARYLAND**

**Financial Statements, Supplementary
Information and Report of
Independent Certified Public
Accountants**

**For the Years Ended
June 30, 2015 and 2014**

LSWG

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

TOWN OF CHEVY CHASE, MARYLAND
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June 30, 2015 and 2014

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

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, 2015 and 2014, 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 whether 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, 2015 and 2014, 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 28, 2015

Linton Shafer Warfield & Garrett

**TOWN OF CHEVY CHASE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015 and 2014**

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, 2015. The MD&A is best understood if read in conjunction with the Town's basic financial statements.

Financial Highlights

The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the 2015 fiscal year by \$8,163,183 (net position). Of the total net position, \$6,716,684 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors, \$1,346,499 is invested in capital assets, and \$100,000 is restricted for public space beautification.

As of June 30, 2015, the Town's governmental funds reported an ending fund balance of \$7,503,059, a decrease of \$1,144,387 in comparison with the prior year. Of this amount, \$7,382,445 is available for spending at the government's discretion (unassigned fund balance). The unassigned fund balance of \$7,382,445 is 169% of the total fiscal year 2015 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).

**TOWN OF CHEVY CHASE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015 and 2014**

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

**TOWN OF CHEVY CHASE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015 and 2014**

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 6 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 to B-4.

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 \$8,163,183 at the close of the current fiscal year. The Town of Chevy Chase's net position is divided into three categories – 1) investment in capital assets, net of related debt, 2) restricted net position and 3) unrestricted net position. The smaller portion of the Town's net position (16.5%) 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 restricted net position is restricted for open space beautification and had a balance of \$100,000 (1.2% of total net position). The unrestricted net position of the government has a balance of \$6,716,684 (82.3% 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, 2015 and 2014 the Town reported the following assets and liabilities:

Town of Chevy Chase's Net Position		
	2015	2014
Assets		
Current and other assets	\$ 7,832,251	\$ 8,823,525
Capital assets	1,346,499	1,339,047
Total assets	9,178,750	10,162,572
Deferred Outflows	92,781	-
Liabilities	1,055,451	200,360
Deferred Inflows	52,897	-
Net Position		
Invested in capital assets	1,346,499	1,339,047
Restricted	100,000	-
Unrestricted and undesignated	6,716,684	8,623,165
Total net position	\$ 8,163,183	\$ 9,962,212

**TOWN OF CHEVY CHASE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015 and 2014**

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

Town of Chevy Chase's Change in Net Position

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues:		
Charges for services	\$ 134,568	\$ 116,376
Operating grants and contributions	75,887	73,618
General revenues:		
Property and income, taxes levied for general purposes	2,855,593	4,046,311
Miscellaneous	140,238	120,628
State tax credit refunds	(643,210)	-
Unrestricted investment earnings	<u>12,719</u>	<u>10,493</u>
Total revenues	<u>2,575,795</u>	<u>4,367,426</u>
Expenditures		
General government	2,059,231	1,697,936
Public safety	521,401	515,730
Parks and recreation	255,178	347,672
Public works	<u>1,460,126</u>	<u>763,579</u>
Total expenses	<u>4,295,936</u>	<u>3,324,917</u>
Increase (Decrease) in net position	(1,720,141)	1,042,509
Net position, beginning of year	9,962,212	8,919,703
Prior period adjustment	<u>(78,888)</u>	<u>-</u>
Net position, end of year	<u>\$ 8,163,183</u>	<u>\$ 9,962,212</u>

Governmental activities: Revenues for the governmental activities were \$2,575,795 while total expenditures, net of charges for services, grants and contributions, were \$4,295,936. The decrease in net position for governmental activities was \$1,720,141, which is largely attributable to a decrease in income tax revenue. As of June 30, 2014, a prior period adjustment was made to record the net pension liability of \$78,888.

As compared to last fiscal year, expenditures increased by \$971,019 while revenues decreased by \$1,791,631.

As a result of the U.S. Supreme Court decision on the Wynne Case, the State of Maryland is requiring Maryland local governments to refund the estimated portion of income tax paid to the local governments in previous years, consisting of the local portion of the tax, that the State may have to re-pay taxpayers who file amended returns claiming a refund for the credit applicable to the local tax rate. The Town has recorded an estimated liability of \$643,210 in the Statements of Net Position which will be paid to the State of Maryland over nine quarters beginning July 1, 2016.

TOWN OF CHEVY CHASE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015 and 2014

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, 2015, the Town's General Fund reported an ending fund balance of \$7,503,059, a decrease of \$1,144,387 in comparison with the prior year. Of this amount, \$7,382,445 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 172% of total General Fund expenditures including capital projects for Town office improvements.

General Fund Budgetary Highlights

Total expenditures on Exhibit B-1 of \$4,363,794 were \$243,206 under budget with unexpended operating funds accounting for \$140,476 of the variance and unexpended capital project funds accounting for \$102,730 of the variance.

Total revenues on Exhibit B-1 of \$3,219,407 were \$1,105,593 under budget with \$1,144,339 of income tax revenue budgeted but not received making up 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, 2015, was \$1,346,499 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, vehicles and furniture and equipment.

**TOWN OF CHEVY CHASE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015 and 2014**

The following table of the Town's capital assets is listed below. Additional information can be found in Note 3 on page 10 of Exhibit A-7.

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

	2015	2014
Building and improvements	\$ 171,519	\$ 196,201
Vehicles	34,360	45,820
Furniture and Equipment	173,396	161,605
Streets and roads, Parks and Grounds	967,224	935,421
Total	\$ 1,346,499	\$ 1,339,047

Major capital asset events during the year ending June 30, 2015 included the following:

Expenditures for parks were \$104,392 and expenditures for furniture and equipment were \$37,547.

Long Term Debt

The State tax credit liability of \$643,210 and the net pension liability of \$67,786 along with accrued compensated absences of \$22,432 represent the outstanding debt obligations of the Town.

Economic Factors and Next Year's Budgets and Rates

In fiscal year 2016 the Council adopted a property tax rate of \$0 per \$100 of assessed value, which is the same rate as fiscal year 2015.

Income tax revenues for fiscal year 2016 are budgeted at \$2,950,000, which represents a decrease of \$1,050,000 from the fiscal year 2015 budget.

General government administration expenditures for fiscal year 2016 are budgeted at \$1,241,000, which represents a decrease of \$1,054,000 from the fiscal year 2015 budget due in part to a decrease in professional services, the elimination of charitable contributions and a decrease in anticipated salaries and benefits.

Public safety expenditures for fiscal year 2016 are budgeted at \$520,000, which represents a decrease of \$2,000 from the fiscal year 2015 budget.

Public works expenditures for fiscal year 2016 are budgeted at \$869,500, which represents a decrease of \$75,000 from the fiscal year 2015 budget.

TOWN OF CHEVY CHASE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015 and 2014

Capital improvement expenditures for fiscal year 2016 are budgeted at \$537,500, which represents a decrease of \$411,000 from the fiscal year 2015 budget. The capital improvement budget includes funds for anticipated street and road work and open space beautification.

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 Lane, Chevy Chase, Maryland 20815 or send an e-mail to jhappy@townofchevyCHASE.org.

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

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
Assets		
Cash and cash equivalents	\$ 802,387	\$ 1,319,564
Investments	6,979,100	7,466,456
Due from other governments	30,150	36,307
Prepaid expenses	20,614	1,198
Capital assets, net	<u>1,346,499</u>	<u>1,339,047</u>
Total Assets	<u>9,178,750</u>	<u>10,162,572</u>
Deferred Outflows	<u>92,781</u>	<u>-</u>
Liabilities		
Accounts payable	218,651	68,602
Performance bonds	62,460	66,695
Accrued salaries	40,912	28,018
Accrued compensated absences	22,432	37,045
Net pension liability	67,786	-
State tax credit liability	<u>643,210</u>	<u>-</u>
Total Liabilities	<u>1,055,451</u>	<u>200,360</u>
Deferred Inflows	<u>52,897</u>	<u>-</u>
Net Position		
Invested in capital assets	1,346,499	1,339,047
Restricted	100,000	-
Unrestricted	<u>6,716,684</u>	<u>8,623,165</u>
Total Net Position	<u>\$ 8,163,183</u>	<u>\$ 9,962,212</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, 2015

Functions/Programs	Program Revenue			Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		
				Governmental Activities	Total
Governmental Activities					
General government	\$ 2,037,325	\$ 69,264	\$ -	\$ (1,968,061)	\$ (1,968,061)
Building and zoning	21,906	51,900	-	29,994	29,994
Public works	1,460,126	1,010	75,887	(1,383,229)	(1,383,229)
Public safety	521,401	12,394	-	(509,007)	(509,007)
Parks and recreation	255,178	-	-	(255,178)	(255,178)
Total Governmental Activities	\$ 4,295,936	\$ 134,568	\$ 75,887	(4,085,481)	(4,085,481)
General Revenues					
Property taxes				(68)	(68)
Income taxes				2,855,661	2,855,661
Intergovernmental				130,807	130,807
Interest				12,719	12,719
Loss on disposal of fixed assets				(82)	(82)
State tax credit refunds				(643,210)	(643,210)
Miscellaneous				9,513	9,513
Total General Revenues				2,365,340	2,365,340
Changes in Net Position				(1,720,141)	(1,720,141)
Net Position, Beginning of Year				9,962,212	9,962,212
Prior period adjustment (Note 5)				(78,888)	(78,888)
Net Position, End of Year				\$ 8,163,183	\$ 8,163,183

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, 2014

Functions/Programs	Program Revenue		Charges for Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position	Governmental Activities	Total
	Expenses	Services				
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 disposals 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
Balance Sheets
Governmental Funds
June 30,

	General Fund <u>2015</u>	General Fund <u>2014</u>
Assets		
Cash and cash equivalents	\$ 802,387	\$ 1,319,564
Investments	6,979,100	7,466,456
Due from other governments	30,150	36,307
Prepaid expenses	<u>20,614</u>	<u>1,198</u>
Total Assets	<u>7,832,251</u>	<u>8,823,525</u>
Deferred Outflows	<u>-</u>	<u>-</u>
Liabilities		
Accounts payable	218,651	68,602
Performance bonds	62,460	66,695
Accrued salaries	40,912	28,018
Accrued compensated absences - current	<u>6,296</u>	<u>11,571</u>
Total Liabilities	<u>328,319</u>	<u>174,886</u>
Deferred Inflows	<u>873</u>	<u>1,193</u>
Fund Balances		
Nonspendable - prepaid expenses	20,614	1,198
Restricted - public space beautification	100,000	-
Assigned		
Fund balance for fiscal year 2014-2015 budget	-	82,000
Unassigned	<u>7,382,445</u>	<u>8,564,248</u>
Total Fund Balances	<u>\$ 7,503,059</u>	<u>\$ 8,647,446</u>
Reconciliation of Total Governmental Fund Balances To Net		
Assets of the Governmental Activities		
Total Governmental Fund Balances	\$ 7,503,059	\$ 8,647,446
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Property tax revenues in the Statement of Program Activities that do not provide current financial resources are not reported as revenues in the funds.	873	1,193
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	1,346,499	1,339,047
State tax credit liability expensed in the government-wide financial statements not reported as expenditures in the fund financial statements.	(643,210)	-
Net pension liability in the government-wide financial statements not requiring the use of current financial resources in the fund financial statements.	(67,786)	-
Compensated absences not requiring current financial resources and therefore not reported as expenditures in the fund financial statements.	(16,136)	(25,474)
Deferred outflows factored for pension contributions not reportable in the governmental funds.	92,781	-
Deferred inflows for pension investment activity not reported in the governmental funds.	<u>(52,897)</u>	<u>-</u>
Net Position of Governmental Activities	<u>\$ 8,163,183</u>	<u>\$ 9,962,212</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, 2015 and 2014

	2015	2014
	General	General
	Fund	Fund
	<u> </u>	<u> </u>
Revenues		
General property taxes	\$ 252	\$ 628
State shared taxes	2,855,661	4,046,356
Permits, fee and licenses	121,164	105,507
Intergovernmental revenue	206,694	204,425
Miscellaneous	<u>35,636</u>	<u>24,225</u>
 Total Revenues	 <u>3,219,407</u>	 <u>4,381,141</u>
 Expenditures		
General government	2,081,488	1,781,988
Public safety	521,401	515,353
Public works	<u>1,760,905</u>	<u>1,609,335</u>
 Total Expenditures	 <u>4,363,794</u>	 <u>3,906,676</u>
 Excess of Revenues Over (Under) Expenditures	 (1,144,387)	 474,465
 Fund Balance at Beginning of Year	 <u>8,647,446</u>	 <u>8,172,981</u>
 Fund Balance at End of Year	 <u>\$ 7,503,059</u>	 <u>\$ 8,647,446</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>2015</u>	<u>2014</u>
Net Change in Fund Balance - Total Governmental Funds	\$(1,144,387)	\$ 474,465
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 not provide current financial resources are not reported as revenues in the funds.	(320)	(673)
Sale of property is reported as a gain or loss on sale in the Statement of Program Activities but is reported as revenue from sale and expenditures in the governmental funds.	(82)	(13,042)
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 capital outlay in the current period.	7,534	575,901
Compensated absences decrease in the Statement of Program Activities not affecting the governmental fund expenditures.	9,338	5,858
Change in net pension liability not requiring the use of current financial resources and therefore not reported as governmental fund expenditures.	50,986	-
State tax credit refunds in the Statement of Program Activities not requiring the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(643,210)</u>	<u>-</u>
Net Change in Net Position	<u>\$(1,720,141)</u>	<u>\$ 1,042,509</u>

The accompanying notes are an integral part of these statements.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2015 and 2014

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 the 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, 2015 and 2014

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 program activities) 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 program 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, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014 were \$104,392 and \$587,478, 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, 2015 and 2014

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 liability of the general fund.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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.

In addition to liabilities, the statement of net 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.

See footnote #5 for description of deferred inflows and outflows related to GASB No.68.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2015 and 2014

Note 1 - Summary of Significant Accounting Policies (continued)

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

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. The estimated liability to the State on the Wynne case discussed in Note 6 below is a significant estimate that will likely change in the next year as the Maryland Comptroller's office revises the estimate based on actual claims filed. The net pension liability is also an estimate that will change annually based on actuarial assumptions and calculations.

6. Property Taxes

The real property tax rate for the Town for fiscal year ended June 30, 2015 and 2014 was .00, respectively, per \$100 of assessed taxable value. The public utility and personal property tax rates for the Town for the fiscal year ended June 30, 2015 and 2014 were .00, respectively, per \$100 of assessed taxable value.

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, 2015 and 2014

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, 2015 and 2014 the carrying amount of the Town's cash and deposits totaled \$802,387 and \$1,319,564 and the bank balances totaled \$922,749 and \$1,458,466, respectively. Of the bank balances at June 30, 2015 and 2014, \$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, 2015 and 2014 is \$6,979,100 and \$7,466,456, respectively.

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.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2015 and 2014

Note 3 – Detailed Notes on All Funds (continued)

A. Deposits and Temporary Investments (continued)

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, 2015 and 2014 consisting of the following:

	<u>2015</u>	<u>2014</u>
Primary Government		
State		
General Fund	\$ 11,974	\$ 17,029
Total State	11,974	17,029
County		
General Fund	18,176	19,278
Total County	18,176	19,278
Total Primary Government	\$ 30,150	\$ 36,307

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.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2015 and 2014

Note 3 – Detailed Notes on All Funds (continued)

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.

Restricted Fund Balance

For fiscal year ended June 30, 2013, the Town received a \$100,000 contribution to be spent on public space beautification.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2015 and 2014

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.

For fiscal year ended June 30, 2014, the Town's fiscal year 2014-2015 budget, adopted on May 14, 2014, contained a projected use of \$82,000 of fund balance for the projected operating deficit. Consequently, these amounts had 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.

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TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2015 and 2014

Note 3 – Detailed Notes on All Funds (continued)

E. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows

	<u>Beginning</u> <u>7/1/2014</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending</u> <u>6/30/2015</u>
Governmental Activities				
Capital assets, being depreciated				
Building improvements	\$ 461,515	\$ -	\$ -	\$ 461,515
Vehicles	64,129	-	-	64,129
Furniture and equipment	312,838	37,547	(606)	349,779
Parks	25,853	104,392		130,245
Streets and roads	<u>1,200,149</u>	<u>-</u>	<u>-</u>	<u>1,200,149</u>
Total capital assets being depreciated	<u>2,064,484</u>	<u>141,939</u>	<u>(606)</u>	<u>2,205,817</u>
Less accumulated depreciation for:				
Building improvements	(265,314)	(24,682)	-	(289,996)
Vehicles	(18,309)	(11,460)	-	(29,769)
Furniture and equipment	(151,233)	(25,674)	524	(176,383)
Parks	(1,077)	(1,293)		(2,370)
Streets and roads	<u>(289,504)</u>	<u>(71,296)</u>	<u>-</u>	<u>(360,800)</u>
Total accumulated depreciation	<u>(725,437)</u>	<u>(134,405)</u>	<u>524</u>	<u>(859,318)</u>
Total capital assets, being depreciated, net	<u>1,339,047</u>	<u>7,534</u>	<u>(82)</u>	<u>1,346,499</u>
Governmental activities capital assets, net	<u>\$ 1,339,047</u>	<u>\$ 7,534</u>	<u>\$ (82)</u>	<u>\$ 1,346,499</u>

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

Governmental activities:

	<u>2015</u>	<u>2014</u>
General government	\$ 45,191	\$ 46,167
Public works	84,989	87,222
Public safety	-	377
Parks and Recreation	4,225	2,171
Total depreciation	<u>\$ 134,405</u>	<u>\$ 135,937</u>

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2015 and 2014

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, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Accrued compensated absences	\$ 25,474	\$ -	\$ (9,338)	\$ 16,136

Note 4 – Commitment and Contingencies

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.

Note 5 - Retirement Plans

A. Cost Sharing Multiple Employer Plan

As required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement 68) the Town has implemented Statement 68 effective with the June 30, 2015 financial statements. 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 No. 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.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2015 and 2014

Note 5 - Retirement Plans (continued)

Prior Period Adjustment – The Town has not restated the fiscal year 2014 financial statements for the implementation of Statement No. 68 as it does not have all of the actuarial information necessary to do so. The Town has made a prior period adjustment to reduce the net position on the Statement of Program Activities at June 30, 2014 for the net pension liability of \$78,888, as restated for Statement No. 68, at that date.

Plan description –the Town is a member of the Montgomery County Employees' Retirement System (System). The System was established by Montgomery County Code. Responsibility for the System's administration and operation is vested with the Systems Board of Investment Trustee's. The System is closed to employees hired on or after October 1, 1994, except for public safety bargaining unit employees and GRIP participants. The System provides retirement benefits to employees of participating agencies.

Pension benefits – Normal and early retirement eligibility, the formula for determining the amount of benefits, and the cost of living adjustment varies depending upon the retirement group and retirement membership class. Normal retirement is a percentage of earnings multiplied by years of credited service. Earnings for optional non-integrated group members is defined as the high 12 months and for mandatory integrated plan members, the high 36 months. The percentage of earnings, the maximum years of credited service and the cost of living adjustment varies depending upon the retirement membership class and group. Members who retire early receive normal retirement benefits reduced by a minimum of 2 percent to a maximum of 60 percent depending on the number of years early retirement precedes normal retirement. The System provides options for disability and death benefits to eligible participants. Annual cost of living adjustments are provided to retirees and beneficiaries based on the percentage change in the Consumer Price Index (CPI). All benefits vest at five years of service. There are currently 2 active Town employees, and 2 retired Town employees in the System.

Contributions - The System is a contributory plan with employees contributing a percentage of their base annual salary. Contribution rates range from 4 percent to 11.25 percent of regular earnings annually based on group classification and contributions earn interest at the rate of 4 percent per annum as specified under Section 33-39(b) of the Code. The County and each participating agency are required to contribute the remaining amounts necessary to fund the System using the actuarial basis as specified in Section 33-40 of the Code. The contribution rates for the years ended June 30, 2015 and 2014 were 39.75% and 38.6%, respectively.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2015 and 2014

Note 5 - Retirement Plans (continued)

The Montgomery Employees' Retirement System issues a comprehensive annual financial report. The report can be obtained from the agency's offices.

Montgomery County Employee Retirement Plans
101 Monroe Street, 15th Floor
Rockville, Maryland 20850

Net Pension Liability – the pension liability is determined using the individual entry age normal actuarial cost method. The objective of this method is to finance the benefits of the System as a level percentage of payroll over the members' career. The normal cost for each individual active member, payable for the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement. Each annual normal cost of constant percentage of the member's year by year projected covered pay. The net pension liability is allocated among all employers which includes the County and participating agencies. Each employer's portion of the net pension liability was determined by their respective employer's share of the unfunded actuarial liability, which is based on the number of participants each employer had participating in the system, relative to all participants in the System as of July 1, 2014.

Actuarial assumptions - The actuarial assumptions included (a) 7.5% discount rate, (b) projected salary increases of 4% to 9.25%, (c) RP-2000 mortality table, gender distinct, projected to the year 2030 for healthy mortality and projected to the year 2010 for disabled mortality, (d) level percentage of payroll assuming 4% annual payroll growth, closed amortization approach, (e) 3% on benefits attributable to credited service earned prior to June 20, 2011 and 2.3% on benefits attribution to credited service earned thereafter, reflecting the 2.5% cap, inflation adjustments, (f) 7.5% investment rate of return, (g) entry age normal actuarial method, (h) market value.

Discount rate – a single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. The projection of cash flows used to determine this single discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from the County and other participating agencies, will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2015 and 2014

Note 5 - Retirement Plans (continued)

The net pension liability if the discount rate changes plus 1% or minus 1% from the discount rate used in the current projection is as follows:

	1% Decrease (6.50%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's net pension liability	<u>\$ 67,108</u>	<u>\$ 67,786</u>	<u>\$ 68,464</u>

Other information – the measurement period is July 1st through June 30th. The valuation date is June 30, 2014 as this was the latest period available. There are no changes to the benefit terms.

Changes in assumptions – there were no changes in assumptions.

The Town's annual required contribution was \$66,612 and \$66,693, for the years ended June 30, 2015 and 2014, respectively, which is the same as the annual pension cost. The contributions made for fiscal years ending June 30, 2015 and 2014 were \$66,612 and \$66,693, respectively.

Deferred inflows and outflows – With the implementation of GASB Statement 68 in fiscal year 2015, deferred inflows and outflows are now reported on the Statement of Net Position. The deferred inflows consist of changes in pension investment activity in the amount of \$52,897 for the year ended June 30, 2015, and will be amortized to income over the next five years at \$10,579 per year. The Town's deferred inflows include changes in the Town's proportionate share of contributions of \$26,169, and the 2015 pension contribution of \$66,612 for the year ended June 30, 2015. The pension contribution will reduce the net pension liability in the next fiscal year. The change in proportionate share of contributions of \$26,169 will be amortized over 20 years beginning July 1, 2015 of approximately \$1,308 per year.

Other Retirement Plans

Available to 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, 2015 and 2014, there were four employees enrolled in the plan. For the years ended June 30, 2015 and 2014, the required contribution was 8%, plus a 0.1% administrative fee. For the years ended June 30, 2015 and 2014, the administrative fee was waived by the County. The employees also have 1.5% withheld from wages and forwarded to the plan.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2015 and 2014

Note 5 - Retirement Plans (continued)

The Guaranteed Retirement Income Plan (GRIP) is for 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, 2015 and 2014 employer contributions were 6.71% and 6.44% 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, 2015 and 2014 there was one employee participating in the plan.

Pension expense for the years ended June 30, 2015 and 2014 was \$105,804 and \$99,015, respectively.

Note 6 – 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 7 – Wynne Case

Maryland's individual income tax is composed of a state and a local rate. Maryland residents are allowed a credit for taxes paid to other states, but the credit is allowed against only the state portion of the tax and not against the local tax portion. The U.S. Supreme Court ruled this practice to be unconstitutional because it results in double taxation of income earned outside of Maryland. As a result, the State of Maryland is requiring Maryland local governments to refund the estimated portion of income tax paid to the local governments in previous years, consisting of the local portion of the tax, that the state may have to re-pay taxpayers that file amended returns claiming a refund for the credit applicable to the local tax rate. The Town's estimated obligation for State taxes to be refunded to the State of \$643,210 is reported in the liabilities section of the Statement of Net Position as of June 30, 2015. This amount will be repaid to the State over nine quarters beginning July 1, 2016.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Financial Statements
June 30, 2015 and 2014

Note 8 – Subsequent Events

Management has evaluated subsequent events through October 28, 2015, the date that the financial statements were available to be issued. There were no significant events to report.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CHEVY CHASE, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	<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				
Property taxes - prior year	\$ -	\$ -	\$ 252	\$ 252
Total Taxes - Local	-	-	252	252
State Shared				
Income taxes	4,000,000	4,000,000	2,855,661	(1,144,339)
Total Taxes - State Shared	4,000,000	4,000,000	2,855,661	(1,144,339)
Total Taxes	4,000,000	4,000,000	2,855,913	(1,144,087)
Licenses and Permits				
Variance fees	6,000	6,000	5,300	(700)
Permit fees	30,000	30,000	46,600	16,600
Cable TV franchise tax	60,000	60,000	69,264	9,264
Total Licenses and Permits	96,000	96,000	121,164	25,164
Intergovernmental Revenues				
County revenue sharing	130,000	130,000	130,297	297
State highway user tax	76,000	76,000	75,887	(113)
Financial corporation -bank shares	500	500	510	10
Total Intergovernmental Revenues	206,500	206,500	206,694	194
Miscellaneous				
Special trash collection	1,000	1,000	1,010	10
Miscellaneous revenues	1,500	1,500	9,513	8,013
Parking fines and meters	9,000	9,000	11,247	2,247
Municipal citations	-	-	1,147	1,147
Interest	11,000	11,000	12,719	1,719
Total Miscellaneous	22,500	22,500	35,636	13,136
Total Revenues	\$ 4,325,000	\$ 4,325,000	\$ 3,219,407	\$ (1,105,593)

Continued

TOWN OF CHEVY CHASE, MARYLAND
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Administration:				
Salaries and benefits	\$ 919,000	\$ 937,500	\$ 943,598	\$ (6,098)
Services and supplies	507,000	764,500	773,568	(9,068)
Civic affairs and constituent services:				
Services and supplies	703,000	490,000	359,205	130,795
Total General Government	<u>2,129,000</u>	<u>2,192,000</u>	<u>2,076,371</u>	<u>115,629</u>
Public Safety				
Parking control, building inspections, services and supplies	505,000	522,000	521,401	599
Total Public Safety	<u>505,000</u>	<u>522,000</u>	<u>521,401</u>	<u>599</u>
Public Works				
Sanitation and waste removal:				
Household trash	172,000	182,500	168,188	14,312
Yard trash	19,500	20,500	18,682	1,818
Organic waste collection	35,000	29,500	28,434	1,066
Leaf collection	72,000	72,000	72,000	-
Recycling	66,000	67,000	61,828	5,172
Streets and roads	217,000	346,000	344,893	1,107
Parks, grounds and trees	274,000	227,000	226,227	773
Total Public Works	<u>855,500</u>	<u>944,500</u>	<u>920,252</u>	<u>24,248</u>
Total Expenditures Before Capital Project Expenditures	<u>3,489,500</u>	<u>3,658,500</u>	<u>3,518,024</u>	<u>140,476</u>
Capital Project Expenditures				
Facilities and equipment	15,000	46,000	5,117	40,883
Streets and roads	670,000	682,000	681,112	888
Parks, grounds and trees	232,500	220,500	159,541	60,959
Total Capital Project Expenditures	<u>917,500</u>	<u>948,500</u>	<u>845,770</u>	<u>102,730</u>
Total Expenditures After Capital Project Expenditures	<u>\$ 4,407,000</u>	<u>\$ 4,607,000</u>	<u>\$ 4,363,794</u>	<u>\$ 243,206</u>

The accompanying notes are an integral part of this schedule.

TOWN OF CHEVY CHASE, MARYLAND
Notes to Required Supplemental Information
June 30, 2015

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 14, 2014 the Town Council approved the original adopted budget and on September 9, 2015, approved the revised budget reflected in the financial statements for the fiscal year ending June 30, 2015.

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 year ended June 30, 2015. In addition, there were no excesses of budgetary expenditures for that period.

TOWN OF CHEVY CHASE, MARYLAND
Schedule of Proportionate Share of the Net
Pension Liability and Related Ratios
For the Year Ended June 30, 2015

Town's portion of the net pension liability		0%
Town's proportionate share of the net pension liability	\$	67,786
Town's covered-employee payroll	\$	637,757
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll		10.63%
Plan fiduciary net position as a percentage of the total pension liability		92.28%

The accompanying notes are an integral part of this schedule.

TOWN OF CHEVY CHASE, MARYLAND
Schedule of Required Contributions
For the Year Ended June 30, 2015

Contractually required contribution	\$ 66,612
Contribution in relation to the contractually required contribution	<u>66,612</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 637,757</u>
Contribution as a percentage of covered-employee payroll	10.44%

The accompanying notes are an integral part of this schedule.

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