

**CITY OF GLENARDEN, MARYLAND  
FINANCIAL STATEMENTS  
JUNE 30, 2011**

**CITY OF GLENARDEN  
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JUNE 30, 2011**

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## **Independent Auditor's Report**

Honorable Mayor  
Members of the City Council  
City Manager  
City of Glenarden, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Glenarden, Maryland (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Glenarden, Maryland, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management discussion and analysis and the budgetary comparison information on pages 3 through 9, and 35, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Glenarden, Maryland's basic financial statements. The supplemental schedule on page 36 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 30, 2012

*Hindley & Associates, LLC*

**CITY OF GLENARDEN, MARYLAND  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2011**

**FINANCIAL HIGHLIGHTS**

- Net assets are the amount by which total assets exceed total liabilities. At June 30, 2011, net assets of the City of Glenarden amounted to \$4,162,468.
- Governmental activities resulted in an increase in net assets while business-type activities resulted in decreases in net assets of \$818,142 and (\$2,194), respectively.
- Total revenues from governmental activities for the year were \$3,263,499, and total expenses from governmental activities were \$2,445,357.
- The City's business-type activity (the Gold Room) produced operating revenues of \$149,829 and incurred operating expenses of \$112,212.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, this report contains other supplemental information, including budgetary information, which serves to enhance the reader's understanding of the financial condition of the City of Glenarden.

**Government-wide Financial Statements**

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

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities.

- The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information about how net assets changed during the most recent fiscal year. All changes in net assets 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 result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City 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 City include: general government, public safety, public works, and parks and recreation. The business-type activity for the City is operation of the Gold Room hall.

**CITY OF GLENARDEN, MARYLAND**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**JUNE 30, 2011**

The government-wide financial statements are presented on pages 10 and 11.

**Fund Financial Statements**

The fund financial statements provide a more detailed view of the City's most significant activities. 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 City of Glenarden, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds include governmental funds, which are comprised of general and capital projects funds, and a proprietary fund, which accounts for activities of the Gold Room.

- **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 spendable resources, as well as on balances of spendable 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to allow readers to compare government funds and governmental activities.

The governmental fund financial statements are presented on pages 12 and 13.

- **Proprietary funds.** One type of proprietary fund is an enterprise fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The City's enterprise fund accounts for the activities of the Gold Room.

The proprietary fund financial statements are presented on pages 14 through 16.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Information presented in the notes to the financial statements includes summaries of significant accounting policies, disclosures about capital asset activity and depreciation, and principal and interest requirements related to long-term debt.

The notes to the financial statements are presented on pages 17 through 34.

**CITY OF GLENARDEN, MARYLAND  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2011**

**Supplementary information** reflects comparisons between budget and actual revenues and expenditures for the fiscal year ended June 30, 2011.

These budget to actual comparisons are presented on pages 35 and 36.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. The City's total net assets as of June 30, 2011 were \$4,162,468. The largest portion of the City's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure and equipment), net of related debt. As of June 30, 2011, investment in capital assets totaled \$1,956,529, comprising 47% of total net assets.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2011, restricted net assets totaled \$1,150,317 and represented 28% of total net assets.

The remaining balance of the City's net assets represents unrestricted net assets, which may be used to meet the City's ongoing obligations to citizens and creditors. As of June 30, 2011, unrestricted net assets totaled \$1,055,622 and represented 25% of total net assets.

The following table is a condensed statement of net assets:

**City of Glenarden, Maryland  
Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Current and other assets	1,645,652	2,351,525	944	39,631	1,646,596	2,391,156
Capital assets	1,804,166	1,839,319	218,468	190,714	2,022,634	2,030,033
<b>Total Assets</b>	<b>3,449,818</b>	<b>4,190,844</b>	<b>219,412</b>	<b>230,345</b>	<b>3,669,230</b>	<b>4,421,189</b>
Long-term liabilities	110,331	86,784	-	-	110,331	86,784
Other liabilities	175,477	121,908	36,902	50,029	212,379	171,937
<b>Total Liabilities</b>	<b>285,808</b>	<b>208,692</b>	<b>36,902</b>	<b>50,029</b>	<b>322,710</b>	<b>258,721</b>
Net assets						
Invested in capital assets, net of related debt	1,702,698	1,765,815	218,468	190,714	1,921,166	1,956,529
Restricted	844,633	1,150,317	-	-	844,633	1,150,317
Unrestricted	616,679	1,066,020	(35,958)	(10,398)	580,721	1,055,622
	<b>3,164,010</b>	<b>3,982,152</b>	<b>182,510</b>	<b>180,316</b>	<b>3,346,520</b>	<b>4,162,468</b>

The statement of activities presents information about how net assets changed during the year. The net assets balance changes as (1) expenses are incurred to provide services to citizens and run the government and (2) revenues are raised to fund those costs.

**CITY OF GLENARDEN, MARYLAND  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2011**

The following table is a condensed statement of activities for the years ended June 30, 2010 and 2011:

**City of Glenarden, Maryland  
Condensed Statement of Activities**

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
<b>Revenue</b>						
Program Revenue						
Charges for services	\$ 475,231	\$ 807,776	\$ 98,207	\$ 149,829	\$ 573,438	\$ 957,605
Operating grants/contributions	390,239	328,441	-	-	390,239	328,441
Capital grants/contributions	81,537	61,058	-	-	81,537	61,058
General Revenue						
Property and income taxes	1,388,334	1,733,842	-	-	1,388,334	1,733,842
Other taxes	8,577	8,623	-	-	8,577	8,623
Licenses/permits	250,471	170,263	-	-	250,471	170,263
Grants and Contributions	-	-	-	-	-	-
Interest	5,351	6,156	178	189	5,529	6,345
Transfers in (out)	5,843	40,000	(5,843)	(40,000)	-	-
Miscellaneous	135,806	107,340	-	-	135,806	107,340
<b>Total Revenue</b>	<b>2,741,389</b>	<b>3,263,499</b>	<b>92,542</b>	<b>110,018</b>	<b>2,833,931</b>	<b>3,373,517</b>
<b>Expenses</b>						
General government	1,198,306	1,142,009	-	-	1,198,306	1,142,009
Public safety	737,537	779,716	-	-	737,537	779,716
Public works	573,826	511,822	-	-	573,826	511,822
Cable	28,094	5,218	-	-	28,094	5,218
Youth Employment	5,986	6,592	-	-	5,986	6,592
Miscellaneous	-	-	136,935	112,212	136,935	112,212
Debt service	-	-	-	-	-	-
<b>Total Expenses</b>	<b>2,543,749</b>	<b>2,445,357</b>	<b>136,935</b>	<b>112,212</b>	<b>2,680,684</b>	<b>2,557,569</b>
Increase (decrease) in net assets	197,640	818,142	(44,393)	(2,194)	153,247	815,948
Net assets, beginning of year	2,966,370	3,164,010	226,903	182,510	3,193,273	3,346,520
<b>Net assets, ending</b>	<b>3,164,010</b>	<b>3,982,152</b>	<b>182,510</b>	<b>180,316</b>	<b>3,346,520</b>	<b>4,162,468</b>

**Governmental Activities**

Governmental activities for the year ended June 30, 2011 increased the City's net assets by \$818,142 as governmental revenues exceeded governmental expenses. Total governmental revenues increased when compared to the prior year, and the revenues were sufficient to cover total governmental expenses due to a planned strategy.

Total revenues from governmental activities increased by 19% - from \$2,741,389 in fiscal year 2010 to \$3,263,499 in fiscal year 2011. The major sources of revenue and their percentages of total revenue were property and income taxes (53%), charges for services (25%), grants and contributions (12%), and licenses and permits (5%).

**CITY OF GLENARDEN, MARYLAND  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2011**

Total expenses from governmental activities decreased by 3.9% - from \$2,543,749 in fiscal year 2010 to \$2,445,357 in fiscal year 2011. The most significant decrease was in the area of public works, because of unusually high snow removal costs in the prior year. The increase in public safety was primarily a result of increased fuel costs.

**Business Type Activities**

Business-type activities produced a loss in the amount of (\$2,194). Revenues increased by 19% from the previous year, while expenses decreased by 18%. This includes a decrease of 34% in salaries and benefits.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**Governmental funds**

The City's general government functions are accounted for in the General and Capital Projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Glenarden. At June 30, 2011, the fund balance of the general fund totaled \$1,160,647, an increase of \$732,592 from the previous year. This material change has resulted from general fund revenues in excess of general fund expenditures in fiscal year 2011.

The fund balance of the capital projects fund increased by .64% from the prior fiscal year.

**Budgetary Highlights**

For the year ended June 30, 2011, actual general fund revenues totaled \$3,194,532 compared to the budgeted amount of \$2,312,990. A major factor in this variance is higher than budget receipts in all areas except investment earnings, particularly taxes and fines, licenses and permits, excluding surplus used in the budget.

**CITY OF GLENARDEN, MARYLAND  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2011**

**Capital Asset and Debt Administration**

**Capital assets**

The City's investment in governmental capital assets and business-type capital assets (net of accumulated depreciation) of \$1,839,319 and \$190,714, respectively, includes land and land improvements, infrastructure, buildings, and machinery, equipment and tools. During the year ended June 30, 2011, the city incurred \$176,938 of capital expenditures.

The following table displays the City's capital assets:

**City of Glenarden, Maryland  
Capital Assets**

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$ 922,656	\$ -
Buildings and Improvements	1,349,688	552,632
Machinery and Equipment	894,026	55,546
Land Improvements	405,233	-
Infrastructure	207,569	-
Less: accumulated depreciation	(1,939,853)	(417,464)
Total	<u>\$ 1,839,319</u>	<u>\$ 190,714</u>

**Long-term debt**

At June 30, 2011 the City of Glenarden had \$73,504 in long-term debt excluding compensated absences.

**Economic Factors and Activities**

The City's real property tax rate was \$.336 per \$100 assessed for the year ended June 30, 2011. The rate for tangible business personal property was \$.83 per \$100 assessed. Based on Prince George's County's projections, Glenarden real property tax is slated to increase 8.48%. With the development of the Woodmore Town Center at Glenarden the City's tangible business personal property is slated to increase 223.43%.

**CITY OF GLENARDEN, MARYLAND  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2011**

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Treasurer at 8600 Glenarden Parkway, Glenarden, Maryland 20706 or by calling 301-773-2100.

**CITY OF GLENARDEN, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 2,062,759	\$ 138,828	\$ 2,201,587
Investments	3,805	-	3,805
Accounts receivable	99,074	-	99,074
Accounts receivable - income taxes	86,690	-	86,690
Due from (to) other funds	99,197	(99,197)	-
Total Current Assets	2,351,525	39,631	2,391,156
Noncurrent Assets			
Net capital assets	1,839,319	190,714	2,030,033
Total Noncurrent Assets	1,839,319	190,714	2,030,033
<b>TOTAL ASSETS</b>	<b>\$ 4,190,844</b>	<b>\$ 230,345</b>	<b>\$ 4,421,189</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued expenses	\$ 77,598	\$ 181	\$ 77,779
Deposits	-	29,601	29,601
Deferred revenue	13,430	20,247	33,677
Current portion of long-term debt	30,880	-	30,880
Total Current Liabilities	121,908	50,029	171,937
Noncurrent Liabilities			
Accrued compensated absences	44,160	-	44,160
Loans payable - long-term	42,624	-	42,624
Total Noncurrent Liabilities	86,784	-	86,784
<b>TOTAL LIABILITIES</b>	<b>208,692</b>	<b>50,029</b>	<b>258,721</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,765,815	190,714	1,956,529
Restricted	1,150,317	-	1,150,317
Unrestricted	1,066,020	(10,398)	1,055,622
<b>TOTAL NET ASSETS</b>	<b>3,982,152</b>	<b>180,316</b>	<b>4,162,468</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,190,844</b>	<b>\$ 230,345</b>	<b>\$ 4,421,189</b>

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

**CITY OF GLENARDEN, MARYLAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General government	\$ 1,142,009	\$ -	\$ 234,450	\$ 61,058	\$ (846,501)	\$ -	\$ (846,501)
Public safety	779,716	288,917	55,383	-	(435,416)	-	(435,416)
Public works	511,822	518,859	17,500	-	24,537	-	24,537
Cable	5,218	-	-	-	(5,218)	-	(5,218)
Youth employment	6,592	-	21,108	-	14,516	-	14,516
<b>Total Governmental Activities</b>	<b>2,445,357</b>	<b>807,776</b>	<b>328,441</b>	<b>61,058</b>	<b>(1,248,082)</b>	<b>-</b>	<b>(1,248,082)</b>
<b>Business-type Activities</b>							
Gold Room	112,212	149,829	-	-	-	37,617	37,617
<b>Total Business-Type Activities</b>	<b>112,212</b>	<b>149,829</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,617</b>	<b>37,617</b>
<b>Total Primary Government</b>	<b>\$ 2,557,569</b>	<b>\$ 957,605</b>	<b>\$ 328,441</b>	<b>\$ 61,058</b>	<b>\$ (1,248,082)</b>	<b>\$ 37,617</b>	<b>\$ (1,210,465)</b>
<b>General revenues:</b>							
<b>Taxes</b>							
					1,289,876	-	1,289,876
					73,791	-	73,791
					370,175	-	370,175
					8,623	-	8,623
					170,263	-	170,263
					6,156	189	6,345
					107,340	-	107,340
					<u>2,026,224</u>	<u>189</u>	<u>2,026,413</u>
					40,000	(40,000)	-
					818,142	(2,194)	815,948
					<u>3,164,010</u>	<u>182,510</u>	<u>3,346,520</u>
					<u>\$ 3,982,152</u>	<u>\$ 180,316</u>	<u>\$ 4,162,468</u>

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

**CITY OF GLENARDEN, MARYLAND  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,233,347	\$ 829,412	\$ 2,062,759
Investments	82	3,723	3,805
Accounts receivable	97,721	1,353	99,074
Accounts receivable - income taxes	86,690	-	86,690
Due from other funds	44,394	192,827	237,221
<b>Total Assets</b>	<u>\$ 1,462,234</u>	<u>\$ 1,027,315</u>	<u>\$ 2,489,549</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 77,598	\$ -	\$ 77,598
Deferred revenue	100,120	-	100,120
Due to other funds	123,869	14,155	138,024
<b>Total Liabilities</b>	<u>301,587</u>	<u>14,155</u>	<u>315,742</u>
<b>FUND BALANCES</b>			
Restricted	332,004	818,313	1,150,317
Unassigned	828,643	194,847	1,023,490
<b>TOTAL FUND BALANCES</b>	<u>1,160,647</u>	<u>1,013,160</u>	<u>2,173,807</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,462,234</u>	<u>\$ 1,027,315</u>	<u>\$ 2,489,549</u>

**RECONCILIATION OF TOTAL GOVERNMENTAL  
FUND BALANCE TO NET ASSETS OF  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011**

<i>Total Governmental Fund Balances</i>	\$ 2,173,807
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,839,319
Long-term liabilities, including loans payable, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(117,664)
Deferred income tax revenues are recorded on the modified accrual basis.	<u>86,690</u>
<i>Net Assets of Governmental Activities</i>	<u>\$ 3,982,152</u>

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

**CITY OF GLENARDEN, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Capital Projects Fund	Total Governmental Funds	
<b>REVENUES</b>				
Taxes	\$ 1,721,848	\$ -	\$ 1,721,848	
Intergovernmental	369,719	8,350	378,069	
Charges for services	518,859	-	518,859	
Fines, licenses, permits	459,180	-	459,180	
Interest Income	6,156	-	6,156	
Miscellaneous	118,770	-	118,770	
<b>Total Revenues</b>	3,194,532	8,350	3,202,882	
<b>EXPENDITURES</b>				
Current Operations				
General government	1,092,817	1,899	1,094,716	
Public safety	701,859	-	701,859	
Public works	492,261	-	492,261	
Cable	-	-	-	
Youth employment	6,592	-	6,592	
Capital outlays	176,938	-	176,938	
Debt Service				
Principal	29,712	-	29,712	
Interest	3,509	-	3,509	
<b>Total Expenditures</b>	2,503,688	1,899	2,505,587	
<b>Excess of revenues over (under) expenditures and other financing uses</b>	690,844	6,451	697,295	
<b>Other financing sources (uses)</b>				
Transfers in (out)	40,000	-	40,000	
Proceeds from debt	1,748	-	1,748	
<b>Total other financing sources (uses)</b>	41,748	-	41,748	
<b>Excess of revenue and other financing sources over (under) expenditures and other financing uses</b>	732,592	6,451	739,043	
<b>Fund balance, beginning of year</b>	428,055	1,006,709	1,434,764	
<b>Fund balance, end of year</b>	\$ 1,160,647	\$ 1,013,160	\$ 2,173,807	
				<i>Net Change in Fund Balances - Total Governmental Funds</i> \$      739,043
				Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.      35,153
				Differences in accounting for expenses between the accrual basis and the modified accrual basis pertaining to compensated absences.      (4,635)
				Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.      29,712
				Proceeds from debt issuances are an other financing source in the funds, but a debt issue increases long-term liabilities in the Statement of Net Assets.      (1,748)
				Increases in deferred state income taxes do not provide current financial resources and are not reported as revenue in the governmental funds. <u>20,617</u>
				<i>Change in Net Assets of Governmental Activities</i> <u>\$      818,142</u>

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

**CITY OF GLENARDEN, MARYLAND**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	Enterprise Fund
	Business-Type Activities
	Gold Room
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 138,828
Due from other funds	-
Total Current Assets	138,828
Noncurrent Assets	
Fixed assets, net of accumulated depreciation	190,714
<b>TOTAL ASSETS</b>	<b>\$ 329,542</b>
Accounts payable	\$ 181
Due to other funds	99,197
Customer deposits payable	29,601
Deferred revenue	20,247
<b>TOTAL LIABILITIES</b>	<b>149,226</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	190,714
Restricted	-
Unrestricted	(10,398)
<b>TOTAL NET ASSETS</b>	<b>180,316</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 329,542</b>

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

**CITY OF GLENARDEN, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Enterprise Fund Business-Type Activities
	Gold Room
<b>Operating Revenues</b>	
Rentals	\$ 149,829
<b>Total Operating Revenues</b>	149,829
<b>Operating Expenses</b>	
Salaries and benefits	54,301
Contract expenses	16,099
Supplies	123
Repairs and maintenance	11,667
Depreciation	27,754
Other	2,268
<b>Total Operating Expenses</b>	112,212
<b>Operating Income (Loss)</b>	37,617
<b>Non-operating Revenues (Expenses)</b>	
Interest and investment earnings	189
<b>Net Non-operating Revenues (Expenses)</b>	189
<b>Income Before Contributions and Transfers</b>	37,806
<b>Transfers In (Out)</b>	(40,000)
<b>Changes in Net Assets</b>	(2,194)
<b>Total net assets at beginning of year</b>	182,510
<b>Total net assets at end of year</b>	\$ 180,316

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

**CITY OF GLENARDEN, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Enterprise Fund Business-Type Activities <u>Gold Room</u>
Cash flows from operating activities	
Receipts from customers	\$ 149,829
Other operating revenues	-
Payments to suppliers	(17,030)
Payments to employees	(54,301)
Net cash provided (used) by operating activities	78,498
Cash flows from capital and related financing activities	
Acquisition of capital assets	-
Net cash (used) for capital and related financing activities	-
Cash flows from non-capital financing activities	
Transfers (to) from other funds	17,453
Net cash (used) for non-capital financing activities	17,453
Cash flows from investing activities	
Interest and investment earnings	189
Net cash provided by investing activities	189
<b>Net increase (decrease) in cash and cash equivalents</b>	96,140
<b>Cash and cash equivalents at beginning of year</b>	42,688
<b>Cash and cash equivalents at end of year</b>	<b>\$ 138,828</b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating Income (Loss)	\$ 37,617
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	27,754
Changes in assets and liabilities:	
Increase (decrease) in deposits	1,010
Increase (decrease) in deferred revenue	16,767
Increase (decrease) in accounts payable	(4,650)
Cash provided (used) by operating activities	\$ 78,498

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

**CITY OF GLENARDEN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**Financial Reporting Entity**

The City of Glenarden, Maryland (the City) was incorporated in March 1939. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

In evaluating how to define the City of Glenarden, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set by the Governmental Accounting Standards Board. Component units are legally separate organizations for which the elected officials of the City are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Based upon the application of criteria set by the Governmental Accounting Standards Board, there are no separate component units of the City.

The accounting policies of the City of Glenarden conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**Basis of Presentation – Fund Accounting**

The City's finances are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The City's funds are grouped into two broad fund categories.

Governmental funds include the General Fund and Capital Projects Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The Capital Projects Fund is used to account for all financial resources used for the acquisition or construction of major capital facilities not being financed by the proprietary fund.

The Proprietary Fund of the City is an Enterprise Fund. An Enterprise Fund is used to account for operations that are financed and operated in manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

**CITY OF GLENARDEN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**Basis of Accounting**

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, including the reclassification or elimination of internal activity (between funds). This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents expenses, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses are costs that are allocated to programs. Program revenues include charges paid by the recipients of goods or services offered by programs as well as grants and contributions that are restricted to meeting the operational or capital requirements of particular programs. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

In the government-wide statement of net assets, net assets are classified as either unrestricted or restricted. Restricted net assets are reported as such because constraints have been externally imposed on their use - either by creditors (such as through debt covenants), grantors, or contributors; by laws or regulations of other governments; or by law through constitutional provisions or enabling legislation.

**CITY OF GLENARDEN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**Fund Financial Statements**

Fund financial statements report detailed information about the City. The focus of governmental and enterprise financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column.

**Governmental Funds**

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

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within two months of year-end and available to pay obligations of the current period): property taxes, franchise taxes, investment earnings, charges for services and intergovernmental revenues.

Some revenues, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Those revenues are deferred and receivables are recorded until the funds become available.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are generally not measurable and are recorded as revenue when cash is received.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt that has not matured are recognized when paid.

Allocations of certain costs, such as depreciation and amortization, are not recognized in the governmental funds.

**CITY OF GLENARDEN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**Proprietary Funds**

The City’s Gold Room rental activities are reported in the proprietary fund, which accounts for operations that are financed primarily by user charges. The proprietary fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Gold Room operating revenues are comprised primarily of rental fees.

In accordance with GASB Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Funding*,” the City applies all GASB pronouncements issued on or before November 30, 1989, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 included in the FASB *Accounting Standards Codification (ASC)*<sup>TM</sup>, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed by the Statement, the City has elected to apply all FASB pronouncements issued after November 30, 1989 included in the FASB *ASC*<sup>TM</sup>, except those that conflict with or contradict GASB pronouncements.

**Cash and Cash Equivalents**

The City’s cash and cash equivalents are comprised of cash on hand, demand deposits and short-term investments with original maturities of three months or less.

**Investments**

In accordance with GASB Statement No. 31, “*Accounting and Financial Reporting for Certain Investments*,” investments held at June 30, 2011 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**Receivables**

Receivables at June 30, 2011 consist of cable franchise fees, property taxes, permit fees, state police aid, speed camera citations, and other miscellaneous receivables.

**Inventory of Supplies**

Inventories, if any, are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

**CITY OF GLENARDEN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**Deferred Income Tax Revenue**

The City was advised by the State of Maryland that \$86,690 of the Local Tax Reserve Fund was allocable to the Town, as of June 30, 2011. In accordance with the provisions of GASB No. 33, “*Accounting and Financial Reporting for Nonexchange Transactions*,” the City recorded a receivable and deferred income tax revenue in the amount of \$86,690 in the fund financial statements. The change in this amount has been reflected as income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

**Capital Assets and Depreciation**

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are capital assets of the government that are not specifically related to activities reported in proprietary funds. General capital assets are associated with and generally arise from governmental activities. Most often, they result from the expenditure of governmental fund financial resources. They should be reported as expenditures rather than assets in governmental funds, but should be reported as capital assets in the governmental activities column in the government-wide statement of net assets. The City defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of three years. Infrastructure such as bridges, roads, curbs and gutters, streets, sidewalks, drainage systems and lighting systems are also capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. In accordance with GASB No. 51, intangible assets are recognized if identifiable, and are amortized over their useful lives if they do not have indefinite useful lives.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 20 years; equipment, 3 to 20 years.

**CITY OF GLENARDEN, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

**Interest Expense**

Interest is expensed as incurred except when incurred during a construction period and capitalized as part of the cost of the asset.

**Compensated Absences**

City employees may accumulate all unused sick leave indefinitely. Accumulated unpaid annual leave at December 31 of each year in excess of 160 hours is forfeited. All unused hours of accumulated annual leave will be paid to an employee upon termination.

**Estimates**

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

**Equity Classifications**

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

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

*Restricted net assets* – Consists of net assets with constraints placed on their use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

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

**CITY OF GLENARDEN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**Governmental Fund Balances**

On July 1, 2010, the City adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which significantly changed the reporting of fund balance in the balance sheets of governmental type funds.

In the governmental fund financial statements, fund balances are classified as follows:

1. Non-Spendable Fund Balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the City Charter, City Code or enabling legislation.
3. Committed Fund Balance – amounts that can be used only for specific purposes determined by a formal action by City Council, the City’s highest level of decision-making authority, ordinance or resolution.
4. Assigned Fund Balance – amounts that are constrained by the City’s intent that they will be used for specific purposes but are neither restricted nor committed. Pursuant to the City Charter, the City Manager and the City council are authorized to assign amounts for specific purposes.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.

The City considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The City also considers committed fund balances to spend first when other unrestricted fund balance classifications are available for use.

**CITY OF GLENARDEN, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

**Budget Requirements, Accounting, and Reporting**

**Requirements for all funds:**

Annual budgets are adopted for the General Fund and the Enterprise Fund. The budgets are prepared annually by the Mayor with the assistance of the City Manager and are required to be submitted to the City Council by April 15<sup>th</sup> of each year.

Upon receipt of the budget, the City Council is required to publish a general summary of the proposed budget and tax levy and to hold a public hearing on the proposed budget. After submission to the City Council, the budget is available at the City Hall for public inspection. According to the City Charter, the budget must be adopted prior to the second Monday in June of the current fiscal year and approved by a majority vote of the City Council. If the Council fails to adopt the budget by the second Monday in June, the budget for the current fiscal year shall be deemed adopted for the ensuing year as if it had been enacted by ordinance until the Council adopts a new budget.

The City Council may amend the budget. The budget was amended during fiscal year 2011. For day-to-day management control, expenditures should not exceed budget at the total City level.

The City's annual operating budget is on a basis not consistent with generally accepted accounting principles (GAAP). See Note 16 on page 33 for a reconciliation with GAAP.

**CITY OF GLENARDEN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Policies and Practices**

Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptance, and other available bank investments provided that approved securities are pledged to secure those funds deposited in an amount equal to the amount of those funds. In addition, the City can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law and can invest in the State of Maryland Local Government Investment Pool.

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be insured by FDIC or for collateral to be held by an independent third party with whom the City has a current custodial agreement.

**Deposits**

At year-end, the carrying amount of the City's deposits was \$2,201,287 and bank balances totaled \$2,298,564. At June 30, 2011, the City's bank balances were not exposed to any custodial credit risk, as the entire amount was covered by FDIC or was fully collateralized.

**Investment Policies**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no policy regarding credit risk.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy provides that to the extent practicable, investments are matched with anticipated cash flows.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has no policy regarding concentration of credit risk.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is held by a third party custodian with whom the City has a current custodial agreement in the City's name.

**CITY OF GLENARDEN, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

Generally, the City’s investing activities are managed by the City Council. Investing is performed in accordance with investment policies adopted by the City Council complying with State Statutes and the City Charter. City funds may be invested in: 1) U.S. Treasury obligations; 2) U.S. Government agency and U.S. Government-sponsored instrumentalities; 3) repurchase agreements (master repurchase agreement required); 4) collateralized certificates of deposit (only Maryland commercial banks); and 5) Maryland Local Government Investment Pool (MLGIP).

**Investments**

The City has invested at June 30, 2011, \$82 in the State of Maryland Local Government Investment Pool (MLGIP). The pool is under the administrative control of the State’s Treasurer’s Office. The City’s investments are shown by type, carrying amount, fair value, cost, and level of risk assumed in holding the various accounts. Investments are carried at cost which approximates market. The fair value of MLGIP investments is determined daily. PNC Bank is currently contracted to operate the Pool, and may invest in any instrument permitted by section 6-222 of the State Finance and Procurement Article. The City’s fair value position in the Pool is the same as the value of pool share.

As of June 30, 2011, the City had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings</u>
MLGIP	\$ 75	\$ 75	AAAm
MLGIP - Block Grant	7	7	AAAm
	<u>\$ 82</u>	<u>\$ 82</u>	

Note: Ratings are provided to indicate associated **Credit Risk**.

**CITY OF GLENARDEN, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable in the General Fund is comprised of the following as of June 30, 2011.

Cable franchise fee	\$	14,831
Permits		25,200
Police aid		12,096
Admissions and amusements		2,335
Real property tax		4,531
Speed Camera Receivables		16,000
Personal propetty tax		22,728
Total	<u>\$</u>	<u>97,721</u>

**NOTE 5 - INTERFUND TRANSFERS AND BALANCES**

Interfund receivable and payable balances at June 30, 2011 are as follows:

Fund	Interfund receivables	Interfund payables
General fund	\$ 44,394	\$ 123,869
Capital projects fund	192,827	14,155
Enterprise fund	-	99,197
	<u>\$ 237,221</u>	<u>\$ 237,221</u>

**NOTE 6 – PROPERTY TAX**

Real estate and personal property taxes are levied based on State of Maryland assessments. Property taxes include amounts levied against all real and public utility property and tangible personal property used in businesses located in the City. Real property taxes are levied on the first day of July on the assessed value. Taxes are due and payable on the first day of July in the year for which they are levied and become overdue and in arrears on the first day of the following October. When taxes are overdue, a lien is placed against the property. Penalties and interest are charged on any unpaid taxes. The property tax rate for fiscal year 2011 is \$.336 per \$100 of assessed value for real property, and \$.83 per \$100 of assessed value for personal property.

**CITY OF GLENARDEN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 7 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the general fund for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 922,656	\$ -	\$ -	\$ 922,656
Construction in progress	-	-	-	-
Subtotal	<u>922,656</u>	<u>-</u>	<u>-</u>	<u>922,656</u>
Depreciable capital assets:				
Land improvements	405,233	-	-	405,233
Infrastructure	207,569	-	-	207,569
Buildings and improvements	1,224,927	124,761	-	1,349,688
Equipment	841,849	52,177	-	894,026
Subtotal	<u>2,679,578</u>	<u>176,938</u>	<u>-</u>	<u>2,856,516</u>
Total capital assets	<u>3,602,234</u>	<u>176,938</u>	<u>-</u>	<u>3,779,172</u>
Accumulated depreciation:	(1,798,068)	(141,785)	-	(1,939,853)
Net capital assets	<u>\$ 1,804,166</u>	<u>\$ 35,153</u>	<u>\$ -</u>	<u>\$ 1,839,319</u>

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 45,851
Public safety	72,853
Public works	17,863
Cable	5,218
Total government activities depreciation expense	<u>\$ 141,785</u>

**CITY OF GLENARDEN, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 7 – CAPITAL ASSETS AND DEPRECIATION - continued**

Capital asset activity for the enterprise fund for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets:				
Buildings and improvements	\$ 552,632	\$ -	\$ -	\$ 552,632
Equipment	55,546	-	-	55,546
Total	608,178	-	-	608,178
Accumulated depreciation:	(389,710)	(27,754)	-	(417,464)
Net capital assets	\$ 218,468	\$ (27,754)	\$ -	\$ 190,714

**NOTE 8 – LONG-TERM DEBT**

**Governmental Activities**

On April 21, 2008, the City entered into a capital lease agreement with SunTrust Bank in the amount of \$56,151 for the purchase of three police cruisers. The agreement calls for 60 monthly payments of \$1,021, including interest of 3.47%. At June 30, 2011, the principal balance was \$20,614.

On February 20, 2009, the City entered into a capital lease agreement with SunTrust Equipment Finance and Leasing Corporation in the amount of \$94,663 for the purchase of three police cruisers. The agreement calls for 60 monthly payments of \$1,748, including interest of 4.10%. At June 30, 2011, the principal balance was \$52,890.

**CITY OF GLENARDEN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 8 – LONG-TERM DEBT – continued**

The changes in long-term debt during the year ended June 30, 2011 were as follows:

	Beginning Balance July 1, 2010	Retired During Year	Additions	Ending Balance June 30, 2011	Amount Due Within 1 year
Suntrust capital lease	\$ 69,534	\$ 18,392	\$ 1,748	\$ 52,890	\$ 19,161
Suntrust vehicle loan	31,934	11,320	-	20,614	11,719
Subtotal	101,468	29,712	1,748	73,504	30,880
Compensated absences	40,800	-	3,360	44,160	-
Total	\$ 142,268	\$ 29,712	\$ 5,108	\$ 117,664	\$ 30,880

The principal and interest requirements to maturity of the long-term debt, excluding compensated absences, of all funds are as follows:

Year(s) Ended	Principal	Interest	Total
June 30			
2012	\$ 30,880	\$ 2,341	\$ 33,221
2013	28,857	1,138	29,995
2014	13,767	213	13,980
Total	\$ 73,504	\$ 3,692	\$ 77,196

**NOTE 9 – DEFINED CONTRIBUTION PLAN**

The City has a defined contribution plan that covers all employees that have been employed for at least 90 days. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City contributes 2.5% of salary for all employees meeting the requirements for participation. No contributions are required by the employees. Participants are 100% vested after five years of service. The payroll for employees covered by the plan for the year ended June 30, 2011 was approximately \$933,971. The City's total payroll was approximately \$984,533. The City's contribution for the year ended June 30, 2011 was \$43,647 or 2.5% of the City's covered payroll with catch up contributions and administrative plan fees. Plan provisions and contribution requirements are established and may be amended by the City Council. The City's plan is administered by Mutual of America.

**CITY OF GLENARDEN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 10 – CONCENTRATION OF CREDIT RISK**

The City derives most of its revenues, except grants, from a single source - its citizens.

**NOTE 11 – RISK MANAGEMENT**

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

The City has an insurance agreement with the Local Government Insurance Trust (LGIT), a public entity risk pool. LGIT provides the City's general, automobile, and public officials' legal liability insurance coverage. The City's commercial insurance company provides workers' compensation and property coverage.

This is a total risk and cost sharing pool for all participants. In the event that the Trust's General Fund falls into a deficit that cannot be satisfied by transfers from the Trust's capital and surplus accounts, the Trustees shall determine a method to fund the deficit.

The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit.

Premiums are charged to the appropriate department of the City's General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust.

There have been no assessments during the year ended June 30, 2011 and the amount of settlements has not exceeded coverage for each of the past three years.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**Grants**

The City receives grants from time-to-time. Expenditures from certain grants are subject to audit by the grantor, and the City is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the City's management, no material refunds will be required as a result of disallowed expenditures.

**Litigation**

In the normal course of business the City is a defendant in lawsuits and other claims. The outcome of these claims and lawsuits cannot be reasonably estimated. Therefore a reserve has not been established. Management believes that such lawsuits and claims will not have a material adverse impact on the City's financial condition.

**CITY OF GLENARDEN, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 13 – RESTRICTED NET ASSETS**

As of June 30, 2011, restricted net assets consist of \$176,127 for the Public Education Grant (PEG), \$155,877 for speed camera funds, and \$818,313 of Highway User Revenues.

**NOTE 14 – NET ASSETS – PROPRIETARY FUND**

The City's proprietary fund net assets at June 30, 2011 was \$180,316 comprised of \$190,714 invested in capital assets net of related debt and (\$10,398) in unrestricted net assets. The City anticipates eliminating the deficit through increased revenues and transfers from the general fund if necessary.

**NOTE 15 – FUND BALANCE REPORTING**

As disclosed in Note 1, the City adopted the provisions of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances for the City's governmental funds consisted of the following as of June 30, 2011:

**Restricted Fund Balance**

The restricted fund balance in the general fund is comprised of \$176,127 for Public Education Grant (PEG) and \$155,877 for speed camera funds.

The restricted fund balance in the capital projects fund is comprised of \$818,313 for Highway User funds.

**Unassigned Fund Balance**

Unassigned fund balance totals \$828,643 in the general fund and \$194,847 in the capital projects fund.

**CITY OF GLENARDEN, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 16 – RECONCILIATION OF NON-GAAP BUDGET TO GAAP BUDGET**

The financial statements and notes conform to GAAP. The budget is prepared on a basis not consistent with GAAP because the prior years' surplus is included in budgeted revenues. The reconciliation between the non-GAAP General Fund budget and GAAP follows:

Budgeted excess of revenue over (under) expenditures - Non-GAAP basis	\$	33,000
Less: transfers and surplus		(85,000)
Budgeted excess of revenues over (under) expenditures - GAAP basis	\$	(52,000)

**NOTE 17 – NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued the following statements:

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, issued in December 2009, effective for financial statements for periods beginning after June 15, 2011.

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, effective for financial statements for periods beginning after December 15, 2011.

Statement No. 61, *The Financial Reporting Entity: Omnibus*, issued November 2010, effective for financial statements for periods beginning after June 15, 2012.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010, effective for financial statements for periods beginning after December 15, 2011.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, effective for financial statements for periods beginning after December 15, 2011.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision – an amendment of GASB Statement No. 53*, issued June 2011, effective for financial statements for periods beginning after June 15, 2011.

**CITY OF GLENARDEN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 17 – NEW ACCOUNTING PRONOUNCEMENTS - continued**

The City will implement these statements as necessary as of their effective dates. While the City is still in the process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of the City.

**NOTE 18 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 30, 2012, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

**CITY OF GLENARDEN, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>				
Income taxes	\$ 200,000	\$ 200,000	\$ 349,558	\$ 149,558
Property taxes	1,373,389	1,373,389	1,363,667	(9,722)
Other taxes	5,000	5,000	8,623	3,623
Fines, licenses and permits	63,500	63,500	459,180	395,680
Interest and investment earnings	10,000	10,000	6,156	(3,844)
Charges for services	415,826	415,826	518,859	103,033
Operating grants and contributions	61,203	61,203	369,719	308,516
Other revenues	99,072	99,072	118,770	19,698
Surplus and transfers	85,000	85,000	-	(85,000)
<b>Total Revenues</b>	<b>\$ 2,312,990</b>	<b>\$ 2,312,990</b>	<b>\$ 3,194,532</b>	<b>\$ 881,542</b>
Other financing sources	-	-	1,748	1,748
<b>Total revenues and other financing sources</b>	<b>\$ 2,312,990</b>	<b>\$ 2,312,990</b>	<b>\$ 3,196,280</b>	<b>\$ 883,290</b>
<b>Expenditures</b>				
General government	\$ 1,378,885	\$ 1,378,885	\$ 1,092,817	\$ 286,068
Public safety	611,559	611,559	701,859	(90,300)
Public works	234,574	234,574	492,261	(257,687)
Cable	21,760	21,760	-	21,760
Capital outlays	-	-	176,938	(176,938)
Youth employment	-	-	6,592	(6,592)
Debt service - principal	33,212	33,212	29,712	3,500
Debt service - interest	-	-	3,509	(3,509)
<b>Total Expenditures</b>	<b>\$ 2,279,990</b>	<b>\$ 2,279,990</b>	<b>\$ 2,503,688</b>	<b>\$ (223,698)</b>

Note: Please see page 36 for a budget-to-actual comparison of both funds.

**CITY OF GLENARDEN, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL AND CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>General and Capital Projects Funds</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
Revenues				
Income taxes	\$ 200,000	\$ 200,000	\$ 349,558	\$ 149,558
Property taxes	1,373,389	1,373,389	1,363,667	(9,722)
Other taxes	5,000	5,000	8,623	3,623
Fines, licenses and permits	63,500	63,500	459,180	395,680
Interest and investment earnings	10,000	10,000	6,156	(3,844)
Charges for services	415,826	415,826	518,859	103,033
Grants and contributions	301,203	301,203	378,069	76,866
Other revenues	99,072	99,072	118,770	19,698
PEG cash account	30,000	30,000	-	(30,000)
Surplus and transfers	85,000	85,000	-	(85,000)
Total Revenues	<u>\$ 2,582,990</u>	<u>\$ 2,582,990</u>	<u>\$ 3,202,882</u>	<u>\$ 619,892</u>
Other financing sources - transfers	-	-	40,000	40,000
Other financing sources - loans	-	-	1,748	1,748
	<u>-</u>	<u>-</u>	<u>41,748</u>	<u>41,748</u>
Total revenues and other financing sources	<u>\$ 2,582,990</u>	<u>\$ 2,582,990</u>	<u>\$ 3,244,630</u>	<u>\$ 661,640</u>
Expenditures				
General government	\$ 1,378,885	\$ 1,378,885	\$ 1,094,716	\$ 284,169
Public safety	611,559	611,559	701,859	(90,300)
Public works	234,574	234,574	492,261	(257,687)
Cable	23,860	23,860	-	23,860
Capital outlays	240,000	240,000	176,938	63,062
Youth employment	-	-	6,592	(6,592)
Debt service - principal	33,212	33,212	29,712	3,500
Debt service - interest	-	-	3,509	(3,509)
Total Expenditures	<u>\$ 2,522,090</u>	<u>\$ 2,522,090</u>	<u>\$ 2,505,587</u>	<u>\$ 16,503</u>
Less: Gold Room cash account	-	-	-	-
Less: PEG cash account	30,000	30,000	-	30,000
Less: Surplus and transfers	85,000	85,000	-	85,000
	<u>115,000</u>	<u>115,000</u>	<u>-</u>	<u>115,000</u>
Excess of revenue and other financing sources over expenditures	<u>\$ (54,100)</u>	<u>\$ (54,100)</u>	<u>\$ 739,043</u>	<u>\$ 793,143</u>