

CITY OF MOUNT RAINIER, MARYLAND
Mount Rainier, Maryland

FINANCIAL STATEMENTS

For The Year Ended June 30, 2010

BRIDGETT
MOCK

& ASSOCIATES, P.A.
Certified Public Accountants

CITY OF MOUNT RAINIER, MARYLAND
 For The Year Ended June 30, 2010
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BRIDGETT

MOCK

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council of the
City of Mount Rainier, Maryland
Mount Rainier, Maryland

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the City of Mount Rainier, Maryland, as of and for the year ended June 30, 2010, which collectively comprise the City of Mount Rainier's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mount Rainier's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the City of Mount Rainier, Maryland, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 10 and 34 through 40 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.

Bridgett, Mock & Associates, P.A.

Waldorf, Maryland
October 29, 2010

CITY OF MOUNT RAINIER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Mount Rainier, Maryland's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2010. Please read it with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$3,706,427 (net assets).
- The City's total net assets increased by \$517,090.
- As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance totaling \$2,251,442, a decrease of \$189,766.
- A bond in the amount of \$1,500,000 was used to purchase 3200 Rhode Island Avenue and 3701 Eastern Avenue and to refinance the Series A-1996 and 1997 Bonds. The property was acquired to add an additional 10,614 square feet to the property owned by the City. The City is exploring various options to redevelop this area in order to continue its efforts of blight removal.
- The City also purchased 3405 Rhode Island Avenue as part of its revitalization efforts to create a municipal complex/library. The complex will include 3405 Rhode Island Avenue, 3409 Rhode Island Avenue, and 3500 Perry Street (City Hall).
- The City was severely affected by State cuts and lost approximately \$180,000 in State Highway User Fees.
- The City faced unprecedented snow fall during the winter season and had to declare a snow emergency. The City spent approximately \$160,000 in excess of the budgeted amount for snow removal and public assistance.
- The City's Revised Mixed-Use Town Center (MUTC) guidelines developed by Maryland-National Capital Park and Planning Commission in consultation with the Mayor and Council and the residents will enable the City to work with developers to restore the business district. The new MUTC guidelines are expected to be the role model for other municipalities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This *Management's Discussion and Analysis* is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

This report also contains other supplementary information in addition to the basic financial statements.

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 *statement of net assets* presents information on all of the City's non-fiduciary assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's 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 expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

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*). Governmental activities include general government, public safety, education, public works, and community development. The City does not have business-type activities.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

- Governmental funds
- Proprietary funds
- Fiduciary funds

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

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

The City has two governmental funds, the general fund and the special revenue fund. The basic governmental fund financial statements can be found on pages 13 and 15 of this report. The City does not maintain proprietary funds or fiduciary funds.

Notes To The Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 32 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and special revenue fund, which can be found on pages 34 through 40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The City's combined assets exceeded liabilities by \$3,706,427 at the close of the most recent fiscal year.

The City's combined net assets increased by \$517,090, which came from the City's governmental activities. This increase is primarily as a result of increase in taxes and grant revenue.

The following table presents a summary of the *statement of net assets* for the City as of June 30, 2010 and 2009.

**Table A-1
Condensed Statement Of Net Assets**

	Governmental Activities	
	2010	2009
ASSETS		
Current and other assets	\$ 2,820,894	\$ 2,872,373
Capital assets	4,383,547	3,244,204
Total Assets	\$ 7,204,441	\$ 6,116,577
LIABILITIES		
Long-term debt outstanding	\$ 3,102,328	\$ 2,605,871
Other liabilities	395,686	321,369
Total Liabilities	\$ 3,498,014	\$ 2,927,240
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,638,738	\$ 1,118,536
Restricted	154,165	304,306
Unrestricted	1,913,524	1,766,495
Total Net Assets	\$ 3,706,427	\$ 3,189,337

Changes In Net Assets

The City's revenue totaled \$5,007,860 (see Table A-2). Of the City's revenue, 64.5% comes from property taxes and 74 cents (\$0.74) of every dollar comes from some type of tax (see Figure A-1).

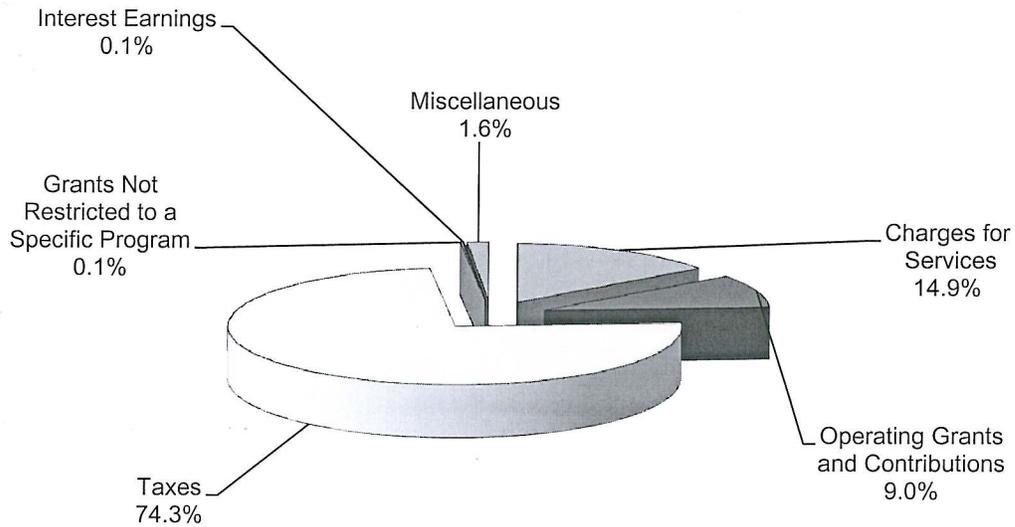
The total cost of all programs and services was \$4,490,770. The City's expenses cover a range of services, with about 48.5% related to public safety (see Figure A-2).

The following table presents a summary of the statement of activities for the City for the year ended June 30, 2010 and 2009.

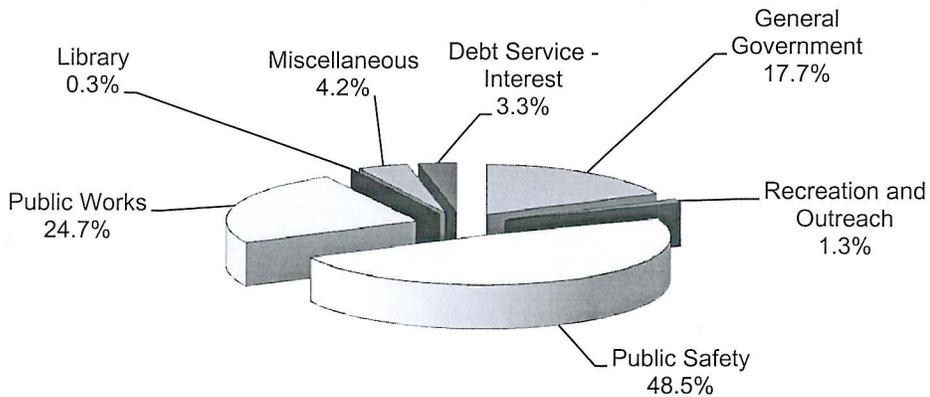
Table A-2
Changes In Local Net Assets

	Governmental Activities	
	2010	2009
Revenues		
Program revenues		
Charges for services	\$ 745,375	\$ 688,412
Operating grants	452,762	521,673
General revenues		
Property taxes	3,231,700	2,882,660
Income taxes	487,423	473,010
Nonrestricted grants/contributions	6,554	6,554
Interest earnings	5,423	28,388
Other	78,623	53,108
Total Revenues	5,007,860	4,653,805
Expenses		
General government	796,197	803,393
Recreation and outreach	57,692	57,252
Public safety	2,179,078	2,146,849
Public works	1,108,429	1,015,909
Library	11,672	7,978
Miscellaneous	190,762	136,811
Debt service - interest	146,940	87,563
Total Expenses	4,490,770	4,255,755
Increase in Net Assets	517,090	398,050
Net Assets - Beginning of Year	3,189,337	2,791,287
Net Assets - End of Year	\$ 3,706,427	\$ 3,189,337

SOURCES OF REVENUES FOR FISCAL YEAR 2010



FUNCTIONAL EXPENSES FOR FISCAL YEAR 2010



FUND FINANCIAL STATEMENT ANALYSIS

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

Governmental Funds

The focus of the 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 balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$2,251,442, a decrease of \$189,766. Of this total amount, \$1,908,891 represents unreserved undesignated fund balance. The remainder of fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, undesignated fund balance of the general fund totaled \$1,908,891, while total fund balance was \$2,229,290. During fiscal year 2010, the balance of the City's general fund decreased by \$189,985.

The special revenue fund balance increased by \$219 during the current fiscal year. A transfer of \$250 was made between the special revenue fund and the general fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original general fund budget was not amended during the year.

Actual total revenues exceeded the budgeted amount by \$229,422.

Actual total expenditures exceeded the budget by \$1,827,782. This was due in part to the purchase of two pieces of property; the funeral home building and the Eastern Star building. A bond was used to fund the funeral home building and the fund balance was used to purchase the Eastern Star building.

The City Manager and the Treasurer were faced with a critical challenge this fiscal year to stay within the adopted budget limits.

- Significant reduction in State Highway revenue - \$180,000 (90% of the projected revenue).
- Increase in snow removal expenditures - \$160,000 (record breaking snow accumulation, President and State Governor declared disaster emergency).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2010 was \$4,383,547 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, equipment, and vehicles. The following is a summary of the capital assets net of depreciation.

Capital Assets Net Of Depreciation

	Governmental Activities	
	2010	2009
Land	\$ 1,564,679	\$ 1,140,043
Buildings	2,120,302	1,411,077
Improvements	69,646	77,498
Equipment and vehicles	628,920	615,586
Total	<u>\$ 4,383,547</u>	<u>\$ 3,244,204</u>

Included in the capital assets purchased this year by the City was equipment and vehicles totaling \$164,941. Also, the City purchased a piece of property referred to as the funeral home costing \$662,526 and another piece of property referred to as the Eastern Star building costing \$401,622.

Long-Term Debt

At year-end, the City had \$3,102,328 in outstanding debt. Long-term debt had a net increase of \$496,457. A new debt bond in the amount of \$1,500,000 was issued to refinance two bonds outstanding from 1996 and 1997 and purchase land and building. A \$26,625 lease was used to purchase a police car.

Long-term debt consists of the following:

Long-Term Liabilities

	Governmental Activities	
	2010	2009
Bonds payable	\$ 2,812,028	\$ 2,260,741
Capital lease obligations	86,946	147,233
Accumulated compensated absences	203,354	197,897
Total	<u>\$ 3,102,328</u>	<u>\$ 2,605,871</u>

MAINTAINING THE CONDITIONS OF THE CITY'S INFRASTRUCTURE

Prospective accounting of the City infrastructure has been adopted by the City. During fiscal year 2009, the City performed maintenance on several road projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Actual revenues for fiscal year 2011 are expected to remain at the same level as fiscal year 2010.
 - Salaries expense for fiscal year 2011 includes no salary adjustment and no merit increases for both bargaining unit and non-bargaining unit employees.
 - Real property tax will remain at fiscal year 2010 levels, i.e., 79 cents (\$0.79) per \$100 of assessed valuation. The City has maintained this rate for the last six fiscal years.
 - Funding of \$8,000 is included for the continuance of the Youth Recreation Program and \$1,500 for Bike-Co-op Program.
 - Finding of \$5,000 is included for the centennial activities and \$2,000 for community activities.
 - Funding of \$12,000 is included for the continuation of the City Homeowner's Tax Credit and \$4,000 for the Historic Preservation Tax Credit.
 - The Capital Improvement Plan of \$57,500 includes two vehicles for Police Department, one dump truck and one bobcat for Public Works Department and parking meter replacement expenditures.
 - The City projects revenues of \$240,000 from speed camera violations. The funds will be utilized for public safety expenditures.
-

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Treasurer's Office, City of Mount Rainier, One Municipal Place, Mount Rainier, Maryland 20712.

CITY OF MOUNT RAINIER, MARYLAND
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 2,167,772
Restricted cash	154,165
Taxes receivable	200,456
Prepaid items	8,234
Due from other governments	212,266
Other receivables	78,001
Land	1,513,447
Construction in progress	51,232
Other capital assets, net of depreciation	<u>2,818,868</u>
Total Assets	<u><u>\$ 7,204,441</u></u>
 LIABILITIES	
Accounts payable	\$ 132,511
Accrued salaries	73,393
Other payables	58,076
Liability for seized assets	35,494
Deferred revenue	96,212
Long term debt	
Due within one year	292,292
Due in more than one year	<u>2,810,036</u>
Total Liabilities	<u><u>\$ 3,498,014</u></u>
 NET ASSETS	
Investment in capital assets, net of related debt	\$ 1,638,738
Restricted	
Capital projects	154,165
Unrestricted	<u>1,913,524</u>
Total Net Assets	<u><u>\$ 3,706,427</u></u>

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

CITY OF MOUNT RAINIER, MARYLAND
STATEMENT OF ACTIVITIES
June 30, 2010

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 796,197	\$ 478,889	\$ 65,919	\$ (251,389)
Recreation and outreach	57,692	-	-	(57,692)
Public safety	2,179,078	264,680	281,885	(1,632,513)
Public works	1,108,429	1,806	104,958	(1,001,665)
Library	11,672	-	-	(11,672)
Miscellaneous	190,762	-	-	(190,762)
Debt service - interest	146,940	-	-	(146,940)
Total Governmental Activities	\$ 4,490,770	\$ 745,375	\$ 452,762	(3,292,633)
General revenues				
Property taxes				3,231,700
Income taxes				487,423
Grants not restricted to a specific program				6,554
Interest earnings				5,423
Miscellaneous				78,623
Total General Revenues				3,809,723
Change in net assets				517,090
Net assets - beginning of year				3,189,337
Net assets - end of year				<u>\$ 3,706,427</u>

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

CITY OF MOUNT RAINIER, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 2,145,620	\$ 22,152	\$ 2,167,772
Restricted cash	154,165	-	154,165
Taxes receivable (net of allowance of \$6,000)	200,456	-	200,456
Prepaid items	8,234	-	8,234
Due from other governments	81,036	131,230	212,266
Due from other funds	35,017	-	35,017
Other receivables	78,001	-	78,001
	<u>2,702,529</u>	<u>153,382</u>	<u>2,855,911</u>
Total Assets	<u>\$ 2,702,529</u>	<u>\$ 153,382</u>	<u>\$ 2,855,911</u>
LIABILITIES			
Accounts payable	\$ 132,511	\$ -	\$ 132,511
Accrued salaries	73,393	-	73,393
Other payables	48,576	-	48,576
Due to other funds	-	35,017	35,017
Liability for seized assets	35,494	-	35,494
Deferred revenue	183,265	96,213	279,478
	<u>473,239</u>	<u>131,230</u>	<u>604,469</u>
Total Liabilities	473,239	131,230	604,469
FUND EQUITY			
Fund balances			
Reserved			
For prepaid items	8,234	-	8,234
For capital projects	154,165	-	154,165
Unreserved			
Designated for subsequent years' expenditures	158,000	22,152	180,152
Undesignated	1,908,891	-	1,908,891
	<u>2,229,290</u>	<u>22,152</u>	<u>2,251,442</u>
Total Fund Balances	<u>2,229,290</u>	<u>22,152</u>	<u>2,251,442</u>
Total Liabilities And Fund Equity	<u>\$ 2,702,529</u>	<u>\$ 153,382</u>	<u>\$ 2,855,911</u>

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

CITY OF MOUNT RAINIER, MARYLAND
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 For The Year Ended June 30, 2010

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 2,251,442

AMOUNTS REPORTED IN GOVERNMENTAL ACTIVITIES
 IN THE STATEMENT OF NET ASSETS ARE
 DIFFERENT BECAUSE

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Cost of capital assets	6,050,564	
Accumulated depreciation	1,667,017	
	4,383,547	4,383,547

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued vacation leave	203,354	
Bonds and notes payable	2,812,028	
Capital lease obligations	86,946	
	(3,102,328)	(3,102,328)

Accrued interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability on the governmental funds balance sheet. (9,500)

Certain receivables are offset by deferred revenue in the governmental funds since they are not available to pay for current-period expenditures. This is the amount of deferred revenue related to these receivables. 183,266

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 3,706,427

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

CITY OF MOUNT RAINIER, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 3,645,653	\$ -	\$ 3,645,653
Licenses and permits	441,918	-	441,918
Intergovernmental	159,077	300,239	459,316
Service charges	112,197	-	112,197
Fines and forfeitures	191,260	-	191,260
Miscellaneous	84,017	29	84,046
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	4,634,122	300,268	4,934,390
EXPENDITURES			
Current			
General government	739,900	60,479	800,379
Recreation and outreach	57,692	-	57,692
Public safety	2,002,283	176,096	2,178,379
Public works	1,022,971	58,224	1,081,195
Library	11,672	-	11,672
Miscellaneous	185,262	5,500	190,762
Debt service - principal	1,035,625	-	1,035,625
Debt service - interest	137,440	-	137,440
Capital outlay	1,157,637	-	1,157,637
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	6,350,482	300,299	6,650,781
(DEFICIENCY) OF REVENUES OVER EXPENDITURES			
BEFORE OTHER FINANCING SOURCES (USES)	(1,716,360)	(31)	(1,716,391)
OTHER FINANCING SOURCES (USES)			
Issuance of bond	1,500,000	-	1,500,000
Issuance of capital lease	26,625	-	26,625
Transfers	(250)	250	-
	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	1,526,375	250	1,526,625
NET CHANGE IN FUND BALANCE	(189,985)	219	(189,766)
FUND BALANCES - BEGINNING OF YEAR	2,419,275	21,933	2,441,208
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES - END OF YEAR	\$ 2,229,290	\$ 22,152	\$ 2,251,442
	<u> </u>	<u> </u>	<u> </u>

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

CITY OF MOUNT RAINIER, MARYLAND
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2010

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (189,766)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense in the current period.

Capital outlays	1,371,483	
Depreciation	<u>(232,140)</u>	
		1,139,343

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds. This is the amount by which accumulated unused compensated absences increased.

(5,457)

The issuance of long-term debt provides financial resources to governmental funds while the repayment of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets.

Proceeds	(1,526,625)	
Repayments	<u>1,035,625</u>	
		(491,000)

Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenses. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in "unavailable" revenues at the end of the year over the amount at the beginning of the year.

73,470

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds.

(9,500)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 517,090

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

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Mount Rainier (the City) was incorporated in 1910. The City operates under a Mayor-Council form of government. Services provided by the City include street maintenance, recreation, and public safety.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Mount Rainier has no component units.

C. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. Governmental activities are supported by taxes and intergovernmental revenues, whereas business-type activities are those supported through customer service charges. The City does not have any business-type activities.

The statement of net assets is designed to display the financial position of the City as of the fiscal year end. Governmental activities are reported on a consolidated basis and are reported on a full accrual economic resource basis, which recognizes all long-term assets, as well as long-term debt and obligations.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City has two major governmental funds, the General Fund and the Special Revenue Fund.

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus/Basis of Accounting (continued)

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "Cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Equity (continued)

Cash and Investments (continued)

Investments are carried at fair value. Fair value is based on quoted market price.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds."

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, franchise taxes, and grants.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. The City defines capital assets as those which have an acquisition cost or donated value of at least \$1,000 and an estimated life of more than one year.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Equity (continued)

Capital Assets (continued)

Government-Wide Statements (continued)

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. The City defines infrastructure assets to be capitalized as any road, street, and sidewalk which exceed a certain cost of \$100,000. Capital assets are being depreciated over the following lives:

- Buildings 25 - 50 years
- Improvements 10 - 50 years
- Machinery and equipment 3 - 20 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures.

Compensated Absences

The City policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The City allows the employees upon termination to be paid for their accumulated annual leave up to a maximum number of hours, based on their length of employment. In addition, the police officers can accrue and will be compensated for a maximum of 240 comp-time hours. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Equity (continued)

Equity Classifications

Government-Wide Statements

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

- a. Invested in Capital Assets, Net of Related Debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets: Consists of net assets with constraints placed on the 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.
- c. Unrestricted Net Assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

F. Revenues, Expenditures, and Expenses

Revenue Recognition - Property Taxes

Taxes are levied on July 1 and are due and payable at that time. All unpaid taxes levied July 1 become delinquent on October 1. Property taxes are attached as an enforceable lien on the underlying properties, which are sold at public auction in the succeeding May by Prince George's County.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

Expenditure/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Revenues, Expenditures, and Expenses (continued)

Expenditure/Expenses (continued)

In the fund financial statements, expenditures are classified as follows:

Governmental funds - by character	Current (further classified by function) Debt service Capital outlay
--------------------------------------	---

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue fund. The City Council approved, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent transfer of funds between major appropriations for different purposes must be approved by the Council before coming effective. All appropriations lapse at the end of the budget year to the extent that they shall not have been expended.

NOTE 3 - CASH AND INVESTMENTS

Deposits

At year-end, the carrying amount of the City's deposits (including cash on hand of \$700) was \$821,901 and the corresponding bank balances were \$857,333. Custodial risk, in the case of deposits, is the risk that in the event of a bank failure the City's deposits may not be returned to it. At year end, \$803,001 of the City's deposits were covered by federal depository insurance or were covered by collateral held by the City's agent in the City's name. The remaining \$54,332 was uninsured and uncollateralized. Article 95, Section 22 of the Maryland Annotated Code requires that local government's deposits with financial institutions be fully collateralized.

CITY OF MOUNT RAINIER, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2010

NOTE 3 - CASH AND TEMPORARY INVESTMENTS (continued)

Investments

At June 30, 2010, the City's investments were pooled in the State created Maryland Local Government Investment Pool (MLGIP), and a money market fund. The fair values of those investments were \$1,500,036. Reconciliation of cash and temporary investments as shown on the Statement of Net Assets:

Carrying amount of deposits	\$ 821,901
Carrying amount of temporary investments	1,500,036
	\$ 2,321,937
Per Statement of Net Assets	
Cash and temporary investments	\$ 2,167,772
Restricted cash	154,165
	\$ 2,321,937

Investment Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities between thirty days to one year in order to remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. City management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost for that purpose. The investments at June 30, 2010, met the City investment policy as of that date. Investment income was comprised entirely of interest and dividends amounting to \$5,423 for the year ended June 30, 2010.

Credit Risk

The investment policy of the City permits investments in the following types of investments as authorized by the State of Maryland: direct U.S. obligations, U.S. agency obligations, repurchase agreements, bankers' acceptances, municipal securities, commercial paper, money market mutual funds and the MLGIP. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. It is rated AAAm by Standard & Poor's, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 3 - CASH AND TEMPORARY INVESTMENTS (continued)

Investments (continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The investments of the City were not exposed to custodial credit risk at June 30, 2010.

Foreign Currency Risk

The Town's investment policy does not allow for investments denominated in foreign currencies.

NOTE 4 - PROPERTY TAXES

Real estate and personal property taxes are levied based on assessments determined by the State of Maryland.

Real estate taxes are levied on July 1 and are payable either by September 30 or in two equal installments on September 30 and December 31. Penalties and interest are charged thereafter. Liens are placed on delinquent property on the second Monday in May. Sale of property because of tax liens is conducted by Prince George's County.

Personal property taxes are levied throughout the year when the assessment is received from the State. They are payable 30 days after levy.

Real and personal property taxes are levied at rates enacted by the Mayor and City Council in the annual budget on the assessed value as determined by Maryland State Department of Assessments and Taxation. Prince George's County collects all taxes billed and the City receives its share in monthly installments from the County. City property tax revenues are recognized when levied to the extent that they result in current receivables. The rate for fiscal year ended June 30, 2010 was \$0.79 per \$100 of assessed value for real property, \$1.98 per \$100 of assessed value for business personal property, and \$2.50 for \$100 of assessed value for public utility personal property.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 5 - CAPITAL ASSETS

The activity for the capital assets for the year ended June 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land/construction in progress	\$1,140,043	\$ 424,636	\$ -	\$1,564,679
Capital assets being depreciated				
Buildings	2,193,688	781,906	-	2,975,594
Improvements	130,903	-	-	130,903
Equipment and Vehicles	<u>1,334,447</u>	<u>164,941</u>	<u>120,000</u>	<u>1,379,388</u>
Total Capital Assets Being Depreciated	3,659,038	946,847	120,000	4,485,885
Less accumulated depreciation for				
Buildings	782,611	72,681	-	855,292
Improvements	53,405	7,852	-	61,257
Equipment and Vehicles	<u>718,861</u>	<u>151,607</u>	<u>120,000</u>	<u>750,468</u>
Total Accumulated Depreciation	<u>1,554,877</u>	<u>232,140</u>	<u>120,000</u>	<u>1,667,017</u>
Total Capital Assets Being Depreciated, Net	<u>2,104,161</u>	<u>714,707</u>	<u>-</u>	<u>2,818,868</u>
Governmental Activities Capital Assets, Net	<u>\$3,244,204</u>	<u>\$1,139,343</u>	<u>\$ -</u>	<u>\$4,383,547</u>

Depreciation expense was charged to functions/programs of the City as follows:

General government	\$ 50,603
Public works	43,241
Public safety	138,296
	<u>\$ 232,140</u>

NOTE 6 - DUE FROM OTHER GOVERNMENTS

At June 30, 2010, the balance of due from other governments consisted of the following:

Federal Government	
U.S. Treasury - Drug Inv.	\$ 58,327
State of Maryland	
Highway User	14,425
Income Tax	39,244
State Police Aid	27,367
CSAFE Grant	7,414
Community Legacy	21,257
Local	
Prince George's County	25,877
Town of Brentwood - LCI Grant	18,355
Total	<u>\$ 212,266</u>

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT

General Obligation Bonds - In May 1996, the City issued its 1996 Infrastructure Series A bonds in the principal amount of \$300,000. The bonds were sold to the Community Development Administration, an agency in the Division of Housing Finance of the Department of Housing and Community Development, a principal department of the State of Maryland, in connection with the Infrastructure Financing Program of the Administration.

The bonds were issued for the purpose of refinancing the 1994 issuance of a \$300,000 bond anticipation note. Bond issuance costs of \$10,300 were also financed with the general obligation bond proceeds. The bonds are due in annual principal installments beginning May 1, 1998 and ending May 1, 2026. Interest is due semi-annually at a rate of 5.69%. Debt service payments are appropriated from general fund resources. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

This bond was paid off during the year ended June 30, 2010 with an issuance of a \$1,500,000 bond.

In May 1997, the City issued its 1997 Infrastructure Series A bonds in the principal amount of \$722,709. The bonds were sold to the Community Development Administration, an agency in the Division of Housing Finance of the Department of Housing and Community Development, a principal department of the State of Maryland, in connection with the Infrastructure Financing Program of the Administration.

The bonds were issued for the purpose of purchasing and renovating a building for a police station. Bond issuance costs of \$22,709 were financed with the general obligation bond proceeds of \$700,000. The bonds are due in annual principal installments beginning May 1, 1998 and ending May 1, 2027. Interest is due semi-annually at a rate of 5.62%. Debt service payments are appropriated from general fund resources. General obligation bonds are direct obligations and pledged on full faith and credit of the City.

This bond was paidoff during the year ended June 30, 2010 with an issuance of a \$1,500,000 bond.

In December 2008, the City issued its Series I-2008 bond in the principal amount of \$1,250,000. The bonds were issued for the purpose of funding the purchase of Bass property. The bonds are due in annual principal installments beginning June 4, 2009 and ending December 4, 2023. Interest is due semi-annually at a rate of 4.79%. Debt service payments are appropriated from general fund resources. General obligation bonds are direct obligations and pledged on full faith and credit of the City.

Annual debt service requirements to maturity for the I-2008 Series bonds are as follows at June 30, 2010:

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

Years Ending June 30,	Principal	Interest
2011	\$ 62,908	\$ 54,870
2012	65,958	51,820
2013	69,155	48,623
2014	72,507	45,271
2015	76,022	41,756
Later years	814,475	186,616
	<u>\$ 1,161,025</u>	<u>\$ 428,956</u>

In January 2009, the City issued its Series I-2009 bond in the principal amount of \$236,000. The bonds were issued for the purpose of financing the acquisition of three police vehicles and one trash truck. The bonds are due in semi-annual principal installments beginning August 18, 2009 and continuing on February 18 and August 18 in each year, with the final semi-annual installment of principal and accrued interest due on February 18, 2014. Interest is due semi-annually at a rate of 3.43%. Debt service payments are appropriated from general fund resources. General obligation bonds are direct obligations and pledged on full faith and credit of the City.

Semi-annual debt service requirements to maturity for the I-2009 Series bonds are as follows at June 30, 2010:

Years Ending June 30,	Principal	Interest
2011	\$ 45,569	\$ 6,197
2012	47,145	4,620
2013	48,776	2,989
2014	50,465	1,302
	<u>\$ 191,955</u>	<u>\$ 15,108</u>

In January 2010, the City issued a bond with the principal amount of \$1,500,000. This bond was issued to pay off the 1996 Series "A" loan and 1997 Series "A" loan, which totaled \$821,234. The City received \$678,766 from the remainder of the bond which was used to purchase land and building know as the funeral home. The bonds are due in semi-annual payments with the final payment being due on December 30, 2040. The interest rate of 4.3% annually. General obligation bonds are direct obligations and pledged on full faith and credit of the City.

Years Ending June 30,	Principal	Interest
2011	\$ 74,574	\$ 62,154
2012	77,815	58,913
2013	81,198	55,531
2014	84,727	52,002
2015	88,409	48,319
Later years	1,052,325	518,674
	<u>\$ 1,459,048</u>	<u>\$ 795,593</u>

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT (continued)

Capital Leases - The City has entered into the following agreements which meet the criteria of a capital lease. Lease payments are appropriated from general fund resources. The equipment underlying these agreements has an original cost of \$268,104 and a book value net of accumulated depreciation of \$176,126.

In September 2006, the City entered into an agreement with M & T Bank to finance a police vehicle. The agreement required monthly principal payments for a period of 4 years at a 4.73% interest rate.

In December 2006, the City entered into an agreement with M & T Bank to finance two police vehicles. The agreement required monthly principal payments for a period of 3 years at a 5.69% interest rate. This lease was paid off as of June 30, 2010.

In July of 2007, the City entered into an agreement with Municipal Services Group, Inc. to finance a trash truck. The agreement required monthly payments in the amount of \$1,335.36 for 60 months at a 5.04% interest rate.

In January of 2008, the City entered into an agreement with Municipal Services Group, Inc. to finance five police vehicles. The agreement requires monthly payments of \$4,190.14 for 36 months at a 4.73% interest rate.

In July 2009, the City entered into an agreement with M&T Bank to lease a Crown Victoria Police Car. The agreement requires monthly payments of \$807.06 for a period of 36 months at a 5.35% interest rate.

The following is a schedule of the future minimum lease payments under these capital lease arrangements at June 30, 2010:

Years Ending June 30,	Payments	Interest
2011	\$ 61,142	\$ 2,740
2012	25,709	894
2013	3,756	27
Total payments	90,607	\$ 3,661
Less interest	3,661	
Present value of lease payments	\$ 86,946	

Changes In Long-Term Debt - The following is a summary of changes in general long-term debt:

	Balance July 1, 2009	Increase	Decrease	Balance June 30, 2010	One Year
General obligation					
bonds	\$2,260,741	\$1,500,000	\$ 948,713	\$2,812,028	\$ 183,051
Capital leases	147,233	26,625	86,912	86,946	58,402
Accrued vacation					
leave	197,897	5,457	-	203,354	50,839
	\$2,605,871	\$1,532,082	\$1,035,625	\$3,102,328	\$ 292,292

CITY OF MOUNT RAINIER, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2010

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2010 were:

Fund	Interfund Receivables	Interfund Payables
General fund	\$ 35,017	\$ -
Special revenue fund	-	35,017
	\$ 35,017	\$ 35,017

NOTE 9 - STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND

Plan Description

Employees of the City are covered by the Pension System for Employees of the State of Maryland or The Employees Retirement System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (the State System), and are cost-sharing multiple-employer public employee retirement systems. The State System provides pension, death, and disability benefits to plan members and beneficiaries.

The plan is administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the State System is vested in a 12-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by calling 410-625-5555.

Funding Policy

The State Personnel and Pensions Article require active members to contribute to the State System at the rate of 5% or 7% of their covered salary depending upon the retirement option selected. The City is required to contribute at an actuarially determined rate. The City's contribution for the year ended June 30, 2010 was \$141,875, which was equal to the required contribution for the year.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

NOTE 10 - DEFERRED COMPENSATION

The government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property rights purchased with those amounts, and all income attributable to those amounts, property or rights are the property and rights of the participants.

NOTE 11 - CONTINGENT LIABILITIES

The City participates in a number of state and federally assigned grant programs which are subject to financial and compliance audits by the grantors or their representatives. Disallowed claims, if any, may constitute a liability of the applicable fund. The claims which may be disallowed cannot be currently determined, although the City expects such amounts, if any, to be immaterial.

NOTE 12 - LITIGATION

There are various pending lawsuits in which the City is involved. The City attorney and legal counsel for the insurance carrier estimate that the potential claims against the City, not covered by insurance, would not materially affect the financial statements of the City.

NOTE 13 - 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's general liability risks are financed through the City's participation in the Local Government Insurance Trust (LGIT). The City pays an annual premium to the LGIT for its general insurance coverage. The agreement with the LGIT provides that the LGIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000. The City continues to carry commercial insurance for employee health and accident insurance and worker's compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years.

NOTE 14 - POST RETIREMENT BENEFITS

The City has no liability for post retirement benefits at June 30, 2010.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

Note 15 - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD STANDARDS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2010 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be effective for the City in Fiscal Year 2011. The purpose of this Statement is to improve the usefulness, including the understandability, of governmental fund balance information.

GASB Statement Number 57, *OPEB Measurements by Agent Multiple-Employer Plans* (Statement), will be effective for the City beginning with its year ending June 30, 2011. This statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multi-employer OPEB plans.

GASB Statement Number 59, *Financial Instruments Omnibus* (Statement), will be effective for the City beginning with its year ending June 30, 2011. This Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

NOTE 16 - SUBSEQUENT EVENTS

The City evaluated subsequent events for potential required disclosures through October 29, 2010, which represents the date the financial statements were available to be issued.

CITY OF MOUNT RAINIER, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2010

BRIDGETT
MOCK

& ASSOCIATES, P.A.
Certified Public Accountants

CITY OF MOUNT RAINIER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
For The Year Ended June 30, 2010

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES			
Taxes	\$ 3,571,000	\$ 3,645,653	\$ 74,653
Licenses and permits	378,650	441,918	63,268
Intergovernmental	276,550	159,077	(117,473)
Service charges	54,250	112,197	57,947
Fines and forfeitures	80,000	191,260	111,260
Other revenue	44,250	84,017	39,767
Total Revenues	<u>\$ 4,404,700</u>	<u>\$ 4,634,122</u>	<u>\$ 229,422</u>
EXPENDITURES			
General government	815,950	1,897,537	(1,081,587)
Recreation and outreach	64,000	57,692	6,308
Public safety	2,094,000	2,002,283	91,717
Public works	1,000,350	1,022,971	(22,621)
Library	9,000	11,672	(2,672)
Miscellaneous	199,450	185,262	14,188
Debt service	339,950	1,173,065	(833,115)
Total Expenditures	<u>\$ 4,522,700</u>	<u>\$ 6,350,482</u>	<u>\$ (1,827,782)</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)			
	(118,000)	(1,716,360)	(1,598,360)
OTHER FINANCING SOURCES (USES)			
Issuance of bond	-	1,500,000	1,500,000
Issuance of capital lease	-	26,625	26,625
Transfers	-	(250)	(250)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,526,375</u>	<u>1,526,375</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(118,000)	(189,985)	(71,985)
APPROPRIATION OF FUND BALANCE			
	<u>118,000</u>	<u>118,000</u>	<u>-</u>
(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			
	<u>\$ -</u>	<u>\$ (71,985)</u>	<u>\$ (71,985)</u>

CITY OF MOUNT RAINIER, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES)
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
For The Year Ended June 30, 2010

REVENUES	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
Taxes			
Real estate	\$ 3,040,000	\$ 3,026,478	\$ (13,522)
Business personal property	53,000	45,889	(7,111)
Public utilities personal property	63,000	64,823	1,823
Property liens	10,000	-	(10,000)
Penalties and interest on taxes	5,000	21,040	16,040
Shared income tax - state	400,000	487,423	87,423
Total Taxes	<u>3,571,000</u>	<u>3,645,653</u>	<u>74,653</u>
Licenses and permits			
Burglar alarm registration	750	825	75
CDMA fees	16,000	18,475	2,475
Occupancy/building license	8,500	9,572	1,072
Traders licenses	100	-	(100)
Residential rental licenses	225,000	256,475	31,475
Building permits	4,000	2,711	(1,289)
CATV revenue	40,000	52,412	12,412
Franchise fee	75,000	90,888	15,888
Vacant building fees	7,500	8,525	1,025
Other licenses and permits	1,800	2,035	235
Total Licenses And Permits	<u>378,650</u>	<u>441,918</u>	<u>63,268</u>
Intergovernmental			
Police protection grant - state	80,000	105,789	25,789
Financial corporations - county	6,550	6,554	4
Disposal fee rebate - county	-	22,180	22,180
Highway user tax	190,000	24,554	(165,446)
Total Intergovernmental	<u>276,550</u>	<u>159,077</u>	<u>(117,473)</u>
Charges for services			
Brentwood police contract	-	73,420	73,420
Public parking facilities	38,000	21,082	(16,918)
Public transportation	8,000	8,634	634
Waste collection	2,000	1,286	(714)
Trash hauler fees	2,500	520	(1,980)
CDMA administrative fees	750	658	(92)
City service fees	3,000	6,597	3,597
Total Charges For Services	<u>54,250</u>	<u>112,197</u>	<u>57,947</u>

CITY OF MOUNT RAINIER, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES)
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
(continued)
For The Year Ended June 30, 2010

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES (continued)			
Fines and forfeitures			
Parking fines	35,000	41,637	6,637
Meter violations	35,000	14,085	(20,915)
Parking citation recovery	-	60,000	60,000
Municipal code	5,000	3,142	(1,858)
Speed camera	-	55,081	55,081
Impound fees	5,000	17,115	12,115
Other fines and forfeitures	-	200	200
Total Fines And Forfeitures	<u>80,000</u>	<u>191,260</u>	<u>111,260</u>
Miscellaneous			
Interest	21,500	5,394	(16,106)
Sales of property	500	-	(500)
Bus shelter advertising	1,750	876	(874)
Rent income	18,000	20,125	2,125
Insurance damage recovery	-	23,908	23,908
National night out	500	-	(500)
Mount Rainier day	1,500	6,681	5,181
Tool shed	250	15	(235)
Bike co-op	250	7,543	7,293
Other revenue	-	19,475	19,475
Total Miscellaneous	<u>44,250</u>	<u>84,017</u>	<u>39,767</u>
TOTAL REVENUES	4,404,700	4,634,122	229,422
EXPENDITURES			
General government			
Mayor and council			
Personnel	33,550	31,996	1,554
Other operating	24,700	20,453	4,247
Total Mayor And Council	<u>58,250</u>	<u>52,449</u>	<u>5,801</u>
City administration			
Personnel	471,200	466,205	4,995
Other operating	120,750	105,315	15,435
Capital outlay	500	609	(109)
Total City Administration	<u>592,450</u>	<u>572,129</u>	<u>20,321</u>
Municipal rental expense			
Other operating	9,750	9,050	700
Legal and elections			
Other operating	48,000	34,567	13,433
3601 Bunker Hill			
Other operating	8,500	3,007	5,493
Land acquisition	-	1,157,637	(1,157,637)

CITY OF MOUNT RAINIER, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES)
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
(continued)
For The Year Ended June 30, 2010

EXPENDITURES (continued)	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
Communications - newsletter			
Other operating	34,750	35,431	(681)
Total Communications - Newsletter	34,750	35,431	(681)
Communications - cable TV			
Personnel	22,500	20,949	1,551
Other operating	16,750	12,318	4,432
Capital outlay	25,000	-	25,000
Total Communications - Cable TV	64,250	33,267	30,983
Total General Government	815,950	1,897,537	(1,081,587)
Recreation and outreach			
Call-A-Bus			
Personnel	53,900	51,262	2,638
Other operating	10,100	6,430	3,670
Total Recreation And Outreach	64,000	57,692	6,308
Public safety			
Police			
Personnel	1,561,150	1,437,504	123,646
Other operating	241,400	214,845	26,555
Capital outlay	25,000	40,167	(15,167)
Total Police	1,827,550	1,692,516	135,034
Parking enforcement			
Personnel	53,700	40,801	12,899
Other operating	13,250	3,422	9,828
Total Parking Enforcement	66,950	44,223	22,727
Parking collections			
Other operations	-	18,684	(18,684)
Speed camera			
Personnel	-	32,866	(32,866)
Other operating	-	22,215	(22,215)
Total Speed Camera	-	55,081	(55,081)
Code enforcement			
Personnel	177,650	167,459	10,191
Other operating	19,850	24,320	(4,470)
Capital outlay	2,000	-	2,000
Total Code Enforcement	199,500	191,779	7,721
Total Public Safety	2,094,000	2,002,283	91,717
Public works			
Public works administration			
Personnel	516,500	494,955	21,545
Other operating	151,250	118,805	32,445
Capital outlay	2,000	-	2,000
Total Public Works Administration	669,750	613,760	55,990

CITY OF MOUNT RAINIER, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES)
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
GENERAL FUND
(continued)
For The Year Ended June 30, 2010

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
EXPENDITURES (continued)			
Highway and street			
Other operating	55,500	189,776	(134,276)
Capital outlay	-	16,680	(16,680)
Total Highway And Street	<u>55,500</u>	<u>206,456</u>	<u>(150,956)</u>
Street lighting			
Other operating	150,000	122,368	27,632
Waste disposal			
Other operating	125,000	80,387	44,613
Waste collection			
Other operating	100	-	100
Total Public Works	<u>1,000,350</u>	<u>1,022,971</u>	<u>(22,621)</u>
Library			
Other operating	9,000	11,672	(2,672)
Miscellaneous			
General insurance	101,250	88,283	12,967
Fire department	1,500	-	1,500
Community program	15,000	43,273	(28,273)
Mr. Rainier day	24,000	21,217	2,783
Bike co-op	2,000	9,457	(7,457)
National night out	4,700	4,737	(37)
City tax credit	14,000	18,295	(4,295)
Contingency	37,000	-	37,000
Total Miscellaneous	<u>199,450</u>	<u>185,262</u>	<u>14,188</u>
Debt service	<u>339,950</u>	<u>1,173,065</u>	<u>(833,115)</u>
TOTAL EXPENDITURES	<u>4,522,700</u>	<u>6,350,482</u>	<u>(1,827,782)</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(118,000)	(1,716,360)	(1,598,360)
OTHER FINANCING SOURCES (USES)			
Issuance of bond	-	1,500,000	1,500,000
Issuance of capital lease	-	26,625	26,625
Transfers	-	(250)	(250)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,526,375</u>	<u>1,526,375</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(118,000)	(189,985)	(71,985)
APPROPRIATION OF FUND BALANCE	<u>118,000</u>	<u>118,000</u>	<u>-</u>
(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ (71,985)</u>	<u>\$ (71,985)</u>

CITY OF MOUNT RAINIER, MARYLAND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
SPECIAL REVENUE FUND
For The Year Ended June 30, 2010

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES			
Intergovernmental			
CDBG grant	\$ 85,000	\$ 58,224	\$ (26,776)
Grant CSAFE	55,800	42,999	(12,801)
County tree grant	10,000	-	(10,000)
Mount Rainier day grant	5,000	4,000	(1,000)
National night out	1,500	1,500	-
Justice Program	-	58,327	58,327
FTA transportation grant	85,000	-	(85,000)
Community legacy grant	75,000	60,419	(14,581)
GOCCP Bryne grant	-	67,804	67,804
DWI grant	-	6,966	6,966
Total Intergovernmental	<u>317,300</u>	<u>300,239</u>	<u>(17,061)</u>
Interest			
Interest	-	29	29
Total Interest	<u>-</u>	<u>29</u>	<u>29</u>
Total Revenues	<u>317,300</u>	<u>300,268</u>	<u>(17,032)</u>
EXPENDITURES			
General Government			
Community legacy	75,000	60,419	14,581
Miscellaneous	-	60	(60)
Total General Government	<u>75,000</u>	<u>60,479</u>	<u>14,521</u>
Public safety			
CSAFE grant expenses	55,800	42,999	12,801
FTA transportation	85,000	-	85,000
Justice program	-	58,327	(58,327)
GOCCP Bryne grant	-	67,804	(67,804)
DWI grant	-	6,966	(6,966)
Total Public Safety	<u>140,800</u>	<u>176,096</u>	<u>(35,296)</u>
Public works			
Tree grant	10,000	-	10,000
CDBG grant	85,000	58,224	26,776
Total Public Works	<u>95,000</u>	<u>58,224</u>	<u>36,776</u>
Miscellaneous			
Mt. Rainier day	5,000	4,000	1,000
National night out	1,500	1,500	-
Total Miscellaneous	<u>6,500</u>	<u>5,500</u>	<u>1,000</u>
Total Expenditures	<u>317,300</u>	<u>300,299</u>	<u>17,001</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ (31)</u>	<u>\$ (31)</u>

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2010

BUDGETARY INFORMATION

Formal budgetary integration was employed as a management control device during the year for the General Fund. The City Council approved, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent transfer of funds between major appropriations for different purposes must be approved by the Council before becoming effective. All appropriations lapse at the end of the budget year to the extent that they shall not have been expended.

RECONCILIATION OF BUDGETARY BASIS AND GAAP BASIS

Actual results of operations are presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund and the Budget and Actual - Non-GAAP Budget Basis of accounting in order to provide a meaningful comparison of actual results with budget estimates.

OTHER DISCLOSURES

The expenditures exceeded the budgeted amounts for the following departments:

General Fund	
Land acquisition	\$ 1,157,637
Communication	\$ 681
Parking collections	\$ 18,684
Speed camera	\$ 55,081
Highway and street	\$ 150,956
Library	\$ 2,672
Community program	\$ 28,273
Bike co-op	\$ 7,457
National night out	\$ 37
City tax credit	\$ 4,295
Debt service	\$ 833,115
Special Revenue Fund	
Public safety	\$ 35,296

The major difference between budget basis and GAAP basis is the appropriation of prior year surplus as a revenue item. \$118,000 of fund balance was included as a revenue source on the budgetary statements.

The departments on the Schedule of Revenues and Expenditure Budget and Actual have been further grouped by major governmental functions.