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City Council of the City of Glenarden, Maryland
2015-2016 Legislation

Resolution No: R-09-2016
Introduced By: Maxine Phifer, Council President
Co-Sponsors: At the Request of Administration
Session: Regular Session
Date of Introduction: October 13, 2015

A Resolution Accepting the FY 2013 Independent Auditor's Report

WHEREAS, Weyrich, Cronin & Sora, Chartered submitted the FY 2013 Independent Auditor's Report to the Mayor and City Council on August 3, 2015 and presented the FY 2013 Auditor's Report to Citizens on October 13, 2015; and

WHEREAS, the Council has reviewed the FY 2013 Auditor's Report and is satisfied that it can be accepted.

NOW, THEREFORE BE IT RESOLVED, by the City Council of Glenarden, Maryland sitting in Regular Session this **13th day of October, 2015** that:

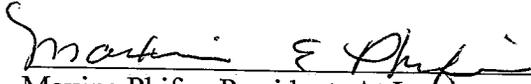
1. The City Council accepts the Independent Auditor's Report submitted by **Weyrich, Cronin & Sora, Chartered**, which is attached to this Resolution as Exhibit A.
2. The FY 2013 Independent Auditor's Report has been submitted to the Maryland Department of Legislative Services.
3. That this Resolution shall take effect immediately.

Date Approved: October 13, 2015

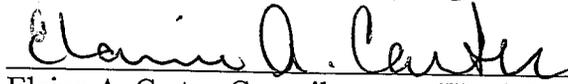
ATTEST:

Toni Taylor, Clerk to the Council

City Council of Glenarden


Maxine Phifer, President, At Large


James Herring, Vice President, Ward I


Elaine A. Carter, Councilwoman, Ward II


Judy C. Diggs, Councilwoman, At Large

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R-09-2016
A Resolution Accepting the FY 2013 Independent Auditor's Report
Page 2



Deborah Eason, Councilwoman, Ward II



Jennifer A. Jenkins, Councilwoman, Ward III



Carolyn Smallwood, Councilwoman, Ward I

Yea 7
Nay 0
Abstain 0

Weyrich
Cronin &
Sorra
CHARTERED

August 3, 2015

To the Mayor and City Council
City of Glenarden, Maryland

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Glenarden, Maryland as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Glenarden, Maryland's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Glenarden, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Glenarden, Maryland's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the City of Glenarden, Maryland's internal control to be material weaknesses:

MATERIAL WEAKNESSES

Material Misstatements (Adjustments) to the Financial Statements

During the audit, we identified material misstatements (adjustments) to the financial statements for the period under audit that were not initially identified by internal controls. Material misstatements were detected in the following areas: Cash, various payable accounts, due to/from other funds, various revenue accounts, transfers between funds, and various expense accounts including salaries and wages. These adjustments were made by the accounting staff, and are included in the financial statements and audit report presented for June 30, 2013.

Duplicate Transactions Posted to General Ledger

During the audit, we identified numerous duplicate postings in multiple accounts, resulting in material adjustments as noted above. This was particularly problematic in the cash accounts as it resulted in numerous outstanding items that were adjusted. In addition, there are likely other immaterial duplications not detected as part of our audit procedures. The City should be alert for outstanding deposit items that

have not cleared the bank account after several months and may need to make additional adjustments to clear these items.

Reconcile Bank Accounts on a Timely Basis

During the audit, we noted that there was a delay in reconciling bank accounts. We recommend that after the bank statements are received and opened, they are promptly reconciled and reviewed. It is generally easier to resolve any issues or discrepancies when the transactions are fresh. In addition, should the bank reconciliation detect a transaction that may need to be disputed, there is typically a time frame at which action can be taken with the bank.

Failure to Bill Personal Property Taxes

During the audit, it was noted that the City had not billed personal property taxes for the fiscal year ended June 30, 2013. This represents approximately \$232,000 of lost cash flows to the City for the fiscal year. In addition, the City has about \$22,000 of unpaid property taxes from prior years. The City has since billed personal property taxes during fiscal year ended June 30, 2015. The City should seek to ensure all taxes are billed timely and all appropriate collection actions are taken on unpaid balances.

Failure to Meet State Reporting Deadlines

The City's fiscal year ended June 30, 2013 audit was due to the Maryland Department of Legislative Services by November 1, 2013. The City requested and was granted three extensions through April 30, 2014. Further extensions requested were denied. The audit report for the year ended June 30, 2013 was issued on August 3, 2015. In addition, the City's fiscal year ended June 30, 2014 audit was due to the Maryland Department of Legislative Services by November 1, 2014. This audit is also past due. Failure to complete the audit within the required time frame has a significant impact on the City's ability to apply for State funding.

Inadequate Collateralization of Public Funds

The City failed to maintain adequate collateralization of its public funds, as required by the Annotated Code of Maryland, during the period of July 1, 2012 through June 30, 2013 at one bank. The City needs to ensure all funds are appropriately insured or collateralized.

Organization and Retention of Records

During the audit, it was noted that numerous financial records including invoices, deposit detail, bank statements and other records could not be located. We sampled 105 expenditure or expense transactions including 23 reversal transactions across the general, capital projects and enterprise funds. Of those transactions, supporting documentation was unavailable for 56. The City should review record retention requirements and implement a policy that maintains records for specified periods and provides for their destruction after the specified period. The retention dates should be appropriate for the various types of records. For instance, some records should be retained permanently, others for the tax statute of limitations, etc. A reasonable retention policy provides for legal and tax protection, affords convenience and aids in records retrieval, and maximizes the use of limited storage space.

Once a record retention policy is in place, the following recordkeeping considerations should be investigated on a periodic basis (such as every one or two years):

- Federal and state legal retention requirements for each type of record and document.
- Internal retention requirements of certain records and documents not covered by legal dictate (such as government contract records and other customer contract records).
- Availability of storage facilities (computerized records backed up on tape require less space than original paper source documents).
- Cost of scanning records versus the cost of storing the original document.
- Frequency of referral to documents (scanned document indexing and access may be less time consuming).
- Indexing documents for destruction after expiration of retention period.

Turnover of Staff

The City has experienced turmoil within the finance department as staffing has changed. This has resulted in a loss of financial knowledge about the operations of the City as new staff could not find records pertaining to the year under audit. In addition, posting delays may have inadvertently created duplications of transactions and the need for cleaning up of the accounting records. Cross-training of employees is recommended so that in the event of turnover, remaining employees can fill in until a replacement is hired. This prevents a stand-still of financial operations and the loss of substantial financial knowledge.

Improve Monitoring and Controls of Enterprise Fund Activities

The City operates a rental hall facility within the City Hall known as the Gold Room. During the audit, concerns were brought to our attention of the possibility of fraud within the operations of the Gold Room. We sampled 15 contracts entered into during the fiscal year. A copy of the contract was unavailable for two of the events in our sample. The contract is the only source documentation for these transactions. If these are missing, there is a potential for misappropriation of assets, including unauthorized use of the facility. Collection and recording of receipts for these events should not be handled by the same person writing the contract. For 5 other contracts, we could not determine if the security deposit had been refunded. Documentation should be maintained in the contract file if the security deposit was not refunded, otherwise the file should be noted as to the date and check number of the refund check. The finance department should periodically review the contract log, noting and following up on any missing contract numbers and reconcile with deposits received. Payment should be made to the finance department, rather than being collected by the Gold Room coordinator. It is imperative that one person not be able to enter into a contract, collect the funds and then conceal the only supporting documentation of the transaction.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the City of Glenarden, Maryland's internal control to be significant deficiencies:

SIGNIFICANT DEFICIENCIES

Financial Reporting and Journal Entry Preparation

The City relies on its external auditors to assist with the preparation of year-end adjusting journal entries necessary to prepare full accrual financial statements, to prepare its financial statements, and to assess new accounting pronouncements and determine the financial reporting impact as they relate to the City. This issue is common in entities similar in size to the City of Glenarden, Maryland.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

OTHER MATTERS

Outstanding Checks

During the audit, we noted the City has a significant number of outstanding checks that are stale. We recommend that for any check past 90 days outstanding the City review these outstanding items to determine if reissuance of payment is necessary or if payments should be turned over as unclaimed property in accordance with State escheat laws.

Inventory of Fixed Assets

During the audit, we noted the aging of numerous assets on the City's asset listing. We recommend the City take a full inventory of all vehicles, property and equipment of the City to determine if these aging assets are still in use by the City. Assets that are no longer in use by the City should be removed from the listing.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Mayor and City Council, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

Weyrich, Cronin & Sorra, Chartered

WEYRICH, CRONIN & SORRA, CHARTERED

CITY OF GLENARDEN, MARYLAND

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

CITY OF GLENARDEN, MARYLAND

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Weyrich
Cronin &
Sorra
CHARTERED

Independent Auditors' Report

To the Mayor and City Council
City of Glenarden, Maryland

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the City of Glenarden, Maryland as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the business-type activities and each major fund of the City of Glenarden, Maryland as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report (continued)

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 on pages 3 through 8 and 29 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Weyrich, Cronin & Sora, Cttd.

August 3, 2015
Lutherville, MD

CITY OF GLENARDEN, MARYLAND

Management Discussion and Analysis
June 30, 2013

FINANCIAL HIGHLIGHTS

- Net position is the amount by which total assets exceed total liabilities. At June 30, 2013, net position of the City of Glenarden amounted to \$4,915,351.
- Governmental activities and business-type activities resulted in an increase in net position of \$173,543 and decrease of (\$56,733), respectively.
- Total revenues from governmental activities for the year were \$3,232,831, and total expenses from governmental activities were \$3,059,288.
- The City's business-type activity (the Gold Room) produced operating revenues of \$146,333 and incurred operating expenses of \$163,095.

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 position and how they have changed. Net position is the difference between the City's total assets and total liabilities.

- The *statement of net position* presents information on all of the City's assets and liabilities, with the difference 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 City is improving or deteriorating.
- The *statement of activities* presents information about how 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 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 cable. The business-type activity for the City is operation of the Gold Room hall.

The government-wide financial statements are presented on pages 9 and 10.

CITY OF GLENARDEN, MARYLAND

Management Discussion and Analysis
June 30, 2013

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, special revenue 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 governmental funds and governmental activities.

The governmental fund financial statements are presented on pages 11 through 14.

- 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 15 through 17.

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 18 through 28.

Supplementary information reflects comparisons between budget and actual revenues and expenditures for the fiscal year ended June 30, 2013. These budget-to-actual comparisons are presented on pages 29 through 31.

CITY OF GLENARDEN, MARYLAND

Management Discussion and Analysis
June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. The City's total net position as of June 30, 2013 was \$4,915,351. The largest portion of the City's net position reflects its investment in capital assets (i.e. land, buildings, infrastructure and equipment), net of related debt. As of June 30, 2013, investment in capital assets totaled \$2,254,801, comprising 46% of total net position.

The second largest portion of the City's net position represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors. As of June 30, 2013, unrestricted net position totaled \$1,976,154 and represented 40% of total net position.

The remaining balance of net position is restricted net position which represents resources that are subject to external restrictions on how they may be used. As of June 30, 2013, restricted net position totaled \$684,396 and represented 14% of total net position.

The following table is a condensed statement of net assets:

City of Glenarden Maryland
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and Other Assets	\$3,052,369	\$2,866,295	\$ 62,749	\$ 26,315	\$3,115,118	\$2,892,610
Capital Assets	1,718,111	2,246,697	165,355	142,392	1,883,466	2,389,089
Total Assets	4,770,480	5,112,992	228,104	168,707	4,998,584	5,281,699
Long-term Liabilities	49,682	134,288	0	2,895	49,682	137,183
Other Liabilities	125,676	210,039	24,685	19,126	150,361	229,165
Total Liabilities	175,358	344,327	24,685	22,021	200,043	366,348
Net Position						
Net investment in capital assets	1,675,556	2,112,409	165,355	142,392	1,840,911	2,254,801
Restricted	1,071,581	684,396	0	0	1,071,581	684,396
Unrestricted	1,847,985	1,971,860	38,064	4,294	1,886,049	1,976,154
	\$4,595,122	\$4,768,665	\$ 203,419	\$ 146,686	\$4,798,541	\$4,915,351

The statement of activities presents information about how net position changed during the year. The net position 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 Discussion and Analysis
June 30, 2013

The following table is a condensed statement of activities for the years ended June 30, 2012 and 2013:

City of Glenarden, Maryland
Condensed Statement of Activities

	Governmental Activities		Business Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenue						
Program revenue:						
Charges for services	\$ 566,906	\$ 631,694	\$ 172,012	\$ 146,333	\$ 738,918	\$ 778,027
Operating grants/contributions	109,769	161,134	0	0	109,769	161,134
Capital grants/contributions	59,580	23,750	0	0	59,580	23,750
General revenue:						
Property and income taxes	2,138,121	2,216,658	0	0	2,138,121	2,216,658
Other taxes	4,156	37,459	0	0	4,156	37,459
Licenses/permits	46,464	83,689	0	0	46,464	83,689
Investment	5,577	4,158	137	29	5,714	4,187
Transfers in(out)	20,000	40,000	(20,000)	(40,000)	0	0
Miscellaneous	103,913	34,289	0	0	103,913	34,289
Total revenue	<u>3,054,486</u>	<u>3,232,831</u>	<u>152,149</u>	<u>106,362</u>	<u>3,206,635</u>	<u>3,339,193</u>
Expenses						
General government	1,144,580	1,525,579	0	0	1,144,580	1,525,579
Public safety	777,359	964,770	0	0	777,359	964,770
Public works	502,441	542,789	0	0	502,441	542,789
Cable	10,435	26,150	0	0	10,435	26,150
Youth employment	6,701	0	0	0	6,701	0
Gold Room	0	0	129,046	163,095	129,046	163,095
Total expenses	<u>2,441,516</u>	<u>3,059,288</u>	<u>129,046</u>	<u>163,095</u>	<u>2,570,562</u>	<u>3,222,383</u>
Increase (decrease) in net position	612,970	173,543	23,103	(56,733)	636,073	116,810
Net position, beginning of year	<u>3,982,152</u>	<u>4,595,122</u>	<u>180,316</u>	<u>203,419</u>	<u>4,162,468</u>	<u>4,798,541</u>
Net position, end of year	<u>\$4,595,122</u>	<u>\$4,768,665</u>	<u>\$ 203,419</u>	<u>\$ 146,686</u>	<u>\$4,798,541</u>	<u>\$4,915,351</u>

Governmental Activities

Governmental activities for the year ended June 30, 2013 increased the City's net position by \$173,543 as governmental revenues exceeded governmental expenses. Total governmental revenues increased when compared to the prior year, also the revenues were sufficient to cover total governmental expenses due in part to a planned Capital Expenditure for street repair which we funded through prior years balance of State Highway User Funds.

CITY OF GLENARDEN, MARYLAND

Management Discussion and Analysis June 30, 2013

Total revenues from governmental activities increased by 6% - from \$3,054,486 in fiscal year 2012 to \$3,232,831 in fiscal year 2013. The major sources of revenue and their percentages of total revenue were property and income taxes (68%), Special Assessment for street lights /sanitation (14%), charges for services (8%), grants and contributions (7%), and Miscellaneous revenue (3%).

Total expenses from governmental activities increased by 25% - from \$2,441,516 in fiscal year 2012 to \$3,059,288 in fiscal year 2013.

Business Type Activities

Business-type activities incurred a loss from operations in the amount of \$16,733. Revenues decreased by 15% from the previous year, and expenses increased by 26%. This includes an increase of 37% 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, Special Revenue 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, 2013, the fund balance of the general fund totaled \$1,540,821, a decrease of \$5,134 from the previous year.

The fund balance of the capital projects fund decreased by 54% from the prior fiscal year. This decrease is the result of an expenditure for street repair funded by State Highway User funds.

The fund balance of the special revenue fund increased by 30% from the prior fiscal year. This increase is the result of an increase in building permits from the Woodmore Town Center project.

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2013, actual general fund revenues totaled \$2,736,723 compared to the budgeted amount of \$2,591,169. Actual Revenues exceeded budgeted revenues. This variance in revenue was due to several factors, we had higher than expected income tax revenue due in part to new income tax paying residents in the Woodmore Town Center Site, and due to increased revenues from Woodmore Town Center building permits. In addition we had interest income from late payments of property tax, and we had higher than expected income from Cable TV Franchise Fees.

CITY OF GLENARDEN, MARYLAND

Management Discussion and Analysis
June 30, 2013

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 \$2,246,697 and \$142,392, respectively, includes land and land improvements, infrastructure, buildings, and machinery, equipment and tools.

During the year ended June 30, 2013, the city incurred \$725,643 of capital expenditures.

The following table displays the City's capital assets:

Description	City of Glenarden Capital Assets	
	Governmental Activities	Business-type Activities
Land	\$ 922,656	\$ 0
Buildings and Improvements	1,372,011	552,632
Machinery and Equipment	1,018,306	55,546
Land Improvements	405,233	0
Infrastructure	808,932	0
Less: Accumulated Depreciation	(2,280,441)	(465,786)
Total	<u>\$ 2,246,697</u>	<u>\$ 142,392</u>

Long-term debt

At June 30, 2013 the City of Glenarden had \$137,183 in long-term debt including compensated absences.

ECONOMIC FACTORS AND ACTIVITIES

The City's real property tax rate remained at \$.336 per \$100 assessed for the year ended June 30, 2013. The rate for tangible business personal property was \$.83 per \$100 assessed. With tax rates remaining unchanged, revenues are expected to remain stable through the end of fiscal year 2014.

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 Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 2,193,641	\$ 295,774	\$ 2,489,415
Restricted cash	30,039	- 0 -	30,039
Accounts receivable - taxes, net of allowance	319,707	- 0 -	319,707
Accounts receivable - other, net of allowance	53,449	- 0 -	53,449
Due from (to) other funds	269,459	(269,459)	- 0 -
Net capital assets	2,246,697	142,392	2,389,089
TOTAL ASSETS	5,112,992	168,707	5,281,699
LIABILITIES			
Accounts payable & accrued expenses	180,000	6,836	186,836
Deposits	- 0 -	12,290	12,290
Funds held in escrow	30,039	- 0 -	30,039
Current portion - long-term obligations	29,221	- 0 -	29,221
Noncurrent - long-term obligations	105,067	2,895	107,962
TOTAL LIABILITIES	344,327	22,021	366,348
NET POSITION			
Net investment in capital assets	2,112,409	142,392	2,254,801
Restricted	684,396	- 0 -	684,396
Unrestricted	1,971,860	4,294	1,976,154
TOTAL NET POSITION	\$ 4,768,665	\$ 146,686	\$ 4,915,351

See accompanying notes to financial statements

CITY OF GLENARDEN, MARYLAND

Statement of Activities

For the Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges For Services	Operating		Governmental Activities	Business-Type Activities	Total
			Grants & Contributions	Capital Grants & Contributions			
GOVERNMENTAL ACTIVITIES:							
General government	\$ 1,525,579	\$ 18,576	\$ 8,377	\$ -0-	\$ (1,498,626)	\$ -0-	\$ (1,498,626)
Public safety	964,770	197,292	48,383	23,750	(695,345)	-0-	(695,345)
Public works	542,789	415,826	46,780	-0-	(80,183)	-0-	(80,183)
Cable	26,150	-0-	57,594	-0-	31,444	-0-	31,444
Total Governmental Activities	3,059,288	631,694	161,134	23,750	(2,242,710)	-0-	(2,242,710)
BUSINESS-TYPE ACTIVITIES:							
Gold Room	163,095	146,333	-0-	-0-	-0-	(16,762)	(16,762)
Total Business-Type Activities	163,095	146,333	-0-	-0-	-0-	(16,762)	(16,762)
TOTAL PRIMARY GOVERNMENT	\$ 3,222,383	\$ 778,027	\$ 161,134	\$ 23,750	(2,242,710)	(16,762)	(2,259,472)
GENERAL REVENUES:							
Taxes:							
Real estate					1,633,912	-0-	1,633,912
Personal property					226,764	-0-	226,764
Income					355,982	-0-	355,982
Other taxes and licenses					37,459	-0-	37,459
Cable franchise fees					83,689	-0-	83,689
Investment income					4,158	29	4,187
Miscellaneous					34,289	-0-	34,289
Transfers in (out)					40,000	(40,000)	-0-
TOTAL GENERAL REVENUES & TRANSFERS					2,416,253	(39,971)	2,376,282
CHANGE IN NET POSITION					173,543	(56,733)	116,810
NET POSITION - BEGINNING					4,595,122	203,419	4,798,541
NET POSITION - ENDING					\$ 4,768,665	\$ 146,686	\$ 4,915,351

See accompanying notes to financial statements

CITY OF GLENARDEN, MARYLAND

Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,356,295	\$ 508,616	\$ 328,730	\$ 2,193,641
Restricted cash	30,039	- 0 -	- 0 -	30,039
Accounts receivable - taxes	319,707	- 0 -	- 0 -	319,707
Accounts receivable - other	11,241	29,956	12,252	53,449
Due from other funds	372,991	- 0 -	375,118	748,109
Total Assets	<u>\$ 2,090,273</u>	<u>\$ 538,572</u>	<u>\$ 716,100</u>	<u>\$ 3,344,945</u>
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 178,571	\$ 1,429	\$ - 0 -	\$ 180,000
Funds held in escrow	30,039	- 0 -	- 0 -	30,039
Due to other funds	88,940	155,995	233,715	478,650
Total Liabilities	<u>297,550</u>	<u>157,424</u>	<u>233,715</u>	<u>688,689</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - income taxes	44,492	- 0 -	- 0 -	44,492
Unavailable revenue - property taxes	207,410	- 0 -	- 0 -	207,410
Unavailable revenue - traffic camera	- 0 -	14,570	- 0 -	14,570
Total Deferred Inflows of Resources	<u>251,902</u>	<u>14,570</u>	<u>- 0 -</u>	<u>266,472</u>
<u>FUND BALANCES</u>				
Restricted	- 0 -	366,578	317,818	684,396
Committed	50,000	- 0 -	164,567	214,567
Unassigned	1,490,821	- 0 -	- 0 -	1,490,821
Total Fund Balances	<u>1,540,821</u>	<u>366,578</u>	<u>482,385</u>	<u>2,389,784</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,090,273</u>	<u>\$ 538,572</u>	<u>\$ 716,100</u>	<u>\$ 3,344,945</u>

See accompanying notes to financial statements

CITY OF GLENARDEN, MARYLAND

Reconciliation of Governmental Funds to the Statement of Net Position
June 30, 2013

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$	2,389,784
Amounts reported for Governmental Activities in the Statement of Net Position are different because:			
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the governmental funds.			
Governmental capital assets	\$	4,527,138	
Less: accumulated depreciation		<u>(2,280,441)</u>	
			2,246,697
Long term liabilities associated with the acquisition of capital assets are not reported in the governmental funds.			
			(83,442)
Long term liabilities associated with compensated absences are not payable in the current period and are not reported in the governmental funds.			
			(50,846)
Revenues that will be collected after year-end, but not available soon enough to pay the current period's expenditures are reported as deferred inflows of resources.			
			<u>266,472</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$	<u>4,768,665</u>

CITY OF GLENARDEN, MARYLAND

Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 2,040,609	\$ - 0 -	\$ - 0 -	\$ 2,040,609
Intergovernmental	83,480	81,344	30,408	195,232
Special assessments	415,826	- 0 -	- 0 -	415,826
Fines, licenses and permits	85,684	153,073	- 0 -	238,757
Interest income	4,158	- 0 -	- 0 -	4,158
Miscellaneous	106,966	- 0 -	664	107,630
Total Revenues	2,736,723	234,417	31,072	3,002,212
EXPENDITURES				
Current operating				
General government	1,443,533	- 0 -	- 0 -	1,443,533
Public safety	773,916	106,693	- 0 -	880,609
Public works	505,293	- 0 -	- 0 -	505,293
Cable	- 0 -	15,715	- 0 -	15,715
Capital outlays	97,783	26,497	601,363	725,643
Debt service - principal	39,022	- 0 -	- 0 -	39,022
Debt service - interest	2,219	- 0 -	- 0 -	2,219
Total Expenditures	2,861,766	148,905	601,363	3,612,034
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(125,043)	85,512	(570,291)	(609,822)
OTHER FINANCING SOURCES				
Proceeds from debt	79,909	- 0 -	- 0 -	79,909
Transfers in	40,000	- 0 -	- 0 -	40,000
Total other financing sources	119,909	- 0 -	- 0 -	119,909
NET CHANGE IN FUND BALANCES	(5,134)	85,512	(570,291)	(489,913)
FUND BALANCES - BEGINNING	1,545,955	281,066	1,052,676	2,879,697
FUND BALANCES - ENDING	\$ 1,540,821	\$ 366,578	\$ 482,385	\$ 2,389,784

See accompanying notes to financial statements

CITY OF GLENARDEN, MARYLAND

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, 2013

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ (489,913)

Amounts reported for Governmental Activities in the Statement
of Activities are different because:

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 and
reported as depreciation expense. This is the amount by
which capital outlays of \$725,643 exceeded depreciation
expense of \$197,057 in the current period. 528,586

Governmental funds report principal debt payments as
expenditures because they use current financial resources.
Principal payments reduce long term debt in the Statement
of Net Position. This is the amount of principal payments
made during the year. 39,022

Governmental funds report compensated absences when paid.
However, in the Statement of Activities, they are recorded
when earned. This is the excess of the amount earned
over the amount paid for the year. (14,862)

Governmental funds recognize proceeds from financing
as an other financing source. However, in the Statement
of Activities, proceeds increase long term debt. This is the
amount of proceeds from financing during the year. (79,909)

Governmental funds recognize revenues if they are received
within sixty days of year end. The Statement of Activities
reports revenues when earned. This is the amount of
property taxes not received within the specified time period. 207,410

Governmental funds recognize revenues if they are received
within sixty days of year end. The Statement of Activities
reports revenues when earned. This is the amount by which
income taxes earned in prior years but not received in the
specified time period exceeded taxes earned but not
received in the current period. (31,361)

Governmental funds recognize revenues if they are received
within sixty days of year end. The Statement of Activities
reports revenues when earned. This is the amount of traffic
camera fines that was not received within the specified time period. 14,570

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 173,543

See accompanying notes to financial statements

CITY OF GLENARDEN, MARYLAND

Statement of Net Position - Proprietary Fund
June 30, 2013

	Major Enterprise Fund
	<u>Gold Room</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 295,774
Total Current Assets	<u>295,774</u>
NONCURRENT ASSETS	
Capital assets	608,178
Less: accumulated depreciation	<u>(465,786)</u>
Total Capital Assets	<u>142,392</u>
TOTAL ASSETS	<u>438,166</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	6,836
Customer deposits	<u>12,290</u>
Total Current Liabilities	19,126
NONCURRENT LIABILITIES	
Due to other funds	269,459
Compensated absences	<u>2,895</u>
TOTAL LIABILITIES	<u>291,480</u>
NET ASSETS	
Net investment in capital assets	142,392
Unrestricted	<u>4,294</u>
TOTAL NET POSITION	<u>\$ 146,686</u>

See accompanying notes to financial statements

CITY OF GLENARDEN, MARYLAND

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund
For the Year Ended June 30, 2013

	Major Enterprise Fund
	<u>Gold Room</u>
OPERATING REVENUES	
Rentals	\$ 146,333
Total Operating Revenue	<u>146,333</u>
OPERATING EXPENSES	
Salaries and benefits	105,640
Contract expenses	17,500
Supplies	6,136
Repairs and maintenance	6,899
Depreciation	22,963
Other	3,957
Total Operating Expenses	<u>163,095</u>
OPERATING LOSS	<u>(16,762)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment earnings	<u>29</u>
Net Nonoperating Revenue (Expenses)	<u>29</u>
INCOME (LOSS) BEFORE TRANSFERS	(16,733)
Transfers in (out)	<u>(40,000)</u>
CHANGE IN NET POSITION	(56,733)
TOTAL NET POSITION - BEGINNING	<u>203,419</u>
TOTAL NET POSITION - ENDING	<u>\$ 146,686</u>

See accompanying notes to financial statements

CITY OF GLENARDEN, MARYLAND

Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2013

	<u>Major Enterprise Fund</u>	
	<u>Gold Room</u>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 135,552	
Cash payments to suppliers for goods and services	(29,270)	
Cash payments for salaries and benefits	<u>(102,745)</u>	
NET CASH FLOWS FROM OPERATING ACTIVITIES		\$ 3,537
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from other funds	102,595	
Transfer to general fund	<u>(40,000)</u>	
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		62,595
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	<u>29</u>	
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>29</u>
NET INCREASE IN CASH		66,161
CASH AND CASH EQUIVALENTS - BEGINNING		<u>229,613</u>
CASH AND CASH EQUIVALENTS - END		<u>\$ 295,774</u>
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss		\$ (16,762)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense		22,963
Increase in accounts payable		5,222
Decrease in customer deposits		(10,781)
Increase in compensated absences		<u>2,895</u>
Net cash provided by operating activities		<u>\$ 3,537</u>

See accompanying notes to financial statements

CITY OF GLENARDEN, MARYLAND

Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies

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. The City has no component units as defined by generally accepted accounting principles.

Financial Reporting Entity – Basis of Presentation - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenue directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services and facilities; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets, when applicable. These revenues are subject to externally imposed restrictions to these program uses.

Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements are provided for governmental funds and a proprietary fund. Major individual governmental and enterprise funds are reported separately. There are no non-major funds in either fund category.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and 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 tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

CITY OF GLENARDEN, MARYLAND

Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period, or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for loan principal and interest and compensated absences, which are reported as expenditures in the year due. Long-term debt issues and acquisitions under capital leases are reported as other financing sources.

Major revenue sources susceptible to year-end accruals include: Income tax receipts and Property taxes. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for rental fees. Principal operating expenses are the costs of providing services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Fund Types and Major Funds

The City reports the following major governmental funds:

The General Fund - This is the primary operating fund of the City. It accounts for all of the financial resources and the legally authorized activities of the City except for those required to be accounted for in other specialized funds. The general fund accounts for the normal operating activities of the City. These activities are financed primarily by taxes, grants from other governments and charges for services.

Special Revenue Fund - This fund accounts for financial resources collected from speed camera violations and Public Education Grants whose purposes are limited to public safety and cable expenditures, respectively.

Capital Projects Fund - This fund accounts for financial resources associated with the acquisition or construction of major capital facilities not being financed by the proprietary fund.

The City reports the following major proprietary fund:

Gold Room - This fund accounts for the operation of the City's rental facility. It is intended to be self-supporting through user charges. Activities of the fund include administration, operation and maintenance of the facility.

CITY OF GLENARDEN, MARYLAND

Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies (continued)

Budgetary Data – Annual budgets are adopted for the General Fund, Capital Projects Fund, Special Revenue 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 15th 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 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. For day-to-day management control, expenditures should not exceed budget at the general classification of expenditure.

The City's annual operating budget is on a basis consistent with GAAP.

Cash and Cash Equivalents – The City has adopted a policy to be followed when investing public funds in accordance with the provisions of Section 17-101 of the Local Government Article of the Annotated Code of Maryland which prescribes the type of investments permissible for Maryland Municipalities. This policy requires that City funds be invested in obligations for which the United States has pledged its full faith and credit, obligations insured by a federal agency (such as the FDIC), obligations collateralized by federal obligations, and portfolios created under the Maryland Local Government Investment Pool (MLGIP).

Cash and Cash Equivalents include demand deposits, money market accounts, and investments in the MLGIP.

Restricted cash consists of funds held in escrow as part of capital lease obligations for future payments to vendors.

Accounts Receivable - Taxes – Accounts receivable includes property and income taxes receivable:

Property Taxes Receivable - Taxes on real estate are billed and collected on behalf of the City by Prince George's County which remits payment to the City. Real Property taxes receivable was \$16,622 as of June 30, 2013. Personal property taxes are billed and collected by the City. The City did not timely bill personal property taxes during the year ended June 30, 2013. These taxes were retroactively billed in February 2015. The balance of personal property taxes due was \$255,512. Management has estimated that \$25,551 of property taxes will not be collected and accordingly has established an allowance for doubtful accounts in that amount. Of this amount \$207,410 has been deferred in the general fund due to the late billing of these taxes and therefore are not collectible within 60 days.

Income Taxes Receivable – Income taxes are collected by the State of Maryland which remits payment to the City. The balance of Income Taxes Receivable was \$73,124 as of June 30, 2013. Of this amount, \$44,492 is not collectible within 60 days and accordingly has been deferred in the general fund.

CITY OF GLENARDEN, MARYLAND

Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable - Other - Accounts receivable - other includes amounts due from other governments, speed camera citations and cable franchise fees.

Due from Other Governments - Highway user fees and admission and amusement taxes are collected on behalf of the City by the State of Maryland and are remitted to the City. The amount due from other governments was \$12,252. All were received within 60 days of year-end, therefore no amounts have been deferred.

Speed Camera, net of allowance - As of June 30, 2013, the City had outstanding \$221,270 of unpaid citations and flagging fees. Management has determined citations greater than one year outstanding have a remote chance of collection and accordingly an allowance for doubtful accounts of \$203,950 has been established. The special revenue fund reports a short-term receivable of \$17,320 of which \$14,570 is not collectible within 60 days and therefore has been deferred.

All receivables, excluding speed camera citations and property taxes, are reported at gross values. No other allowance for uncollectible accounts is deemed necessary.

Net Capital Assets - The City's property, buildings and facilities with an initial, individual cost of more than \$500 and an estimated useful life of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. All land is capitalized. Proprietary capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs which do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The City has been exempted from retroactively reporting its infrastructure assets. However, all future construction or major improvements to the roads, bridges, sidewalks, drainage and lighting systems for the City will be capitalized and depreciated in a manner consistent with current policies for capital assets in the governmental and proprietary funds.

Estimated useful lives for depreciable assets are as follows:

Land improvements	15 - 50 years
Infrastructure	10 - 20 years
Buildings and improvements	5 - 50 years
Vehicles, furniture and equipment	3 - 20 years

Compensated Absences - Compensated absences are those earned but unused absences for which employees will be paid, such as vacation and sick leave. Employees are granted vacation and sick leave in varying amounts. It is the City's policy to permit employees to accumulate earned but unused sick leave without limitation and up to 160 hours of vacation leave. Accumulated unpaid vacation leave at December 31 of each year in excess of 160 hours is forfeited. Upon separation from employment, an employee will be paid for unused vacation leave, but not for unused sick leave.

CITY OF GLENARDEN, MARYLAND

Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies (continued)

Vacation and sick leave are accrued as applicable in the government-wide and proprietary fund financial statements as part of long term obligations. A liability is reported in governmental fund financial statements only if it has matured, for example, as a result of employee resignations and retirements.

Net Position -

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balance of the debt that is attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted

This category represents the net position of the City which has been restricted for a specific project or purpose by a third party. As of June 30, 2013, the City's restricted net position consisted of funds whose purpose was restricted by the donor for specific activities including street projects of \$317,818, public safety expenditures of \$141,313 and Public Education Grants of \$225,265.

Unrestricted

This category represents the net position of the City, which is not restricted for any project or other purpose by third parties.

Fund Balance -

In the fund financial statements, fund balances are classified in the following categories:

Nonspendable

This category includes amounts that cannot be spent due to form, such as inventory, prepaid amounts, long term receivables or amounts that must be maintained intact legally or contractually. As of June 30, 2013, the City had no nonspendable funds.

Restricted

This category includes amounts constrained by an external party, constitutional provision or enabling legislation. As of June 30, 2013, balances classified as restricted consisted of funds whose purpose was restricted by the donor for street projects of \$317,818, public safety expenditures of \$141,313 and Public Education Grants of \$225,265.

Committed

This category includes amounts constrained for a specific purpose by the Mayor and Council using its highest level of decision making authority, prior to year end. As of June 30, 2013, the Mayor and Council committed \$164,567 to street projects and \$50,000 for the Veterans Memorial.

Assigned

This category includes amounts constrained by the intent to be used for a specific purpose by a governing board which has the authority to assign funds. As of June 30, 2013, the City had no assigned funds.

CITY OF GLENARDEN, MARYLAND

Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies (continued)

Unassigned

This category includes all funds which are not specifically classified as Nonspendable, Restricted, Committed or Assigned.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents and Investments

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and Cash Equivalents" and "Restricted Cash."

Deposits by level of risk are:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash on hand	\$ 121	\$ - 0 -
FDIC Insured	500,000	500,000
Uninsured, collateral held by pledging bank's Trust Department in the City's name	1,947,558	1,959,285
Uninsured, uncollateralized	67,818	67,818
Maryland Local Government Investment Pool	<u>3,957</u>	<u>3,814</u>
Total deposits	<u>\$ 2,519,454</u>	<u>\$ 2,530,917</u>

The City was not in compliance with the provisions of the Annotated Code of Maryland as of June 30, 2013. The City was exposed to custodial credit risk as of June 30, 2013 as a result of holding funds in excess of FDIC insurance that were not adequately collateralized. The balance of funds uninsured and uncollateralized was \$67,818 as of June 30, 2013.

CITY OF GLENARDEN, MARYLAND

Notes to Financial Statements
June 30, 2013

3. Capital Assets

Capital asset activity for the City of Glenarden, Maryland for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Land	\$ 922,656	\$ - 0 -	\$ - 0 -	\$ 922,656
Land improvements	405,233	- 0 -	- 0 -	405,233
Infrastructure	207,569	601,363	- 0 -	808,932
Buildings & improvements	1,372,011	- 0 -	- 0 -	1,372,011
Vehicles, furniture and equipment	<u>894,026</u>	<u>124,280</u>	- 0 -	<u>1,018,306</u>
Total	<u>3,801,495</u>	<u>725,643</u>	- 0 -	<u>4,527,138</u>
Less: Accumulated depreciation				
Land improvements	232,505	13,561	- 0 -	246,066
Infrastructure	70,447	36,211	- 0 -	106,658
Buildings & improvements	1,067,576	38,808	- 0 -	1,106,384
Vehicles, furniture and equipment	<u>712,856</u>	<u>108,477</u>	- 0 -	<u>821,333</u>
Total accumulated depreciation	<u>2,083,384</u>	<u>197,057</u>	- 0 -	<u>2,280,441</u>
Governmental Activities Capital Assets, net	<u>\$ 1,718,111</u>			<u>\$ 2,246,697</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 77,477
Public safety	72,704
Public works	36,441
Cable	<u>10,435</u>
Total depreciation expense	<u>\$ 197,057</u>

CITY OF GLENARDEN, MARYLAND

Notes to Financial Statements
June 30, 2013

3. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Building & improvements	\$ 552,632	\$ - 0 -	\$ - 0 -	\$ 552,632
Equipment	55,546	- 0 -	- 0 -	55,546
Total	<u>608,178</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>608,178</u>
Less: accumulated depreciation				
Buildings & improvements	387,277	22,963	- 0 -	410,240
Equipment	55,546	- 0 -	- 0 -	55,546
Total accumulated depreciation	<u>442,823</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>465,786</u>
Business-type Activities Capital Assets, Net	<u>\$ 165,355</u>			<u>\$ 142,392</u>

Depreciation expense for business-type activities for the year ended June 30, 2013 was \$22,963.

4. Property Tax

Property taxes on real estate are recorded as receivables and attach as an enforceable lien on property on July 1, the date levied. Semi-annual installment payments are mandatory for qualified properties unless the taxpayer chooses to pay in one installment. Qualified property is defined as "an owner-occupied principal residence". Under the semi-annual plan, one-half of the tax bill is due September 30 with the balance due on December 31. For all other properties, the bill is due in its entirety on September 30. After the due date, interest is charged on the delinquent portion. All delinquent taxes are turned over to the county for tax sale. Real property taxes not collected and remitted to the City within sixty days subsequent to June 30, 2013 are immaterial.

Personal property taxes are ordinarily billed annually by the City, based on an assessment determined by the State of Maryland. Personal property taxes for the 2013 tax year of \$232,961 were not billed until February 2015. Accordingly, personal property taxes are reported as a deferred inflow in the fund financial statements as of June 30, 2013. Management has estimated that \$25,551 of personal property taxes will not be collected and accordingly has established an allowance in that amount.

The tax rate for the fiscal year ended June 30, 2013 was \$0.336 and \$.83 per \$100 assessed value for real and personal property, respectively.

CITY OF GLENARDEN, MARYLAND

Notes to Financial Statements
June 30, 2013

5. Long Term Obligations

Long-Term Obligations at June 30, 2013 consists of:

Governmental Activities:

Capital Lease – Suntrust Bank

Total authorized and issued as of June 30, 2013 - \$56,151.

Principal paid through June 30, 2013 - \$56,151.

Interest at 3.47%. Monthly principal and interest payments of \$1,021 through April, 2013.

\$ - 0 -

Capital Lease – Suntrust Bank

Total authorized and issued as of June 30, 2013 - \$94,663.

Principal paid through June 30, 2013 - \$80,965.

Interest at 4.10%. Monthly principal and interest payments of \$1,748 through February, 2014.

13,698

Capital Lease – Suntrust Bank

Total authorized and issued as of June 30, 2013 - \$79,909.

Principal paid through June 30, 2013 - \$10,165.

Interest at 2.15%. Monthly principal and interest payments of \$1,406 through October, 2017,

69,744

Compensated Absences

50,846

Total Governmental Activities

\$ 134,288

Business-type Activities:

Compensated Absences

2,895

Total Long-Term Obligations

\$ 137,183

During the year ended June 30, 2013, the following changes occurred in Long-Term Obligations:

	Balance 6/30/12	Increase	Decrease	Balance 06/30/13
Governmental Activities:				
Capital leases	\$ 42,555	\$ 79,909	\$ 39,022	\$ 83,442
Compensated Absences	<u>35,984</u>	<u>14,862</u>	<u>- 0 -</u>	<u>50,846</u>
Totals	\$ <u>78,539</u>	\$ <u>94,771</u>	\$ <u>39,022</u>	\$ <u>134,288</u>
Business-type Activities:				
Compensated Absences	\$ <u>- 0 -</u>	\$ <u>2,895</u>	\$ <u>- 0 -</u>	\$ <u>2,895</u>

CITY OF GLENARDEN, MARYLAND

Notes to Financial Statements
June 30, 2013

5. Long Term Obligations (continued)

Future debt service requirements are as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal Maturing</u>	<u>Interest Payable</u>
2014	\$ 29,221	\$ 1,560
2015	15,861	1,010
2016	16,205	666
2017	16,557	314
2018	5,598	25
Totals	<u>\$ 83,442</u>	<u>\$ 3,575</u>

Total interest and administrative fees paid for the year ended June 30, 2013 included as direct function expense in the governmental activities totaled \$2,219.

The total cost of assets acquired under capital leases and capitalized is \$230,033 and as of June 30, 2013 accumulated depreciation is \$151,383. These assets are held as security and collateral on the related capital leases.

6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases insurance to protect its interest in its property and equipment; insurance against employee dishonesty and liability protection. During the year ended June 30, 2013, there was no significant reduction in insurance coverage. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. Insurance is provided through the Maryland Local Government Insurance Trust and by commercial insurance. This is a total risk and cost sharing plan for all participants. In the event that the Trust's General Fund falls into a deficit that cannot be satisfied by transfer from the Trust's capital and surplus accounts, the Trustees 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.

7. Employee Benefit Plans

The City offers a defined contribution plan to all employees meeting certain age and service requirements. The plan was adopted by resolution of the Mayor and Council. Employer contributions may be amended by the Mayor and Council annually as part of the budget process. During the current year the City contributed 2.5% of salary for each employee who had been employed for 90 days. The City's total payroll was \$1,230,972 and covered payroll was \$864,896. The City's contribution for the year ended June 30, 2013 was \$21,622. No contributions are required by employees. Participants are 100% vested after five years of service. The plan is administered by Mutual of America.

CITY OF GLENARDEN, MARYLAND

Notes to Financial Statements
June 30, 2013

8. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Total advances due to the general fund as of June 30, 2013 totaled \$269,459.

9. Contingent Liabilities and Commitments

Most grants and cost-reimbursable contracts specify the types of expenditures for which the grants or contract funds may be used. The expenditures made by the City under some of these grants and contracts are subject to audit. To date, the City has not been notified of any significant unallowable costs relating to its grants or contracts. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

As of June 30, 2013, the City had \$59,256 in retainage payable pertaining to street repairs undertaken during the year. This amount will be paid one year after the date of payment of the final acceptance. The retainage payable was paid in September, 2014. The balance of retainage is included in accounts payable and accrued expenses as of June 30, 2013.

10. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition through August 3, 2015 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GLENARDEN, MARYLAND
Schedule of Revenues and Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	\$ 1,938,369	\$ 1,938,369	\$ 2,040,609	\$ 102,240
Intergovernmental	55,074	55,074	83,480	28,406
Charges for services	415,826	415,826	415,826	- 0 -
Fines, licenses and permits	94,200	94,200	85,684	(8,516)
Interest income	8,000	8,000	4,158	(3,842)
Miscellaneous	79,700	79,700	106,966	27,266
Total Revenues	<u>2,591,169</u>	<u>2,591,169</u>	<u>2,736,723</u>	<u>145,554</u>
Other financing sources - transfers	175,000	175,000	40,000	(135,000)
Other financing sources - loan	- 0 -	- 0 -	79,909	79,909
	<u>175,000</u>	<u>175,000</u>	<u>119,909</u>	<u>(55,091)</u>
Total revenues and other financing sources	<u>2,766,169</u>	<u>2,766,169</u>	<u>2,856,632</u>	<u>90,463</u>
Expenditures				
General government	1,233,237	1,233,237	1,443,533	(210,296)
Public safety	830,788	830,788	773,916	56,872
Public works	606,222	606,222	505,293	100,929
Cable	25,024	25,024	- 0 -	25,024
Capital outlays	4,000	4,000	97,783	(93,783)
Debt service - principal	51,197	51,197	39,022	12,175
Debt service - interest	2,219	2,219	2,219	- 0 -
Total expenditures	<u>2,752,687</u>	<u>2,752,687</u>	<u>2,861,766</u>	<u>(109,079)</u>
Excess (deficiency) of revenue and other financing sources over expenditures	<u>\$ 13,482</u>	<u>\$ 13,482</u>	<u>\$ (5,134)</u>	<u>\$ (18,616)</u>

CITY OF GLENARDEN, MARYLAND
 Schedule of Revenues and Expenditures - Budget and Actual
 Special Revenue Fund
 For the Year Ended June 30, 2013

	Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Intergovernmental	\$ 53,576	\$ 53,576	\$ 81,344	\$ 27,768
Fines, licenses and permits	100,000	100,000	153,073	53,073
Total Revenues	<u>153,576</u>	<u>153,576</u>	<u>234,417</u>	<u>80,841</u>
Expenditures				
General government	11,576	11,576	- 0 -	11,576
Public safety	97,525	97,525	106,693	(9,168)
Cable	13,823	13,823	15,715	(1,892)
Capital outlays	- 0 -	- 0 -	26,497	(26,497)
Total expenditures	<u>122,924</u>	<u>122,924</u>	<u>148,905</u>	<u>(25,981)</u>
Excess of revenue sources over expenditures	<u>\$ 30,652</u>	<u>\$ 30,652</u>	<u>\$ 85,512</u>	<u>\$ 106,822</u>

See accompanying notes to financial statements

CITY OF GLENARDEN, MARYLAND

Notes to Required Supplementary Information
June 30, 2013

Budgetary Information

The City follows these procedures in establishing the budgetary data:

- a. Prior to April 15th, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain public comments after notice has been given in newspaper(s) having general circulation within the City.
- c. The budget is legally enacted through a majority vote of the City Council prior to the second Monday in June. Adoption of the budget shall be by a favorable vote of at least a majority of the Council.
- d. Adoption of the budget by the Council shall constitute appropriation of the amounts specified therein as expenditures from the funds indicated and shall constitute a levy of the property tax proposed.
- e. The budget may be amended by passing of an ordinance approved by at least two-thirds of the Council.
- f. Upon written request by the Mayor, the Council may, by ordinance, adopted by a two-thirds majority of the Council, transfer part or all of any unencumbered appropriation from one expenditure classification to another.
- g. Appropriations, except an appropriation for a capital expenditure, lapse at the year-end unless legally encumbered. Capital expenditure appropriations shall continue in force until the purpose has been accomplished or abandoned if 3 years passes without any disbursement or encumbrance of the appropriation.

The legal level of budgetary control is at the level of general classification of expenditure. The City exceeded its budget at June 30, 2013 in the general fund in the following departments: general government and capital outlays. The City exceeded its budget at June 30, 2013 in the special revenue fund in the following departments: public safety, cable and capital outlays.