

CITY OF MOUNT RAINIER, MARYLAND
Mount Rainier, Maryland

FINANCIAL STATEMENTS

For The Year Ended June 30, 2011

BRIDGETT
MOCK

& ASSOCIATES, P.A.
Certified Public Accountants



CITY OF MOUNT RAINIER, MARYLAND
 For The Year Ended June 30, 2011
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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 and each major fund of the City of Mount Rainier, Maryland, as of and for the year ended June 30, 2011, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 and each major fund of the City of Mount Rainier, Maryland, as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011 on our consideration of the City of Mount Rainier, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 10 and 34 through 41 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 31, 2011

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, 2011. 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 \$4,934,092 (net assets).
- The City's total net assets increased by \$1,171,125.
- As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance totaling \$2,988,107, an increase of \$736,665.
- The City received FTA funds to purchase 3411 Perry Street parking lot. The lot will be used as a Kiss and Ride lot for bus operators and passengers.
- The Collective Bargaining Agreement (CBA) between the Fraternal Order of Police, Mount Rainier Police, Lodge #85, and the City of Mount Rainier, Maryland was adopted effective July 1, 2011 and will continue through June 30, 2013.
- The City installed two speed cameras in school zones. The fines collected from the Speed Monitoring Program, minus the cost of implementing and administering the program, were designated for the Public Safety expenditures.

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. Both of these funds are considered major funds by the City. 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 41 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 \$4,934,092 at the close of the most recent fiscal year.

The City's combined net assets increased by \$1,171,125, which came from the City's governmental activities. This increase is primarily as a result of increase in taxes, grant revenue, and speed camera program.

The following table presents a summary of the *statement of net assets* for the City as of June 30, 2011 and 2010.

Table A-1
Condensed Statement Of Net Assets

	Governmental Activities	
	2011	2010
ASSETS		
Current and other assets	\$ 3,905,713	\$ 2,820,894
Capital assets	4,580,854	4,383,547
Total Assets	<u>\$ 8,486,567</u>	<u>\$ 7,204,441</u>
LIABILITIES		
Long-term debt outstanding	\$ 2,846,668	\$ 3,102,328
Other liabilities	705,807	395,686
Total Liabilities	<u>\$ 3,552,475</u>	<u>\$ 3,498,014</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,954,919	\$ 1,638,738
Restricted	-	154,165
Unrestricted	2,979,173	1,913,524
Total Net Assets	<u>\$ 4,934,092</u>	<u>\$ 3,706,427</u>

Changes In Net Assets

The City's revenue totaled \$6,989,601 (see Table A-2). Of the City's revenue, 45.8% comes from property taxes and 53 cents (\$0.53) of every dollar comes from some type of tax (see Figure A-1).

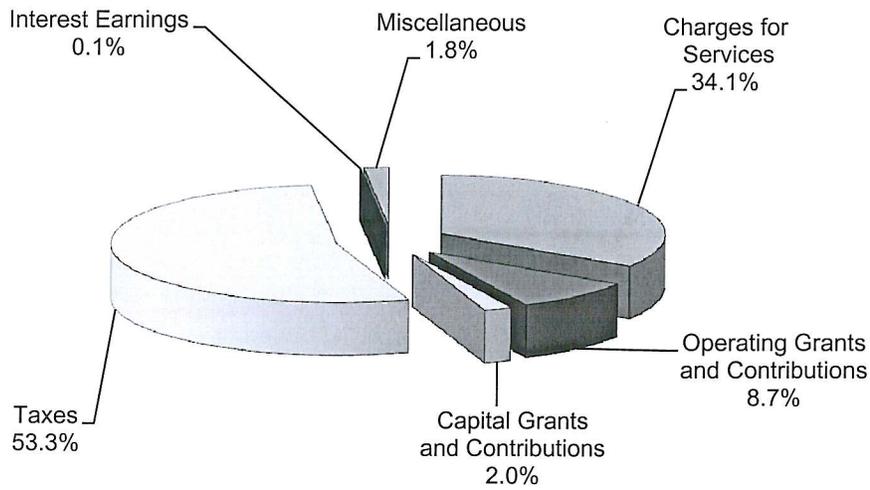
The total cost of all programs and services was \$5,818,476. The City's expenses cover a range of services, with about 56.0% related to public safety (see Figure A-2).

The following table presents a summary of the statement of activities for the City for the year ended June 30, 2011 and 2010.

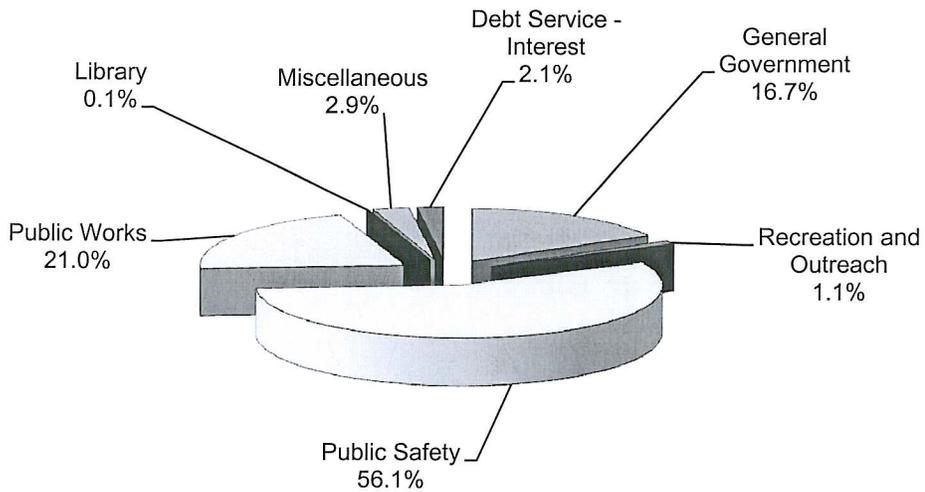
**Table A-2
Changes In Local Net Assets**

	Governmental Activities	
	2011	2010
Revenues		
Program revenues		
Charges for services	\$ 2,385,502	\$ 745,375
Operating grants	749,699	452,762
General revenues		
Property taxes	3,204,422	3,231,700
Income taxes	507,632	487,423
Other taxes	22,180	-
Nonrestricted grants/contributions	-	6,554
Interest earnings	6,099	5,423
Other	114,067	78,623
Total Revenues	<u>6,989,601</u>	<u>5,007,860</u>
Expenses		
General government	971,394	796,197
Recreation and outreach	65,477	57,692
Public safety	3,260,841	2,179,078
Public works	1,222,985	1,108,429
Library	7,299	11,672
Miscellaneous	167,975	190,762
Debt service - interest	122,505	146,940
Total Expenses	<u>5,818,476</u>	<u>4,490,770</u>
Increase in Net Assets	<u>1,171,125</u>	<u>517,090</u>
Net Assets - Beginning of Year	3,706,427	3,189,337
Prior Period Adjustments	56,540	-
Net Assets - Beginning of Year, Restated	<u>3,762,967</u>	<u>3,189,337</u>
Net Assets - End of Year	<u>\$ 4,934,092</u>	<u>\$ 3,706,427</u>

SOURCES OF REVENUES FOR FISCAL YEAR 2011



FUNCTIONAL EXPENSES FOR FISCAL YEAR 2011



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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$2,988,107, an increase of \$736,665. Of this total amount, \$1,935,574 represents unassigned fund balance. The remainder of the fund balance consists of nonspendable for prepaid items of \$34,013, restricted for public safety of \$673,528, and assigned for subsequent expenditures of \$344,992.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$1,935,574, while total fund balance was \$2,963,115. During fiscal year 2011, the balance of the City's general fund increased by \$733,825.

The special revenue fund balance increased by \$2,840 during the current fiscal year. A transfer of \$11,684 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 \$1,941,496 and actual total expenditures exceeded the budget by \$1,031,855.

Most of this budget variance was due to larger than expected revenues and corresponding expenses associated with the speed program monitoring.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2011 was \$4,580,854 (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	
	2011	2010
Land/construction in progress	\$ 1,815,426	\$ 1,564,679
Buildings	2,047,621	2,120,302
Improvements	61,943	69,646
Equipment and vehicles	655,864	628,920
Total	<u>\$ 4,580,854</u>	<u>\$ 4,383,547</u>

Included in the capital assets purchased this year by the City was equipment and vehicles totaling \$216,378 and a piece of property on Perry Street for \$146,280 which is to be used as a parking lot.

Long-Term Debt

At year-end, the City had \$2,846,668 in outstanding debt. A new lease in the amount of \$150,000 was obtained to purchase a police car, dump truck, and Bobcat.

Long-term debt consists of the following:

Long-Term Liabilities

	Governmental Activities	
	2011	2010
Bonds payable	\$ 2,460,416	\$ 2,812,028
Capital lease obligations	178,544	86,946
Accumulated compensated absences	207,708	203,354
Total	<u>\$ 2,846,668</u>	<u>\$ 3,102,328</u>

MAINTAINING THE CONDITIONS OF THE CITY'S INFRASTRUCTURE

Prospective accounting of the City infrastructure has been adopted by the City. During fiscal year 2011, the City performed maintenance on several road projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Actual revenues for fiscal year 2012 are expected to remain at the same level as fiscal year 2011.
 - Salaries expense for fiscal year 2012 includes COLA 2% and no merit increases for both bargaining unit and non-bargaining unit employees.
 - Real property tax will remain at fiscal year 2011 levels, i.e., 79 cents (\$0.79) per \$100 of assessed valuation. The City has maintained this rate for the last seven fiscal years.
 - Funding of \$6,000 is included for the continuance of the Youth Recreation Program and \$1,000 for Bike-Co-op Program.
 - Finding of \$5,000 is included for the Home Tour and Farmer's Market expenses.
 - Funding of \$13,500 is included for the continuation of the City Homeowner's Tax Credit and \$4,000 for the Historic Preservation Tax Credit.
 - The City projects revenues of \$50,000 from speed monitoring 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, 2011

	Governmental Activities
ASSETS	
Cash and investments	\$ 3,403,480
Restricted cash	13,025
Taxes receivable	218,867
Prepaid items	34,013
Due from other governments	103,859
Other receivables	132,469
Land	1,659,727
Construction in progress	155,699
Other capital assets, net of depreciation	2,765,428
Total Assets	\$ 8,486,567
LIABILITIES	
Accounts payable	\$ 473,723
Accrued salaries	77,933
Other payables	44,808
Liability for seized assets	53,921
Deferred revenue	55,422
Long term debt	
Due within one year	303,761
Due in more than one year	2,542,907
Total Liabilities	\$ 3,552,475
NET ASSETS	
Investment in capital assets, net of related debt	\$ 1,954,919
Unrestricted	2,979,173
Total Net Assets	\$ 4,934,092

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

CITY OF MOUNT RAINIER, MARYLAND
STATEMENT OF ACTIVITIES
June 30, 2011

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 971,394	\$ 490,335	\$ 195,234	\$ 137,014
Recreation and outreach	65,477	-	-	-
Public safety	3,260,841	1,893,424	196,220	-
Public works	1,222,985	1,743	210,231	-
Library	7,299	-	-	-
Miscellaneous	167,975	-	11,000	-
Debt service - interest	122,505	-	-	-
Total Governmental Activities	\$ 5,818,476	\$ 2,385,502	\$ 612,685	\$ 137,014
General revenues				
Property taxes				3,204,422
Income taxes				507,632
Other taxes				22,180
Interest earnings				6,099
Miscellaneous				124,786
Loss on disposals of assets				(10,719)
Total General Revenues				3,854,400
Change in net assets				1,171,125
Net assets - beginning of year				3,706,427
Prior periods adjustments				56,540
Net assets - beginning of year, restated				3,762,967
Net assets - end of year				\$ 4,934,092

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

CITY OF MOUNT RAINIER, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 3,378,487	\$ 24,993	\$ 3,403,480
Rstricted cash	13,025	-	13,025
Taxes receivable (net of allowance of \$6,000)	128,342	-	128,342
Prepaid items	34,013	-	34,013
Due from other governments	75,126	28,733	103,859
Due from other funds		15,028	15,028
Other receivables	211,334	11,660	222,994
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,840,327</u>	<u>\$ 80,414</u>	<u>\$ 3,920,741</u>
LIABILITIES			
Accounts payable	\$ 473,723	\$ -	\$ 473,723
Accrued salaries	77,933	-	77,933
Other payables	38,300	-	38,300
Due to other funds	15,028		15,028
Liability for seized assets	53,921	-	53,921
Deferred revenue	218,307	55,422	273,729
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	877,212	55,422	932,634
FUND EQUITY			
Fund balances			
Nonspendable			
For prepaid items	34,013	-	34,013
Restricted			
Public safety	673,528	-	673,528
Assigned			
For subsequent years' expenditures	320,000	24,992	344,992
Unassigned	1,935,574	-	1,935,574
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>2,963,115</u>	<u>24,992</u>	<u>2,988,107</u>
Total Liabilities And Fund Equity	<u>\$ 3,840,327</u>	<u>\$ 80,414</u>	<u>\$ 3,920,741</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, 2011

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 2,988,107

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	6,461,396	
Accumulated depreciation	<u>1,880,542</u>	4,580,854

Long-term liabilities are not due and
payable in the current period and, therefore,
are not reported in the funds. (2,846,668)

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. (6,508)

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. 218,307

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 4,934,092

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, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 3,677,013	\$ -	\$ 3,677,013
Licenses and permits	436,588	-	436,588
Intergovernmental	140,992	637,441	778,433
Service charges	55,490	-	55,490
Fines and forfeitures	1,893,424	-	1,893,424
Miscellaneous	124,239	92	124,331
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	6,327,746	637,533	6,965,279
EXPENDITURES			
Current			
General government	753,102	362,034	1,115,136
Recreation and outreach	65,477	-	65,477
Public safety	3,153,258	97,683	3,250,941
Public works	1,083,983	152,292	1,236,275
Library	7,299	-	7,299
Miscellaneous	156,975	11,000	167,975
Debt service			
Principal	410,014	-	410,014
Interest	125,497	-	125,497
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	5,755,605	623,009	6,378,614
EXCESS OF REVENUES OVER EXPENDITURES			
BEFORE OTHER FINANCING SOURCES (USES)	572,141	14,524	586,665
OTHER FINANCING SOURCES (USES)			
Issuance of capital lease	150,000	-	150,000
Transfers	11,684	(11,684)	-
	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	161,684	(11,684)	150,000
NET CHANGE IN FUND BALANCE	733,825	2,840	736,665
FUND BALANCES - BEGINNING OF YEAR	2,229,290	22,152	2,251,442
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES - END OF YEAR	<u>\$ 2,963,115</u>	<u>\$ 24,992</u>	<u>\$ 2,988,107</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, 2011

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 736,665

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	410,585	
Depreciation	<u>(259,099)</u>	151,486

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. (4,354)

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	(150,000)	
Repayments	<u>410,014</u>	260,014

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. 35,041

Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest. 2,992

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the deduction for the loss on the disposal of capital assets must also be recognized. (10,719)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,171,125

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, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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

In the fund financial statements, the governmental funds report will display fund balance in the following classifications depicting the strength of the spending constraints placed on the purposes for which resources can be used:

- a. *Nonspendable fund balance* - Amounts that are not in a spendable form or are required to be maintained intact.
- b. *Restricted fund balance* - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- c. *Committed fund balance* - Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority.
- d. *Assigned fund balance* - Amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority.
- e. *Unassigned fund balance* - Amounts that are available for any purpose; these amounts are reported only in the general fund.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Governmental funds -	Current (further classified
by character	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.

CITY OF MOUNT RAINIER, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2011

NOTE 3 - CASH AND INVESTMENTS

Deposits

At year-end, the carrying amount of the City's deposits (including cash on hand of \$700) was 867,764 and the corresponding bank balances were \$873,707. 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, \$862,145 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 \$11,562 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.

Investments

At June 30, 2011, 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 \$2,548,741. Reconciliation of cash and temporary investments as shown on the Statement of Net Assets:

Carrying amount of deposits	\$ 867,764
Carrying amount of temporary investments	2,548,741
	\$ 3,416,505
Per Statement of Net Assets	
Cash and temporary investments	\$ 3,403,480
Restricted cash	13,025
	\$ 3,416,505

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, 2011, met the City investment policy as of that date. Investment income was comprised entirely of interest and dividends amounting to \$6,099 for the year ended June 30, 2011.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

NOTE 3 - CASH AND TEMPORARY INVESTMENTS (continued)

Investments (continued)

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.

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, 2011.

Foreign Currency Risk

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

Restricted Cash

A new lease agreement was entered into during fiscal year 2011. The City had utilized \$136,975 of the \$150,000 borrowed. The remaining amount, \$13,025, is held for the City by the bank to be used for future capital expenditures.

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.

CITY OF MOUNT RAINIER, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2011

NOTE 4 - PROPERTY TAXES (continued)

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.

NOTE 5 - CAPITAL ASSETS

The activity for the capital assets for the year ended June 30, 2011 is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental activities					
Capital assets not being depreciated					
Land/construction in progress	\$1,564,679	\$ 194,207	\$ -	\$ 56,540	\$1,815,426
Capital assets being depreciated					
Buildings	2,975,594	-	-	-	2,975,594
Improvements	130,903	-	-	-	130,903
Equipment and Vehicles	<u>1,379,388</u>	<u>216,378</u>	<u>56,293</u>	<u>-</u>	<u>1,539,473</u>
Total Capital Assets					
Being Depreciated	4,485,885	216,378	56,293	-	4,645,970
Less accumulated depreciation for					
Buildings	855,292	72,681	-	-	927,973
Improvements	61,257	7,703	-	-	68,960
Equipment and Vehicles	<u>750,468</u>	<u>178,715</u>	<u>45,574</u>	<u>-</u>	<u>883,609</u>
Total Accumulated Depreciation	<u>1,667,017</u>	<u>259,099</u>	<u>45,574</u>	<u>-</u>	<u>1,880,542</u>
Total Capital Assets Being Depreciated, Net	<u>2,818,868</u>	<u>(42,721)</u>	<u>10,719</u>	<u>-</u>	<u>2,765,428</u>
Governmental Activities Capital Assets, Net	<u>\$4,383,547</u>	<u>\$ 151,486</u>	<u>\$ 10,719</u>	<u>\$ 56,540</u>	<u>\$4,580,854</u>

The adjustment of \$56,540 is due to an increase in construction in progress from prior years.

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

General government	\$ 50,465
Public works	140,117
Public safety	68,517
	<u>\$ 259,099</u>

CITY OF MOUNT RAINIER, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2011

NOTE 6 - DUE FROM OTHER GOVERNMENTS

At June 30, 2011, the balance of due from other governments consisted of the following:

Federal Government		
U.S. Treasury	\$	3,692
State of Maryland		
Highway User		1,524
Income Tax		40,366
Police Grant		38,099
Other		1,935
Local		
Real Estate Taxes		1,808
Disposal Fees		5,545
Other Grants		10,890
		10,890
Total	\$	103,859

NOTE 7 - LONG-TERM DEBT

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, 2011:

General Obligation Bonds (continued)

Years Ending June 30,	Principal	Interest
2012	\$ 65,958	\$ 51,820
2013	69,155	48,623
2014	72,507	45,271
2015	76,022	41,756
2016	79,707	38,071
Later years	582,694	148,545
	\$ 946,043	\$ 374,086

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

NOTE 7 - LONG-TERM DEBT (continued)

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, 2011:

Years Ending June 30,	Principal	Interest
2012	\$ 47,145	\$ 4,620
2013	48,776	2,989
2014	50,482	1,302
	<u>\$ 146,403</u>	<u>\$ 8,911</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
2012	\$ 77,815	\$ 58,913
2013	81,198	55,531
2014	84,727	52,002
2015	88,409	48,319
2016	92,251	44,477
Later years	943,570	474,197
	<u>\$ 1,367,970</u>	<u>\$ 733,439</u>

CITY OF MOUNT RAINIER, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2011

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 \$402,577 and a book value net of accumulated depreciation of \$191,380.

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. Paid in full in Fiscal Year 2011.

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. Paid in full in Fiscal Year 2011.

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. Paid in full in Fiscal Year 2011.

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.

In July 2011, the City entered into an agreement with BB&T Bank to finance a police vehicle, dump truck, and Bobcat. The agreement required annual payments in the amount of \$39,911.11 for a period of 4 years at a 2.54% 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
2012	\$ 65,620	\$ 4,704
2013	43,667	2,920
2014	39,911	1,953
2015	39,912	989
Total payments	189,110	\$ 10,566
Less interest	10,566	
Present value of lease payments	\$ 178,544	

CITY OF MOUNT RAINIER, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2011

NOTE 7 - LONG-TERM DEBT (continued)

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

	Balance July 1, 2010	Increase	Decrease	Balance June 30, 2011	One Year
General obligation bonds	\$2,812,028	\$ -	\$ 351,612	\$2,460,416	\$ 190,918
Capital leases	86,946	150,000	58,402	178,544	60,916
Accrued vacation leave	203,354	4,354	-	207,708	51,927
	<u>\$3,102,328</u>	<u>\$ 154,354</u>	<u>\$ 410,014</u>	<u>\$2,846,668</u>	<u>\$ 303,761</u>

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2011 were:

Fund	Interfund Receivables	Interfund Payables
General fund	\$ -	\$ 15,028
Special revenue fund	15,028	-
	<u>\$ 15,028</u>	<u>\$ 15,028</u>

NOTE 9 - FUND BALANCE

The Council of the City of Mount Rainier has assigned \$344,992 of the fund balance for subsequent expenditures. The restricted fund balance of \$673,528, which was generated from the speed monitoring program, has been restricted for public safety programs.

NOTE 10 - 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.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

NOTE 10 - STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)

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, 2011 was \$201,871, which was equal to the required contribution for the year.

NOTE 11 - 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 12 - 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 13 - 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.

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

NOTE 14 - 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 15 - POST RETIREMENT BENEFITS

The City has no liability for post retirement benefits at June 30, 2011.

NOTE 16 - SUBSEQUENT EVENTS

The City evaluated subsequent events for potential required disclosures through October 29, 2011, which represents the date the financial statements were available to be issued.

NOTE 17 - PRIOR PERIOD ADJUSTMENT

Total net assets were increased by \$56,540 due to an adjustment for prior periods. This correction capitalized expenses as construction in progress for a renovation project that was previously included as expenses. The capital assets - construction in progress were increased by \$56,540.

CITY OF MOUNT RAINIER, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2011

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, 2011

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES			
Taxes	\$ 3,429,000	\$ 3,677,013	\$ 248,013
Licenses and permits	388,700	436,588	47,888
Intergovernmental	130,550	140,992	10,442
Service charges	51,250	55,490	4,240
Fines and forfeitures	341,500	1,893,424	1,551,924
Other revenue	45,250	124,239	78,989
Total Revenues	<u>4,386,250</u>	<u>6,327,746</u>	<u>1,941,496</u>
EXPENDITURES			
General government	812,800	753,102	59,698
Recreation and outreach	65,850	65,477	373
Public safety	2,225,300	3,153,258	(927,958)
Public works	1,041,600	1,083,983	(42,383)
Library	10,000	7,299	2,701
Miscellaneous	179,700	156,975	22,725
Debt service	388,500	535,511	(147,011)
Total Expenditures	<u>4,723,750</u>	<u>5,755,605</u>	<u>(1,031,855)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(337,500)	572,141	909,641
OTHER FINANCING SOURCES			
Issuance of capital lease	-	150,000	150,000
Transfers in	-	11,684	11,684
Total Other Financing Sources	<u>-</u>	<u>161,684</u>	<u>161,684</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(337,500)	733,825	1,071,325
APPROPRIATION OF FUND BALANCE	<u>337,500</u>	<u>-</u>	<u>(337,500)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ 733,825</u>	<u>\$ 733,825</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, 2011

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES			
Taxes			
Real estate	\$ 2,900,000	\$ 2,979,892	\$ 79,892
Business personal property	53,000	57,812	4,812
Public utilities personal property	61,000	71,620	10,620
Property liens	10,000	43,572	33,572
Penalties and interest on taxes	5,000	16,485	11,485
Shared income tax - state	400,000	507,632	107,632
Total Taxes	<u>3,429,000</u>	<u>3,677,013</u>	<u>248,013</u>
Licenses and permits			
Burglar alarm registration	750	825	75
CDMA fees	16,000	-	(16,000)
Occupancy/building license	8,500	9,139	639
Traders licenses	100	-	(100)
Residential rental licenses	230,000	247,700	17,700
Building permits	4,000	11,392	7,392
CATV revenue	45,000	56,830	11,830
Franchise fee	75,000	98,078	23,078
Vacant building fees	7,500	11,100	3,600
Other licenses and permits	1,850	1,524	(326)
Total Licenses And Permits	<u>388,700</u>	<u>436,588</u>	<u>47,888</u>
Intergovernmental			
Police protection grant - state	83,000	95,789	12,789
Financial corporations - county	6,550	6,554	4
Disposal fee rebate - county	22,000	22,180	180
Highway user tax	19,000	16,469	(2,531)
Total Intergovernmental	<u>130,550</u>	<u>140,992</u>	<u>10,442</u>
Charges for services			
Public parking facilities	35,000	40,520	5,520
Public transportation	8,000	2,392	(5,608)
Waste collection	2,000	1,423	(577)
Trash hauler fees	2,500	320	(2,180)
CDMA administrative fees	750	1,360	610
City service fees	3,000	9,475	6,475
Total Charges For Services	<u>51,250</u>	<u>55,490</u>	<u>4,240</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, 2011

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES (continued)			
Fines and forfeitures			
Parking fines	35,000	46,264	11,264
Meter violations	35,000	15,599	(19,401)
Parking citation recovery	20,000	39,626	19,626
Municipal code	4,000	2,232	(1,768)
Speed camera	240,000	1,772,603	1,532,603
Impound fees	5,000	17,100	12,100
Other fines and forfeitures	2,500	-	(2,500)
Total Fines And Forfeitures	<u>341,500</u>	<u>1,893,424</u>	<u>1,551,924</u>
Miscellaneous			
Interest	6,000	6,007	7
Sales of property	500	1,200	700
Bus shelter advertising	2,000	467	(1,533)
Rent income	34,500	31,308	(3,192)
Insurance damage recovery	-	72,226	72,226
National night out	500	-	(500)
Mount Rainier day	1,500	5,152	3,652
Tool shed	250	5	(245)
Bike co-op	-	6,420	6,420
Other revenue	-	1,454	1,454
Total Miscellaneous	<u>45,250</u>	<u>124,239</u>	<u>78,989</u>
TOTAL REVENUES	4,386,250	6,327,746	1,941,496
EXPENDITURES			
General government			
Mayor and council			
Personnel	33,000	31,215	1,785
Other operating	22,250	19,013	3,237
Total Mayor And Council	<u>55,250</u>	<u>50,228</u>	<u>5,022</u>
City administration			
Personnel	472,700	482,023	(9,323)
Other operating	123,750	83,646	40,104
Capital outlay	500	226	274
Total City Administration	<u>596,950</u>	<u>565,895</u>	<u>31,055</u>
3409 Rhode Island Avenue			
Other operating	11,250	11,025	225
3405 Rhode Island Avenue			
Other operating	9,000	1,711	7,289
Legal and elections			
Other operating	40,500	43,298	(2,798)
3601 Bunker Hill			
Other operating	8,500	2,070	6,430

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, 2011

EXPENDITURES (continued)	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
Communications and newsletter			
Other operating	31,250	29,303	1,947
Communications - cable TV			
Personnel	23,100	21,015	2,085
Other operating	37,000	28,557	8,443
Total Communications - Cable TV	<u>60,100</u>	<u>49,572</u>	<u>10,528</u>
Total General Government	812,800	753,102	59,698
Recreation and outreach			
Call-A-Bus			
Personnel	55,750	54,480	1,270
Other operating	10,100	10,997	(897)
Total Recreation And Outreach	<u>65,850</u>	<u>65,477</u>	<u>373</u>
Public safety			
Police			
Personnel	1,586,100	1,559,459	26,641
Other operating	236,250	250,608	(14,358)
Capital outlay	23,000	68,762	(45,762)
Total Police	<u>1,845,350</u>	<u>1,878,829</u>	<u>(33,479)</u>
Parking enforcement			
Personnel	50,800	46,952	3,848
Other operating	30,000	29,030	970
Total Parking Enforcement	<u>80,800</u>	<u>75,982</u>	<u>4,818</u>
Speed camera			
Other operating	96,000	985,247	(889,247)
Capital outlay	-	11,946	(11,946)
Total Speed Camera	<u>96,000</u>	<u>997,193</u>	<u>(901,193)</u>
Code enforcement			
Personnel	182,850	178,698	4,152
Other operating	20,300	22,556	(2,256)
Total Code Enforcement	<u>203,150</u>	<u>201,254</u>	<u>1,896</u>
Total Public Safety	<u>2,225,300</u>	<u>3,153,258</u>	<u>(927,958)</u>
Public works			
Public works administration			
Personnel	529,750	525,805	3,945
Other operating	142,750	139,897	2,853
Capital outlay	27,000	134,882	(107,882)
Total Public Works Administration	<u>699,500</u>	<u>800,584</u>	<u>(101,084)</u>
Highway and street			
Other operating	69,500	77,560	(8,060)
Capital outlay	7,500	-	7,500
Total Highway And Street	<u>77,000</u>	<u>77,560</u>	<u>(560)</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, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
EXPENDITURES (continued)			
Street lighting			
Other operating	160,000	129,817	30,183
Waste disposal			
Other operating	105,000	76,022	28,978
Waste collection			
Other operating	100	-	100
Total Public Works	<u>1,041,600</u>	<u>1,083,983</u>	<u>(42,383)</u>
Library			
Other operating	10,000	7,299	2,701
Miscellaneous			
General insurance	101,250	94,678	6,572
Fire department	1,500	-	1,500
Community program	15,000	12,970	2,030
Mount Rainier day	17,500	18,272	(772)
Bike co-op	1,500	8,196	(6,696)
National night out	4,700	4,477	223
City tax credit	16,000	18,382	(2,382)
Tool Shed	250	-	250
Contingency	22,000	-	22,000
Total Miscellaneous	<u>179,700</u>	<u>156,975</u>	<u>22,725</u>
Debt service			
Principal	201,750	410,014	(208,264)
Interest	186,750	125,497	61,253
Total Debt Service	<u>388,500</u>	<u>535,511</u>	<u>(147,011)</u>
TOTAL EXPENDITURES	<u>4,723,750</u>	<u>5,755,605</u>	<u>(1,031,855)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(337,500)	572,141	909,641
OTHER FINANCING SOURCES			
Issuance of capital lease	-	150,000	150,000
Transfers In	-	11,684	11,684
Total Other Financing Sources	<u>-</u>	<u>161,684</u>	<u>161,684</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(337,500)	733,825	1,071,325
APPROPRIATION OF FUND BALANCE	<u>337,500</u>	<u>-</u>	<u>(337,500)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ 733,825</u>	<u>\$ 733,825</u>

CITY OF MOUNT RAINIER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
SPECIAL REVENUE FUND
For The Year Ended June 30, 2011

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES			
Intergovernmental			
Federal grants			
Solar energy grant	\$ -	\$ 101,300	\$ 101,300
Justice Program	-	10,275	10,275
CDBG grant	267,000	131,547	(135,453)
FEMA snow emergency grant	-	41,470	41,470
FTA transportation grant	250,000	117,234	(132,766)
State grants			
Library/3409 Congressional	350,000	-	(350,000)
Grant CSAFE	50,000	37,000	(13,000)
GOCCP Bryne grant	-	25,000	25,000
SHA DWI Grant	-	9,156	9,156
County grants			
County tree grant	10,000	9,855	(145)
Community legacy grant	100,000	47,927	(52,073)
Mount Rainier day grant	5,000	1,000	(4,000)
National night out	1,500	1,000	(500)
Anti-gang grant	-	16,000	16,000
Rainier Ave-PG county grant	-	10,890	10,890
Other			
Green initiative	-	65,787	65,787
LGIT grant	-	3,000	3,000
ATHA grant	-	4,000	4,000
Gateway grant	-	5,000	5,000
Total Intergovernmental	<u>1,033,500</u>	<u>637,441</u>	<u>(396,059)</u>
Miscellaneous			
Interest	-	92	92
Total Revenues	<u>1,033,500</u>	<u>637,533</u>	<u>(395,967)</u>
EXPENDITURES			
General Government			
Community legacy	100,000	47,927	52,073
Perry Street acquisition	250,000	147,019	102,981
Library/3409 Congressional	350,000	-	350,000
Energy grant solar panel	-	101,300	(101,300)
Green initiative	-	65,788	(65,788)
Total General Government	<u>700,000</u>	<u>362,034</u>	<u>337,966</u>
Public safety			
CSAFE grant expenses	50,000	37,000	13,000
LGIT expenses	-	3,000	(3,000)
Justice program	-	7,527	(7,527)
Joint police	-	9,156	(9,156)
Anti-gang	-	16,000	(16,000)
GOCCP Bryne grant	-	25,000	(25,000)
Total Public Safety	<u>50,000</u>	<u>97,683</u>	<u>(47,683)</u>

CITY OF MOUNT RAINIER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
SPECIAL REVENUE FUND
For The Year Ended June 30, 2011

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
EXPENDITURES (continued)			
Public works			
Tree grant	10,000	9,855	145
Rainier Ave. - drain project	-	10,890	(10,890)
CDBG grant - street repair	267,000	131,547	135,453
Total Public Works	<u>277,000</u>	<u>152,292</u>	<u>124,708</u>
Miscellaneous			
Mt. Rainier day	5,000	1,000	4,000
ATHA	-	4,000	(4,000)
Gateway	-	5,000	(5,000)
National night out	1,500	1,000	500
Total Miscellaneous	<u>6,500</u>	<u>11,000</u>	<u>(4,500)</u>
Total Expenditures	<u>1,033,500</u>	<u>623,009</u>	<u>410,491</u>
OTHER FINANCING (USES)			
Transfers	-	(11,684)	(11,684)
Total Other Financing (Uses)	<u>-</u>	<u>(11,684)</u>	<u>(11,684)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 2,840</u>	<u>\$ 2,840</u>

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2011

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	
Legal and elections	\$ 2,798
Public Safety - capital outlay	\$ 33,479
Speed camera	\$ 901,193
Public Works - capital outlay	\$ 101,084
Highway and street	\$ 560
Bike co-op	\$ 6,696
Mount Rainier day	\$ 772
City tax credit	\$ 2,382
Debt service	\$ 147,011
Special Revenue Fund	
Public safety	\$ 47,683
Miscellaneous	\$ 4,500

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.