

**CITY OF LAUREL, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2007**

**CITY OF LAUREL
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JUNE 30, 2007**

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Independent Auditor's Report

Honorable Mayor
Members of the City Council
City of Laurel, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Maryland (the City), as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the City as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laurel as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management discussion and analysis, pension trust fund – analysis of funding, and budgetary comparison information on pages 3 through 10, 41 and 42, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laurel, Maryland's basic financial statements. The supplemental schedules on pages 43 through 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 30, 2007

Rindley's Associates, LLC

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2007

Financial Highlights

- At June 30, 2007, the assets of the City of Laurel exceeded the liabilities by \$17,456,862 (net assets). Unrestricted net assets were \$6,093,570.
- Net assets increased by \$3,464,922 or 25% from June 30, 2006 to June 30, 2007. This was largely due to an increase in cash and investment account balances as well as the capitalization of the many completed road construction projects and investment in equipment, and the purchase of the site for the relocation of the Laurel Police Department during FY2007.
- The fund balance of the general fund has increased by 12% from \$5,553,066 at June 30, 2006 to \$6,225,976 at June 30, 2007. This is due to the excess of revenues over expenditures as well as decreases in the reserve for encumbrances; notes receivable and increases to the fleet and street maintenance reserves.
- The total debt of the City of Laurel increased by \$2,104,680. The addition of new debt was greater than the debt service paid on existing debt. The additional principal includes the general obligation note payable secured by the City through the Department of Housing and Community Development, Community Development Administration (CDA) Local Government Infrastructure Financing Program. As of June 30, 2007 a grand total of \$3,845,718 has been drawn and only that amount drawn is considered outstanding debt. A new general obligation note payable was secured by the City from (then) Citizens National Bank of \$2,500,000 for the purchase of 811 Fifth Street for future use as the Laurel Police Department.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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 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 event causing the change occurs, regardless of the timing of related cash flows. Revenues and expenditures are reported in this statement for some items that will only result in cash flows in the future fiscal periods (i.e. uncollected taxes and earned but unused compensated absences).

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2007

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: general government, public safety, public works, and parks and recreation. Business-type activities are conducted by parks and recreation, public works and development management (within general government) by charging user and processing fees for various programs, sanitation fees and zoning applications, respectively.

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. The City uses governmental funds (general, capital improvement program, long-term debt, and fixed assets) and the fiduciary fund for the retirement plans' financial records.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to allow readers to compare government funds and governmental activities.

Government-wide Financial Analysis

The City's total net assets as of June 30, 2007 were \$17,456,862. The largest portion of net assets, 54%, is the investment in capital assets, net of related debt, in the amount of \$9,396,376. The unrestricted portion, 35%, of net assets can be used to meet the needs of serving the citizens and obligations to creditors.

**CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2007**

The following is a condensed statement of net assets:

**City of Laurel, Maryland
Schedule of Net Assets**

	Governmental Activities	
	2007	2006
Current and other assets	13,306,771	10,109,483
Capital assets	22,081,600	18,812,797
Total Assets	35,388,371	29,922,280
Long-term liabilities	11,388,801	9,723,142
Other liabilities	6,542,708	5,207,198
Total Liabilities	17,931,509	14,930,340
Net assets		
Invested in capital assets, net of related debt	9,396,376	9,690,763
Restricted	1,966,916	1,581,601
Unrestricted	6,093,570	2,719,576
	17,456,862	13,991,940

Governmental Activities

Governmental activities increased the City's net assets by \$3,464,922 or 25% over June 30, 2006. Property taxes comprised 63% of the total revenue, while the next highest source of revenue, intergovernmental funds, is 19% of the \$21,547,630 total revenue. The remaining 18% of revenue is received from licenses, permits, interest operating grants, charges for services, fines and forfeitures, and miscellaneous items.

**CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2007**

	Governmental Activities	
	2007	2006
Revenue		
Program Revenue		
Charges for services	979,321	1,013,966
Operating grants/contributions	1,684,578	2,286,638
Capital grants/contributions	-	-
General Revenue		
Property taxes	13,545,683	11,999,758
Income taxes	2,022,443	2,088,745
Other taxes	459,799	355,882
Licenses/permits	1,856,301	1,695,547
Interest	454,310	274,994
Miscellaneous	659,461	551,199
Total Revenue	21,661,896	20,266,729
Expenses		
General government	4,559,852	3,731,255
Public safety	5,366,881	5,240,068
Parks & recreation	1,333,052	1,407,769
Public works	3,443,244	3,524,096
Miscellaneous	3,030,076	3,262,442
Debt service	463,869	506,110
Total Expenses	18,196,974	17,671,740
Increase in net assets	3,464,922	3,141,973
Net assets, beginning of year	13,991,940	10,849,967
Prior period adjustment	-	-
Net assets, ending	17,456,862	13,991,940

Financial Analysis of the Government's Funds

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources.

The general fund is the chief operating fund of the City of Laurel. At the end of the current fiscal year, the total general fund balance is \$6,225,976. There is \$659,455 reserved from the fund balance for encumbrances (open purchase orders), inventory, and annual leave; and \$1,459,087 in designated fleet and street reserves (for emergency repairs and replacements). Unreserved fund balance represents 25% of total general fund expenditures, while total fund balance represents 34% of that same amount.

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2007

The fund balance of the general fund has increased by 12% from \$5,553,066 at June 30, 2006 to \$6,225,976 at June 30, 2007. This is due to the excess of revenues over expenditures as well as decreases in the reserve for encumbrances; notes receivable and increases to the fleet and street maintenance reserves.

The capital projects fund balance increased by 186% from the prior fiscal year. This is due to the decrease in the balance of encumbrances at the end of the year in comparison with June 30, 2006. Additionally, a significant amount of funding was transferred from the general operating budget for additional projects and to supplement existing funding.

Fiduciary funds. The retirement plans of the City of Laurel employees are held in trust to provide future retirement benefits and death and disability benefits to participating employees and their beneficiaries. The net assets for the pension fund increased by 19% from June 30, 2006 to June 30, 2007. The City's contribution to the fund exceeded the actuarial recommendation by 24% and the employee payroll deductions increased due to the increase in the pay plans.

Budgetary Highlights The General Operating Budget of FY2007 was amended five times. There were unanticipated revenues from building permits and life safety review fees. Additional funds were appropriated for transfer to the capital improvement program budget for additional street repairs and park improvement projects as well as additional employer contributions to the pension funds.

Through savings in employee insurance budgets, additional funding was provided for the street maintenance and fleet reserve accounts rounding those out to \$500,000 each. These reserves are intended to be used in future years to supplement the budget or for emergency funding purposes.

An amending ordinance was adopted to increase the budget based on corresponding revenue and expenditures. For example, the expenditure budget to pay Parks & Recreation class instructors and conversely the revenue collections for classes had exceeded the budget; therefore, the adjustment was made for a direct offset. Also, the remaining balance in the health insurance budget was used to make an additional employer contribution to the pension fund exceeding the actuarial recommendation by \$220,000.

Several categories of revenue were collected in excess of the budget. The permit category in its totality was exceeded even after appropriating early collection excesses. Additionally, service fees charged for passport processing and zoning applications and parks and recreation programs and facility rentals exceeded budget projections. Interest income on investments, while appropriated in earlier budget amendments still managed to further exceed expectations. Highway User, Admission and Amusement and Hotel and Motel Tax revenues exceeded budget projections as well in FY2007.

**CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2007**

Budgetary concerns regarding energy costs for City facility utilities and vehicle fuel has the full attention of elected officials and staff. Also of great concern are health insurance and workers compensation insurance costs.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets of \$22,081,600 (net of accumulated depreciation) includes land and land improvements, infrastructure, buildings, and machinery, equipment and tools. This is a 17% increase from the prior fiscal year due largely to the purchase of 811 Fifth Street for the relocation of the Laurel Police Department. Thirteen vehicles, including police cars and vehicles for inspections and parks maintenance were purchased with cash in FY2007 through the operating transfer to the CIP. The general operating budget funded the purchase of replacement computers and printers. Public safety items include guns, radios and the use of a state grant for mounts for computers in the police vehicles. Parks and Recreation received a state grant to replace the playground at Emancipation Park.

In FY2007, about \$667,502 in equipment was purchased between the general fund and the capital improvement program; \$3,122,519 in land and building improvements was capitalized; and \$604,497 was made in infrastructure improvements with another \$451,480 pending completion at June 30, 2007.

The following table displays the City's capital assets:

**City of Laurel, Maryland
Capital Assets
(Net of depreciation)**

<u>Description</u>	<u>Governmental Activities</u>
Land	5,377,540
Construction-in-progress	451,480
Buildings and improvements	8,270,672
Machinery, tools, equipment	2,492,219
Land improvements	763,585
Infrastructure	4,726,104
TOTAL	22,081,600

Long-term debt. At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$13,344,679. This amount is comprised of the 1996 Public Improvement Bond (PIB) of \$6,960,000; \$5,725,224 notes payable and \$659,455 in accrued vacation leave. This is an increase of \$2,104,680 from the FY2006 balance. The increase is due to the additional note payable with PNC Bank for the purchase of the property for future use as the Laurel Police Department as well as the additional draws on

**CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2007**

the CDA note payable. The draws are added to the outstanding debt, though the City has always used the entire note amount of \$4,043,000 when calculating debt leeway or disclosing the total amount of outstanding debt.

The following table reflects the City's long-term debt:

**City of Laurel, Maryland
Long-term Debt**

	<u>Governmental Activities</u>
General obligation bonds	6,960,000
Notes payable	5,725,224
Accrued leave liability	<u>659,455</u>
TOTAL	13,344,679

Economic Factors and Activities

Fiscal Year 2007 in the City of Laurel saw additional development projects and the implementation of the Revitalization Overlay Area. Revitalization Overlay Areas allow the City more flexibility in selecting projects for redevelopment: striving for higher quality applicants. An ill-maintained apartment complex was demolished at the end of FY2006 and the first units were rented at the end of FY2007 in the 75 million dollar luxury apartment complex. An additional complex by the same company, Archstone Smith, broke ground during the 3rd quarter of FY2007, located just off Route One on Contee Road.

The Department of Community Planning & Business Services, in addition to the distinction of the City of Laurel having its own zoning authority, Life Safety Review completes the one-stop shop for developers so all aspects of zoning, permitting and fire code review can be conducted by the City of Laurel. The first year of operation has proven to be highly successful in the vastly reduced amount of time to review proposed projects for fire code compliance. This makes the City of Laurel an even more desirable and efficient place to do business than it already was.

The Department of Community Planning & Business Service also saw significant permit and zoning fee revenue. The progression of ongoing housing developments with values higher than earlier estimated are another reason the permit revenue exceeded budget projections, which includes The Villages of Wellington, Magnolia Woods, Contee Crossing, and Laurel Cove, among others. Real estate tax and local income tax revenues have started to reflect the additional housing stock from the aforementioned new construction developments.

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2007

The pipeline of approved projects for the coming year is also extensive. The redevelopment of the Laurel Centre Mall is much anticipated by the entire Laurel community. The mall has seen a significant decline in the types of merchants and the City has been very displeased with the lack of responsiveness of previous owners to attract stores that are in keeping with the area growth and income levels of area residents as evident by the size and cost of new houses.

The City has invested a great deal of money in improvements to existing infrastructure, including streets, park improvements and information technology. The City has also required the same from developers to reduce the impact of new development on existing taxpayers, including but not limited to providing funding for improved intersections; provide funding for new sworn personnel; and providing parkland dedication or fees in lieu of parkland.

These activities as well as the geographic location of the City of Laurel; outstanding services provided by the Nationally Accredited Laurel Police Department, Department of Public Works, Department of Parks & Recreation; and the responsiveness of elected officials and City Hall staff continue to attract new residents and businesses further improving the City's economy.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Budget and Personnel Services at 8103 Sandy Spring Road, Laurel, MD 20707

CITY OF LAUREL, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Total
ASSETS		
Current Assets		
Equity in pooled cash and cash equivalents	\$ 8,985,697	\$ 8,985,697
Restricted cash	2,204,043	2,204,043
Taxes receivable, net of allowances	899,371	899,371
Notes receivable	47,654	47,654
Other receivables	309,973	309,973
Due from other governments	626,817	626,817
Due from other funds	44,854	44,854
Inventory	59,813	59,813
Total Current Assets	13,178,222	13,178,222
Noncurrent Assets		
Notes receivable	128,549	128,549
Net capital assets	22,081,600	22,081,600
Total Noncurrent Assets	22,210,149	22,210,149
TOTAL ASSETS	\$ 35,388,371	\$ 35,388,371
 LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,508,357	\$ 1,508,357
Accrued interest	5,343	5,343
Deposits	2,204,043	2,204,043
Deferred revenue	869,087	869,087
Current portion of long-term debt	1,955,878	1,955,878
Total Current Liabilities	6,542,708	6,542,708
Noncurrent Liabilities		
Compensated absences	659,455	659,455
Loan payable - long-term	10,729,346	10,729,346
Total Noncurrent Liabilities	11,388,801	11,388,801
TOTAL LIABILITIES	17,931,509	17,931,509
 NET ASSETS		
Invested in capital assets, net of related debt	9,396,376	9,396,376
Restricted		
Inventory	59,813	59,813
Notes receivable	176,203	176,203
Fleet - general	505,449	505,449
Fleet - EMS	66,000	66,000
Street maintenance	499,996	499,996
Capital projects	-	-
Long-term debt	659,455	659,455
Unrestricted	6,093,570	6,093,570
TOTAL NET ASSETS	17,456,862	17,456,862
TOTAL LIABILITIES AND NET ASSETS	\$ 35,388,371	\$ 35,388,371

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

**CITY OF LAUREL, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 4,559,852	\$ 955,794	\$ 200,060	\$ 73,116	\$ -	\$ (5,242,470)	\$ (5,242,470)
Public safety	5,366,881	1,372,286	245,235	392,624	-	(6,101,308)	(6,101,308)
Parks and recreation	1,333,052	299,798	429,872	140,425	-	(1,062,553)	(1,062,553)
Public works	3,443,244	866,067	104,154	1,078,413	-	(3,126,744)	(3,126,744)
Miscellaneous	3,030,076	(3,030,076)	-	-	-	-	-
Interest	463,869	(463,869)	-	-	-	-	-
Total Governmental Activities	<u>18,196,974</u>	<u>-</u>	<u>979,321</u>	<u>1,684,578</u>	<u>-</u>	<u>(15,533,075)</u>	<u>(15,533,075)</u>
Total Primary Government	\$ 18,196,974	\$ -	\$ 979,321	\$ 1,684,578	\$ -	\$ (15,533,075)	\$ (15,533,075)
				General revenues:			
				Taxes			
				Income taxes		2,022,443	2,022,443
				Property taxes		13,545,683	13,545,683
				Other taxes		459,799	459,799
				Licenses and permits		1,856,301	1,856,301
				Grants and contributions		-	-
				Interest and investment earnings		454,310	454,310
				Miscellaneous		659,461	659,461
				Total General Revenues		<u>18,997,997</u>	<u>18,997,997</u>
				Transfers in (out)		-	-
				Change in Net Assets		3,464,922	3,464,922
				Net Assets, beginning of year		13,991,940	13,991,940
				Net Assets, end of year		<u>\$ 17,456,862</u>	<u>\$ 17,456,862</u>

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

CITY OF LAUREL, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Equity in pooled cash and cash equivalents	\$ 8,130,782	\$ 854,915	\$ 8,985,697
Restricted cash	2,204,043	-	2,204,043
Taxes receivable, net of allowances	899,371	-	899,371
Notes receivable	176,203	-	176,203
Other receivables	265,353	44,620	309,973
Due from other governments	626,817	-	626,817
Due from other funds	44,854	1,728,355	1,773,209
Inventory	59,813	-	59,813
TOTAL ASSETS	\$ 12,407,236	\$ 2,627,890	\$ 15,035,126
LIABILITIES			
Accounts payable and accrued expenses	1,374,432	133,925	1,508,357
Accrued interest	5,343	-	5,343
Deposits	2,204,043	-	2,204,043
Due to other funds	1,728,355	-	1,728,355
Deferred revenue	869,087	-	869,087
TOTAL LIABILITIES	6,181,260	133,925	6,315,185
FUND BALANCES			
Reserved	1,459,087	2,493,965	3,953,052
Unreserved - designated	659,455	-	659,455
Unreserved, undesignated	4,107,434	-	4,107,434
TOTAL FUND BALANCES	6,225,976	2,493,965	8,719,941
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,407,236	\$ 2,627,890	\$ 15,035,126

Total Governmental Fund Balances \$ 8,719,941

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 22,081,600

Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds. (13,344,679)

Net Assets of Governmental Activities \$ 17,456,862

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

CITY OF LAUREL, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Capital Projects Fund	Total Governmental Funds	
REVENUES				
Taxes	\$ 13,833,141	-	13,833,141	
Intergovernmental	4,097,040	114,266	4,211,306	
Licenses and permits	1,856,301	-	1,856,301	
Charges for services	734,086	-	734,086	
Fines and forfeitures	245,235	-	245,235	
Miscellaneous	781,827	-	781,827	
Total Revenues	<u>21,547,630</u>	<u>114,266</u>	<u>21,661,896</u>	
EXPENDITURES				
Current Operations				
General government	3,952,742	-	3,952,742	
Public safety	5,287,567	-	5,287,567	
Parks and recreation	1,275,198	-	1,275,198	
Public works	2,997,908	-	2,997,908	
Miscellaneous	3,026,315	3,761	3,030,076	
Capital projects	-	4,406,442	4,406,442	
Debt Service				
Principal	1,516,763	-	1,516,763	
Interest	463,869	-	463,869	
Total Expenditures	<u>18,520,362</u>	<u>4,410,203</u>	<u>22,930,565</u>	
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>3,027,268</u>	<u>(4,295,937)</u>	<u>(1,268,669)</u>	
Other financing sources (uses)				
Loan proceeds	-	3,563,096	3,563,096	
Operating transfers in (out)	(2,354,358)	2,354,358	-	
Total other financing sources (uses)	<u>(2,354,358)</u>	<u>5,917,454</u>	<u>3,563,096</u>	
Excess of revenue and other financing sources over (under) expenditures and other financing sources (uses)	<u>672,910</u>	<u>1,621,517</u>	<u>2,294,427</u>	
Fund balance, beginning of year	<u>5,553,066</u>	<u>872,448</u>	<u>6,425,514</u>	
Fund balance, end of year	<u>\$ 6,225,976</u>	<u>\$ 2,493,965</u>	<u>\$ 8,719,941</u>	

Net Change in Fund Balances - Total Governmental Funds \$ 2,294,427

Repayment of debt principal is reported in governmental funds, however, in the statement of activities, it is recorded as a reduction in long-term debt. This is the amount of principal debt repayment. 1,516,763

Proceeds from new debt is considered an other financing source in the governmental funds, but is recorded as an increase in long-term debt in the statement of activities. This is the amount of the proceeds from new debt. (3,563,096)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 3,833,752

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (51,975)

Loss on disposal of capital assets reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported in governmental funds (564,949)

Change in Net Assets of Governmental Activities \$ 3,464,922

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

**CITY OF LAUREL, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND - PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2007**

ASSETS

Cash and cash equivalents	\$ 72,529
Investments, at fair value	18,036,475
Contributions receivable	114,385
Other assets	2,353
TOTAL ASSETS	<u>\$ 18,225,742</u>

LIABILITIES

Accounts payable	\$ 210
Due to general fund	44,854
Total liabilities	<u>45,064</u>

NET ASSETS

Held in trust for pension benefits	<u>18,180,678</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,225,742</u>
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The accompanying notes to these financial statements are an integral part of this statement.

**CITY OF LAUREL, MARYLAND
STATEMENT OF CHANGES IN NET ASSETS
AGENCY FUND - PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2007**

ADDITIONS

Contributions	
Employer	\$ 1,142,940
Plan Member	456,348
Total contributions	<u>1,599,288</u>
Investment Income	
Net increase in fair value of investments	1,506,450
Interest	927,508
Net investment income	<u>2,433,958</u>
Total additions	4,033,246

DEDUCTIONS

Distributions	1,091,900
Administrative expenses	79,452
	<u>1,171,352</u>
Net increase	2,861,894
Net assets held in trust for pension benefits, beginning of year	<u>15,318,784</u>
Net assets held in trust for pension benefits, end of year	<u><u>\$ 18,180,678</u></u>

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

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Laurel, Maryland, was incorporated on April 4, 1870, under the provisions of the laws of the State of Maryland. The City operates under a Mayor/Council form of government and provides the following services: general government, public safety, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Mayor and City Council exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statements No. 14. and No. 39. Based on those criteria, there are no component units. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the City) and activities for which the primary government is financially accountable. Financial accountability exists if a primary government appoints a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, the City's basic financial statements include the City of Laurel Police Retirement Plan, the City of Laurel Employees (Administrative and Maintenance) Retirement Plan, and all departments, funds and account groups operated by the City. The activity of the City's retirement plans is reported in the Pension Trust Fund in the accompanying basic financial statements.

The financial activities of the Laurel Volunteer Fire Department and the Laurel Volunteer Rescue Squad are not considered part of the City's reporting entity. These are separate entities for which the City is not financially accountable.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to government units.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Presentation – Fund Accounting

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

The City's governmental funds include the General Fund and the Capital Projects Fund.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities.

The City has one fiduciary fund. It is used to account for pension assets held by the City in a trustee capacity.

Basis of Accounting

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The City has no business-type activities.

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

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The government-wide statement of activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the City, if any, and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect costs are allocated to programs. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City. Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Separate financial statements are provided for governmental funds, proprietary funds, if any, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Fund Financial Statements

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

Governmental Funds

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

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition

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

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

Other revenues, including licenses and permits, certain charges for services, income taxes, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

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

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

The major governmental funds are:

- General Fund is the City's primary operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund.
- The Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities.

Fiduciary Fund

The City has one fiduciary fund. The Pension Trust Fund is used to account for pension assets held by the City in a trustee capacity. This fund is accounted for and reported in a manner similar to proprietary funds, since capital maintenance is critical.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Budgetary Accounting and Control

The City follows these procedures in establishing the budgetary data reflected on page 41:

1. On or by May 1 of each year, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimates of anticipated revenue and uses of fund balance, which shall equal or exceed the total proposed expenditures.
2. Before adopting a budget, the City Council holds a public hearing to obtain taxpayer comments. Time and location of this hearing are advertised at least two weeks in advance. The Council has historically held two public hearings.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. From the date of budget enactment, proposed expenditures become appropriations authorized by the City Council. Any transfer of funds between major appropriations, by the Mayor, requires approval of the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund. The policy established by the Mayor and City Council of Laurel, with respect to the City budget (budgetary basis), does not conform to generally accepted accounting principles (GAAP basis). The differences between budgetary and GAAP basis are shown in footnote 19.

Budget amounts are as adopted by the Mayor and City Council. Individual amendments were not material in relation to the original budgeted amounts. The department level is the level of control which may not be legally exceeded.

Unencumbered appropriations of the operating budget lapse at the end of each fiscal year. Appropriations in the capital budget continue as authority for subsequent period expenditures, and lapse in the year of completion of the capital project.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments" was implemented during fiscal year 1997. In accordance with this statement, investments held at June 30, 2007 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

GASB Statement No. 40, "Deposit and Investment Risk Disclosures" was implemented during fiscal year 2005. This GASB Statement rescinds and supersedes certain GASB Statement No. 3 disclosures while adding additional required deposit and investment risk disclosures.

Receivables

Receivables at June 30, 2007 consist of real estate taxes, personal property taxes, highway user revenue, notes and other receivables. Taxes, special assessments, utility charges and accrued interest are deemed collectible in full.

Inventory of Supplies

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

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital Assets and Depreciation

Capital assets consist of infrastructure, land, buildings and equipment with an initial individual cost of more than \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at an estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed, and costs of uncompleted projects are accumulated in construction-in-progress, which is carried at the lower of cost or market.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Infrastructure	20 years
Land improvements	15 years
Buildings and improvements	40 years
Equipment	5 – 15 years

Restricted Reserves

The City uses restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Interest Expense

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

Compensated Absences

Unused annual leave is adjusted to current salary cost at June 30. Annual leave in excess of 40 days is converted to sick leave on July 1. There is no limit on annual leave payable upon termination or retirement. The City classifies as a current liability the portion expected to be paid from expendable financial resources within the next fiscal year.

City employees are permitted to accumulate compensatory time, limited to five days, in accordance with the Fair Labor Standards Act of 1985 based on employment status. Unused compensatory time is paid to employees upon separation from service.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Personal leave is accrued and unused hours in excess of 10 hours are forfeited on July 1. The City does not reimburse employees for the accumulated personal leave upon termination or retirement. It is not practicable to estimate the portion of such amount which will ultimately be paid because payment is contingent upon future employment. Management expects the City's commitment to provide personal leave to be met during the normal course of activities over the working lives of its employees.

Sick leave is accrued based on varying factors per employee group. The City does not reimburse employees for the unused accumulated sick leave upon termination or retirement, but it may be factored into an employee's retirement benefit.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Net Assets

The government-wide statement of net assets reports \$1,966,916 of restricted net assets which is either restricted by enabling legislation or restrictions determined to be legally enforceable.

Estimates

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

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

Annual budgets are adopted for all City funds. The City Council may subsequently amend the budget and the budget was amended during fiscal year 2007. For day-to-day management control, expenditures may not exceed budget at the department level. The City prepares an annual operating budget on a basis not consistent with generally accepted accounting principles. Refer to footnote 17 for a reconciliation to a GAAP basis.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Policies

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

The City's deposits are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City.

Pooling of Cash

The City pools all individual fund cash balances. Income is distributed to the funds based on contribution to the pool.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by collateral valued at 102 percent of principal and accrued interest. Collateral is to be held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City.

At year-end, the carrying amounts of the City's deposits were \$723,300 and the bank balances totaled \$873,856. Of the bank balances, the entire amount was insured by Federal Depository Insurance Corporation (FDIC). At year end, the City's bank balances were not exposed to any custodial credit risk because all deposits were fully collateralized. Restricted cash consisted of the following at June 30, 2007:

Escrow deposits	<u>\$2,204,043</u>
	<u>\$2,204,043</u>

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in bankers' acceptances and commercial paper to the highest letter and numerical rating by at least one nationally recognized statistical rating organization. The Maryland Local Government Investment Pool (the Pool) is duly chartered, administered and subject to regulatory oversight by the State of Maryland. The Pool is managed in a "Rule 2(a)-7 like" manner and has an S&P rating of AAAm. The Pool was created under Maryland State Law and is regulated by the Maryland State Treasurer's Office. It is maintained exclusively to assist eligible participants, as defined by Articles 95 and 22 of the Annotated Code of Maryland. The Pool may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established by Section 6-222 of the State Finance and Procurement Article. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the Pool are valued daily on an amortized cost basis, which approximates market value, and are held to maturity under normal circumstances. Investments in money market funds are valued at the closing net asset value per share on the day of valuation. The fair value of the position in the Pool is the same as the value of the pool net assets (shares).

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy is to limit its interest rate risk by primarily investing in securities with maturity dates under one year.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is to diversify its investments by security type and institution. With the exception of direct purchases of U.S. Treasury instruments, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution unless the portfolio value is less than \$100,000.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's investment policy requires that deposits must have, at all times, collateral with a market value that meets or exceeds the City's deposits with the financial institution that are not covered by deposit insurance.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS – continued

Investments

Generally, the City's investing activities are managed by the Controller and the City Council. The City has adopted an investment policy which will provide the highest reasonable investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all State and local statutes governing the investment of public funds. Permissible investments include any obligation for which the United States has pledged its full faith and credit for the payment of principal and interest; any obligation that a federal agency issues in accordance with an act of Congress; bankers' acceptance; repurchase agreements; certificates of deposit; certain money market mutual funds; the Maryland Local Government Investment Pool (MLGIP); and commercial paper. The City's policy and State law require that the underlying repurchase agreements and certificates of deposit's collateral must have a market value of at least 102 percent of the cost plus accrued interest of the investments. Investment with financial institutions chartered in a foreign country is prohibited.

The City's policy further limits the percentage of the total portfolio that can be invested in certain investment types at the date of purchase. These investment types and the maximum percentage of the portfolio that can be invested in each are: investment in the debt of other federal agencies and/or instrumentalities, 25%; bankers' acceptance, 25%; certain money market mutual funds, 25%; and MLGIP, 50%. State law places no limits on these types of investments. The City also limits its investment in commercial paper to 5%, which matches State law.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

As of June 30, 2007, the City had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings	Weighted Average Days to Maturity
MLGIP	\$ 2,791,785	\$ 2,791,785	AAAm	44
Repurchase agreements	7,090,000	7,090,000	N/A	3
Money market funds	1,524,074	1,524,074	AAAm	34
Certificates of Deposit:				
Fleet Reserve	365,996	365,996	N/A	132
Street Maintenance Reserve	289,679	289,679	N/A	132
	<u>\$ 12,061,534</u>	<u>\$12,061,534</u>		
Agency Fund -				
Repurchase agreements	1,060,000	1,060,000	N/A	3
Mutual funds	18,036,475	16,976,475		
	<u>\$ 31,158,009</u>	<u>\$30,098,009</u>		

Notes: 1- Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

2- **Interest Rate Risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

A reconciliation of cash and cash equivalents per the Statement of Net Assets totaling \$11,189,740 (\$8,985,697 unrestricted and \$2,204,043 restricted) to investments, deposits and petty cash follows.

Investments	\$10,461,534
Deposits	723,300
Petty cash	<u>4,906</u>
	<u>\$11,189,740</u>

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 – TAXES RECEIVABLE

Taxes receivable are comprised of the following as of June 30, 2007.

Personal property		\$	637,347
Real estate			262,024
			899,371
			\$ 899,371

NOTE 5 – NOTES RECEIVABLE

The City has made advances to the volunteer fire department and the volunteer rescue squad for purchases of equipment owned and used by the volunteer fire department and the volunteer rescue squad. These advances are evidenced by signed note agreements. Detail of notes receivable at June 30, 2007 are as follows:

Entity	Interest rate at June 30, 2007	Maturity date	Repayment term	Amount due
Vol. Fire Dept.	3.10%	June, 2014	Monthly	\$ 109,242
Vol. Rescue Squad	3.55%	January, 2010	Monthly	66,961
				\$ 176,203
				\$ 176,203

NOTE 6 – OTHER ACCOUNTS RECEIVABLE

Other accounts receivable are comprised of the following as of June 30, 2007.

Cable franchise fee		\$	111,936
Parks & recreation receivable			38,223
Amusement licenses			26,092
Refuse - residential			16,039
Various			117,683
			117,683
			\$ 309,973

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 – INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at June 30, 2007 are as follows:

Fund	Interfund receivables	Interfund payables
General fund	\$ 44,854	\$ 1,059,915
Capital projects fund	1,059,915	-
Pension trust fund	-	44,854
	\$ 1,104,769	\$ 1,104,769

Interfund receivables and payables are utilized when payments are made on behalf of another fund. All amounts are expected to be paid within one year. The interfund receivable and payable between the general fund and the capital projects fund are eliminated in the Statement of Net Assets.

NOTE 8 – PROPERTY TAX

The City’s real property tax is levied each July 1, on the assessed value for all property located within City boundaries. Real property tax revenue is recognized when received. Assessed values are established by the Maryland State Department of Assessments and Taxation based on estimates of fair market value, multiplied by that year's assessment rate. The rate per \$100 of assessed value was \$.72 in 2007. Taxes are due on July 1; however, they do not become delinquent until after September 30. Property on which taxes are not paid by the following March 1, may be sold at tax sale. Current tax collections for the year ended June 30, 2007, were 98.35% of the levy.

The City’s personal property taxes are levied monthly by the City on a rotating basis. Assessed values are established by the Maryland State Department of Assessments and Taxation based on estimates of fair market value multiplied by that year's assessment rate. The rate per \$100 of assessed value was \$1.69 in 2007. Personal property tax revenue is recognized when received.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 9 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 5,320,503	\$ 58,422	\$ 1,385	\$ 5,377,540
Construction in progress	581,527	451,480	581,527	451,480
Subtotal	<u>5,902,030</u>	<u>509,902</u>	<u>582,912</u>	<u>5,829,020</u>
Depreciable capital assets:				
Infrastructure	19,740,778	604,497	910,848	19,434,427
Land improvements	1,606,377	158,726	-	1,765,103
Buildings and improvements	10,655,719	2,905,371	-	13,561,090
Machinery, tools and equipment	6,779,010	667,502	77,649	7,368,863
Subtotal	<u>38,781,884</u>	<u>4,336,096</u>	<u>988,497</u>	<u>42,129,483</u>
Total capital assets	<u>44,683,914</u>	<u>4,845,998</u>	<u>1,571,409</u>	<u>47,958,503</u>
Accumulated depreciation:				
Infrastructure	15,456,764	162,408	910,849	14,708,323
Land improvements	956,271	45,395	148	1,001,518
Buildings and improvements	5,035,572	254,846	-	5,290,418
Machinery, tools and equipment	4,422,510	549,597	95,463	4,876,644
Subtotal, accumulated depreciation	<u>25,871,117</u>	<u>1,012,246</u>	<u>1,006,460</u>	<u>25,876,903</u>
Net capital assets	<u>\$ 18,812,797</u>	<u>\$ 3,833,752</u>	<u>\$ 564,949</u>	<u>\$ 22,081,600</u>

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 178,510
Public safety	155,594
Parks and recreation	214,513
Public works	463,629
Total government activities depreciation expense	<u>\$ 1,012,246</u>

The City has construction commitments of approximately \$389,890 as of June 30, 2007.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 10 – LONG-TERM DEBT

General obligation bonds consist of the following at June 30, 2007:

\$13,280,000 – public improvement bonds, 1996 Series A; due in annual installments of \$155,000 to \$1,530,000 through October 1, 2011; interest varies from 4.10% to 5.5% and is due semiannually on April 1 and October 1. Interest paid on the bonds for the year ended June 30, 2007 was \$383,850. Balance due on June 30, 2007 was \$6,960,000.

On November 1, 1996, the City issued \$13,280,000 in bonds with a varying interest rate from 4.10% to 5.50%. A portion of the bonds advance refunded \$10,875,000 of outstanding 1991 public improvements bonds with a varying interest rate from 6.25% to 7.00%. Of the \$13,280,000, \$12,177,200 was deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded portion of the 1991 public improvement bonds. As a result, a portion of the 1991 bonds are considered to be defeased and the associated liability has been removed from the balance sheet. The City completed the advance refunding to reduce its debt service payments over the next 16 years by \$271,201 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$251,362. The bonds defeased and removed from the balance sheet consisted of 1991 public improvement bonds totaling \$10,875,000, maturing in 2011, with a redemption price of 102% and a call date of July 1, 2002.

Redemption

Optional Redemption

Bonds which mature on or before October 1, 2006, are not subject to redemption prior to their maturities. Bonds which mature on or after October 1, 2007, are subject to redemption commencing on October 1, 2006, as a whole at any time or in part on any interest payment date, at the option of the City, at the following redemption prices, expressed as a percentage of the principal amount of bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption:

Periods during which redeemable (both dates inclusive)	Redemption Price
October 1, 2006 to September 30, 2007	101.0%
October 1, 2007 to September 30, 2008	100.5%
October 1, 2008 and thereafter	100.0%

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 10 – LONG-TERM DEBT - continued

Notes payable consists of the following at June 30, 2007:

Note payable to Citizens National Bank (the Bank) on behalf of the Laurel Volunteer Fire Department in the amount of \$151,190. The note is payable to the Bank in monthly principal and interest payments of \$1,470 through June 11, 2014, with interest at 3.10%. As of June 30, 2007, the outstanding principal balance on the note is \$109,242. Total interest paid on the note payable was \$3,622 for the year ended June 30, 2007.

Note payable to Citizens National Bank (the Bank) on behalf of the Laurel Volunteer Rescue Squad in the amount of \$160,000. The note is payable to the Bank in monthly principal and interest payments of \$2,918 through January 11, 2010, with interest at 3.55%. As of June 30, 2007, the outstanding principal balance on the note is \$66,961. Total interest paid on the note payable was \$2,995 for the year ended June 30, 2007.

Note payable to the Community Development Administration (“CDA”), an agency in the Division of Development Finance of the Maryland Department of Housing and Community Development (“DHCD”) in the amount of \$4,043,500 to finance certain infrastructure and fleet projects. The note is payable to CDA in annual principal payments ranging from \$260,400 to \$331,900 and semiannual interest payments with rates ranging from 2.000% to 4.375%. The semiannual interest payments are offset by interest earned on the undrawn proceeds of the note held in an escrow account by and in the name of CDA. As of June 30, 2007, the outstanding principal balance and undrawn proceeds on the note is \$3,049,020 and \$994,481 respectively. Interest expense of \$73,309, net of interest income of \$50,593 was incurred and paid as of June 30, 2007.

Note payable to Citizens National Bank (the Bank) in the amount of \$2,500,000 to finance the purchase of a building to be used by the Laurel Police Department. The note is payable to the Bank in monthly principal and interest payments of \$45,784 through August 1, 2012, with interest at 3.55%. As of June 30, 2007, the outstanding principal balance on the note is \$2,500,000. No interest was paid on the note for the year ended June 30, 2007.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 10 – LONG-TERM DEBT - continued

The changes in governmental long-term debt for the year ended June 30, 2007 are summarized below.

	Beginning Balance	Additions	Retirements	Ending Balance	Amount due in one year
General obligation bonds	\$ 8,160,000	\$ -	\$ (1,200,000)	\$ 6,960,000	\$ 1,255,000
Bank loans	222,167	2,500,000	(45,963)	2,676,204	424,878
CDA loan	2,256,724	1,063,096	(270,800)	3,049,020	276,000
Total	<u>\$ 10,638,891</u>	<u>\$ 3,563,096</u>	<u>\$ (1,516,763)</u>	<u>\$ 12,685,224</u>	<u>\$ 1,955,878</u>
Compensated absences	<u>\$ 601,108</u>	<u>\$ 58,347</u>	<u>\$ -</u>	<u>\$ 659,455</u>	<u>\$ -</u>

The following is a schedule by years of future principal and estimated interest payments required to amortize all debt outstanding as of June 30, 2007. Estimated interest payments were based on rates in effect at June 30, 2007 and do not include the effect of interest earned on undrawn proceeds of the note payable, if any.

Year ended June 30,	Bank Loans		CDA Loan (A)	
	Principal	Interest	Principal	Interest
2008	424,878	85,635	276,000	117,498
2009	529,505	71,907	282,600	110,736
2010	513,846	53,200	290,200	102,965
2011	532,570	34,476	299,200	94,259
2012	551,950	15,097	309,000	84,535
2013-2017	123,455	1,399	1,306,000	254,810
2018-2022	-	-	1,280,501	31,977
Total	<u>\$2,676,204</u>	<u>\$ 261,714</u>	<u>\$ 4,043,501</u>	<u>\$ 796,780</u>

Year ended June 30,	General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest
2008	1,255,000	319,475	1,955,878	522,608
2009	1,325,000	254,975	2,137,105	437,618
2010	1,390,000	186,405	2,194,046	342,570
2011	1,460,000	113,730	2,291,770	242,465
2012	1,530,000	38,250	2,390,950	137,882
2013-2017	-	-	1,429,455	256,209
2018-2022	-	-	1,280,501	31,977
Total	<u>\$6,960,000</u>	<u>\$ 912,835</u>	<u>\$13,679,705</u>	<u>\$1,971,329</u>

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 10 – LONG-TERM DEBT - continued

(A) This payout schedule assumes the remaining \$994,481 of undrawn proceeds are drawn down.

NOTE 11 – CONCENTRATION OF CREDIT RISK

The City derives most of its revenues from the citizens of the City. The City is located in Prince George's County, Maryland.

NOTE 12 – 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 related disasters. The City is a capital member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML), and the Maryland Association of Counties. LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability, environmental liability, and property coverage.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessments. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members. Annual premiums are assessed for the various policy coverages. During fiscal year 2007, the City paid premiums of \$254,239 to the trust. The agreement for the formation of LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of annual premiums. Settled claims, if any resulting from these risks, have not exceeded commercial insurance coverage in the past fiscal year.

Premiums are charged to the appropriate City's General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments for the last three fiscal years.

NOTE 13 – DEFERRED COMPENSATION PLAN

The City Council established two deferred compensation plans in accordance with Internal Revenue Code Section 457. These plans, available to all full-time and part-time employees, elected officials and auxiliary employees, permit them to defer any portion of their salary until future years. The City does not contribute to these plans.

All amounts of compensation deferred under the plans, and all related income are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 13 – DEFERRED COMPENSATION PLAN - continued

In compliance with the Internal Revenue Code Section 457(g), all assets and income of the plans are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, in accordance with Governmental Accounting Standards Board Statement No. 32, "Accounting and Financial Reporting for the Internal Revenue Code 457 Deferred Compensation Plan," the investments designated for compensation benefits are not reflected in the City's financial statements.

ITT Hartford is the plan administrator and the trustee for one plan, and ING (formerly Aetna Life Insurance and Annuity Company) is the plan administrator and the trustee for the other plan.

NOTE 14 – PENSION PLAN

Plan Description

The City contributes to the City of Laurel Police Retirement Plan and the City of Laurel Employee (Administrative and Maintenance) Retirement Plan (Plans). Both Plans contain virtually the same provisions and the valuation of each of the Plans uses virtually the same assumptions. Accordingly, for ease of disclosure and understanding, they are presented here as one plan, except as indicated. The Plans are single-employer defined benefit plans which provide retirement benefits and death and disability benefits to participating employees and their beneficiaries. All full-time and part-time employees of the City must participate in the applicable Plan. A participant becomes fully vested in his or her accrued benefit after 5 years of credited service. Credited service is determined for any participant as the years and completed months during which the participant shall have been in the employment of the City. Additionally, credited service includes credited service transferred from other government employers in the State of Maryland or purchased for military service or government service anywhere in the United States, not to exceed 5 years. Administrative and Maintenance employees are eligible to receive retirement benefits as of the participant's 65th birthday and the completion of 5 years of credited service or upon the completion of 30 years of credited service regardless of age. Police employees are eligible to receive retirement benefits the earlier of the participant's 65th birthday and the completion of 5 years of credited service or upon completion of 20 years of credited service regardless of age. All participants under the Plans as of June 30, 1998, are entitled to a minimum benefit as of such date determined under the provisions of the plan then in effect. Employees may elect to receive their pension benefits in the form of a single life annuity, a period certain and continuous annuity, a joint and survivor annuity or a Social Security annuity. Administrative and Maintenance employees' normal retirement allowance consists of 1.67% of final average compensation multiplied by credited service not greater than 30 years. Police employees' normal retirement allowance consists of 2.5% of final average compensation for each of the first 20 years of credited service plus 1.5% of final average compensation for each of the next 5 years of credited

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 14 – PENSION PLAN - continued

service. The Plans allow the City to grant a cost of living increase to participants or beneficiaries annually. The most recent cost of living adjustment was an increase of 2.5% effective July 1, 1998.

The Plans may be amended by the City Council, and the Plans were amended as of January 1, 2005 to include provisions for a Deferred Retirement Option Plan (“DROP”). Under the DROP, participants eligible to participate may elect to defer the commencement of his or her retirement benefits from a minimum period of one year to a maximum period of seven years. The period of participation automatically ends when a participant terminates employment for any reason. Election to participate in the DROP ends December 31, 2009.

The Plans were further amended as of March 28, 2005 to include a provision stating that if the present value of a retired participant's vested accrued benefit exceeds \$1,000 such lump sum distribution shall be made only after the retired participant completes the appropriate distribution forms.

The Police Plan was amended again as of June 30, 2006 to allow police employees to participate in the DROP at 20 years of service rather than 25 years. As a result of this amendment, the actuarially determined contribution for FY 2008 increased.

Funding Policy

As a condition of employment, employees must contribute 4.5% (Administrative and Maintenance) and 8.8% (Police) of base earnings, excluding bonuses, commissions, overtime payments and other additional compensation. The City's funding policy is to make annual contributions to the Plans as calculated by the actuary in amounts sufficient to provide the benefits of the Plans. The City does not calculate a net pension obligation, but develops an annual required contribution as a percent of payroll. The annual pension cost is equal to the annual required contribution. The contribution rate applied to actual payroll is actuarially determined and consists of a normal cost component and an unfunded actuarial component. The City had annual required contributions of \$922,940, \$837,239, and \$722,073 for the fiscal years ended June 30, 2007, 2006 and 2005. The City has made all annual required contributions. The contributions made to the Plans for fiscal year 2007 were made in accordance with the actuarial valuation for the plan year ending June 30, 2006. The contributions consisted of amounts contributed by the employees of \$456,584 and amounts contributed by the City of \$1,142,940.

Significant actuarial assumptions used in determining the actuarial accrued liability are shown in the Pension Trust Fund - Analysis of Funding Progress and Employer Contributions - Required Supplemental Information on page 40. The amount shown as the “actuarial accrued liability” is a standard disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step rate

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 14 – PENSION PLAN – continued

benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess, on a going concern basis, the funding status of the Plan to which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The actuarial accrued liability was determined as part of an actuarial valuation performed as of July 1, 2006.

The plans invest in mutual funds.

The number of employees covered and current membership classifications as of June 30, 2006 are as follows:

Active participants	145
Terminated vested participants	16
Retirees and beneficiaries	52
Total participants	213

Mortality: Healthy lives - 1994 Uninsured Pensioners Mortality Table for Males and Females Disabled lives - Healthy life mortality set forward 10 years

Administrative and Maintenance employees are assumed to retire following the earlier of (i) attainment of age 65, or (ii) the completion of 30 years of service.

Police employees are assumed to retire based on years of service as follows:

Years of Service	Percentage Retiring
20	20.0%
21	12.5%
22	28.5%
23	40.0%
24	33.3%
25	100.0%

Refer to Required Supplementary Information on page 40 for additional information regarding these plans. There are no separately issued financial statements for these plans.

NOTE 15 – OTHER POST-EMPLOYMENT BENEFITS

Since March 1994, the City pays up to \$2,400 annually for each retirees' health insurance. This health insurance benefit is financed on a pay-as-you-go basis. During the year ended June 30, 2007, the City paid \$53,367 for retirees' health insurance.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

In the normal course of business the City is a defendant in several lawsuits which management is vigorously defending. No contingency has been established because neither the outcome of the cases nor the amount of an award, if any, can be determined. The City’s insurance carrier is defending these matters.

NOTE 17 – RECONCILIATION OF NON-GAAP BUDGET TO GAAP BUDGET

The financial statements and notes conform to GAAP. The budget is prepared on a basis not consistent with GAAP. The reconciliation between the non-GAAP budget and GAAP follows:

Excess of revenue over expenditures, encumbrances and other financing sources (uses) - non-GAAP budgetary basis - general fund	\$ 698,409
Prior years' surplus	-
Loan repayments	(43,803)
Increase (decrease) due to:	-
Expenditures of amounts encumbered during prior year	(137,328)
Reserved encumbrances (GAAP basis) at June 30, 2007, but recognized as expenditures for budgetary purposes	<u>191,332</u>
Excess of revenue over expenditures and other financing sources (uses) - GAAP	<u><u>\$ 708,610</u></u>

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 18 – NEW ACCOUNTING PRONOUNCEMENT

In June, 2004, the Governmental Accounting Standards Board issued Statement No. 45, “Accounting and Financial Reporting for Post Employment Benefit Plans Other Than Pensions” (GASB 45). The City is currently working to determine the impact of adopting GASB 45 on its financial statement presentation and disclosures. The City is required to adopt GASB 45 for the fiscal year ending June 30, 2010.

CITY OF LAUREL, MARYLAND

**PENSION TRUST FUND - ANALYSIS OF FUNDING
PROGRESS AND EMPLOYER CONTRIBUTIONS -
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2007

Actuarial Valuation Date July 1, 2006	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Employees Plan						
2006	7,414,713	9,734,544	2,319,831	76.17%	3,497,546	66.33%
2005	6,736,632	9,238,960	2,502,328	72.92%	3,527,433	70.94%
2004	6,118,691	8,245,176	2,126,485	74.21%	3,034,120	70.09%
2003	5,570,783	7,332,541	1,761,758	75.97%	2,915,206	60.43%
2002	5,370,767	6,617,412	1,246,645	81.16%	3,055,704	40.80%
2001	5,169,622	5,755,036	585,414	89.83%	2,871,540	20.39%
2000	4,944,885	5,159,158	214,273	95.85%	3,055,533	7.01%
Police Plan						
2006	7,606,070	13,784,982	6,178,912	55.18%	1,982,730	311.64%
2005	6,648,724	12,026,102	5,377,378	55.29%	2,343,249	229.48%
2004	5,834,671	11,197,428	5,362,757	52.11%	2,074,954	258.45%
2003	5,200,000	9,991,988	4,791,988	52.04%	1,807,801	265.07%
2002	5,080,890	8,991,128	3,910,238	56.51%	1,785,125	219.05%
2001	5,041,426	7,859,153	2,817,727	64.15%	1,710,206	164.76%
2000	4,929,215	6,805,756	1,876,541	72.43%	1,824,646	102.84%

The following schedule gives information on employer required contributions.

Years ended June 30,	Annual required contribution	Percentage contributed
2007	922,940	123.84%
2006	837,239	114.46%
2005	722,073	126.68%
2004	561,872	137.52%
2003	378,987	100.00%
2002	248,429	100.63%
2001	207,994	100.00%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Actuarial valuation date	July 1, 2006
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	25 years - Police Plan and 30 years for Employee Plan
Asset valuation method	Asset smoothing
Actuarial assumptions:	
Investment rate of return	7.5% compounded annually
Projected salary increases	5.0% compounded annually
Cost of living adjustments	4.0% compounded annually
Inflation rate	3.5% compounded annually
Contribution rates:	
Police	8.8%
Employees	4.5%
Mortality: healthy lives	1994 Uninsured Pensioners Mortality Table of Males and Female
Mortality: disables lives	Healthy life mortality set forward 10 years

CITY OF LAUREL, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	\$ 13,879,693	\$ 13,879,693	\$ 13,833,141	\$ (46,552)
Intergovernmental	4,235,668	4,502,577	4,097,040	(405,537)
Licenses and permits	1,234,293	1,509,893	1,856,301	346,408
Charges for services	659,751	666,046	734,086	68,040
Fines and forfeitures	441,243	388,812	245,235	(143,577)
Miscellaneous	225,916	588,843	729,154	140,311
Loan repayments	43,803	43,803	52,673	8,870
Interest on note receivable	-	-	-	-
Total Revenues	<u>\$ 20,720,367</u>	<u>\$ 21,579,667</u>	<u>\$ 21,547,630</u>	<u>\$ (32,037)</u>
Expenditures				
General government	\$ 3,919,146	\$ 4,172,629	\$ 3,952,742	\$ 219,887
Public safety	5,679,077	5,767,820	5,287,567	480,253
Parks and recreation	1,310,797	1,316,994	1,275,198	41,796
Public works	3,507,993	3,275,501	2,997,908	277,593
Miscellaneous	4,269,634	5,763,814	3,026,315	2,737,499
Debt service	2,033,720	1,981,318	1,980,632	686
Total Expenditures	<u>\$ 20,720,367</u>	<u>\$ 22,278,076</u>	<u>\$ 18,520,362</u>	<u>\$ 3,757,714</u>

SUPPLEMENTAL SCHEDULES

CITY OF LAUREL, MARYLAND
SCHEDULE OF REVENUES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
REVENUES				
Taxes				
Real and personal property	\$ 13,650,603	\$ 13,650,603	\$ 13,545,683	\$ (104,920)
Local - admissions	173,090	173,090	209,978	36,888
Penalties and interest	56,000	56,000	77,480	21,480
Total Taxes	<u>13,879,693</u>	<u>13,879,693</u>	<u>13,833,141</u>	<u>(46,552)</u>
Intergovernmental				
State and Federal Grants				
Other federal and state grants	-	-	9,224	9,224
Police protection	352,144	352,144	392,624	40,480
Police aid supplement	52,620	52,620	-	(52,620)
Total state and federal grants	<u>404,764</u>	<u>404,764</u>	<u>401,848</u>	<u>(2,916)</u>
State Shared Taxes				
Local income tax	2,500,000	2,500,000	2,022,443	(477,557)
Race track impact fees	62,100	62,100	51,750	(10,350)
Developer impact fees	-	176,909	202,714	25,805
Highway user	911,441	911,441	946,147	34,706
Hotel/motel taxes	175,000	210,000	249,821	39,821
Total state shared taxes	<u>3,648,541</u>	<u>3,860,450</u>	<u>3,472,875</u>	<u>(387,575)</u>
County Grants				
Financial corporations	6,362	6,362	6,362	-
M-NCPPC grants	160,644	160,644	140,425	(20,219)
Highway safety grant	12,500	12,500	18,000	5,500
Other grants	2,857	57,857	57,530	(327)
Total county grants	<u>182,363</u>	<u>237,363</u>	<u>222,317</u>	<u>(15,046)</u>
Total Intergovernmental	<u>4,235,668</u>	<u>4,502,577</u>	<u>4,097,040</u>	<u>(405,537)</u>

CITY OF LAUREL, MARYLAND
SCHEDULE OF REVENUES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Licenses and permits				
Liquor	\$ 11,363	\$ 11,363	\$ 13,259	\$ 1,896
Amusement permits	21,080	21,080	14,665	(6,415)
Building permits	468,300	653,900	752,393	98,493
Cable TV	256,000	256,000	264,481	8,481
Traders licenses	85,000	85,000	57,446	(27,554)
Other permits and licenses	392,550	482,550	754,057	271,507
Total licenses and permits	<u>1,234,293</u>	<u>1,509,893</u>	<u>1,856,301</u>	<u>346,408</u>
Charges for services				
Passport execution fees	70,000	70,000	91,090	21,090
Zoning fees	20,000	20,000	36,128	16,128
Refuse collection	86,000	86,000	104,154	18,154
Recreation fees	423,175	429,470	429,872	402
Facility rentals	44,100	44,100	46,212	2,112
Other	16,476	16,476	26,630	10,154
Total charges for services	<u>659,751</u>	<u>666,046</u>	<u>734,086</u>	<u>68,040</u>
Fines and forfeitures				
Red light camera tickets	307,500	245,879	98,051	(147,828)
Parking tickets	73,901	73,901	91,333	17,432
False alarm fines	25,760	25,760	28,550	2,790
Release fee - impound	23,182	23,182	25,426	2,244
Other	10,900	20,090	1,875	(18,215)
Total fines and forfeitures	<u>441,243</u>	<u>388,812</u>	<u>245,235</u>	<u>(143,577)</u>

CITY OF LAUREL, MARYLAND
SCHEDULE OF REVENUES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Miscellaneous				
Rental	\$ 28,438	\$ 28,438	\$ 45,250	\$ 16,812
Interest on investments	130,000	444,621	454,310	9,689
Disposal rebate	60,728	60,728	60,856	128
Sale of property	-	-	27,625	27,625
Other	6,750	55,056	141,113	86,057
Total miscellaneous	<u>225,916</u>	<u>588,843</u>	<u>729,154</u>	<u>140,311</u>
Loan repayments				
Fire department repayments	13,612	13,612	17,640	4,028
Rescue squad repayments	30,191	30,191	35,033	4,842
Total loan repayments	<u>43,803</u>	<u>43,803</u>	<u>52,673</u>	<u>8,870</u>
Interest on note receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>\$ 20,720,367</u>	<u>\$ 21,579,667</u>	<u>\$ 21,547,630</u>	<u>\$ (32,037)</u>

CITY OF LAUREL, MARYLAND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
General Government				
City council	\$ 81,742	\$ 86,742	\$ 77,215	\$ 9,527
Clerk to the council	139,094	139,094	135,297	3,797
Mayor	367,940	374,940	352,204	22,736
City administrator	308,315	308,315	289,870	18,445
Registration and elections	225	225	120	105
Budget and personnel services	510,503	514,503	491,055	23,448
Planning and zoning	713,528	763,528	703,124	60,404
Information technology and community services	858,862	926,162	903,101	23,061
Facilities and grounds	883,417	943,600	890,106	53,494
Community promotion	55,520	115,520	110,650	4,870
Total general government	<u>3,919,146</u>	<u>4,172,629</u>	<u>3,952,742</u>	<u>219,887</u>
Public Safety				
Police department	5,296,256	5,311,224	4,882,711	428,513
Emergency services management	382,821	456,596	404,856	51,740
Total public safety	<u>5,679,077</u>	<u>5,767,820</u>	<u>5,287,567</u>	<u>480,253</u>
Parks and recreation				
Parks and recreation administration	422,876	423,442	411,162	12,280
Recreation	277,490	265,913	248,347	17,566
Laurel municipal pool	121,026	138,512	138,016	496
Laurel community center programs	215,364	214,460	211,827	2,633
Armory programs	114,156	114,782	111,888	2,894
Gude lakehouse programs	16,938	16,938	13,943	2,995
Senior services programs	142,947	142,947	140,015	2,932
Total parks and recreation	<u>1,310,797</u>	<u>1,316,994</u>	<u>1,275,198</u>	<u>41,796</u>

CITY OF LAUREL, MARYLAND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Public Works				
Public works administration	\$ 164,996	\$ 179,487	177,931	\$ 1,556
Automotive maintenance	708,249	668,858	624,342	44,516
Waste collection and disposal	1,492,538	1,215,538	1,190,654	24,884
Highways and streets	525,155	530,155	391,035	139,120
Snow and ice removal	52,748	44,468	43,974	494
Street lighting	237,500	272,500	266,866	5,634
Engineering and technical services	156,330	171,330	136,993	34,337
Traffic engineering	115,493	133,181	118,360	14,821
Tree management	54,984	59,984	47,753	12,231
Total public works	<u>3,507,993</u>	<u>3,275,501</u>	<u>2,997,908</u>	<u>277,593</u>
Miscellaneous				
Retirement pension	1,002,940	1,152,940	1,152,003	937
Employee training	57,393	53,395	33,577	19,818
Employee tuition	14,140	1,710	1,380	330
Insurance	2,372,061	1,861,411	1,840,046	21,365
Other	823,100	2,694,358	(691)	2,695,049
Total miscellaneous	<u>4,269,634</u>	<u>5,763,814</u>	<u>3,026,315</u>	<u>2,737,499</u>
Debt Service				
Principal	1,516,130	1,516,828	1,516,763	65
Interest	517,590	464,490	463,869	621
Total debt service	<u>2,033,720</u>	<u>1,981,318</u>	<u>1,980,632</u>	<u>686</u>
Total Expenditures	<u>\$ 20,720,367</u>	<u>\$ 22,278,076</u>	<u>\$ 18,520,362</u>	<u>\$ 3,757,714</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

The Honorable Members of the City Council
City of Laurel, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Maryland (the “City”), as of and for the year ended June 30, 2007, which collectively comprise the City’s basic financial statements and have issued our report thereon dated October 30, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Laurel’s internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Laurel’s internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the City of Laurel’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Laurel’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Laurel’s financial statements that is more than inconsequential will not be prevented or detected by the City of Laurel’s internal control.

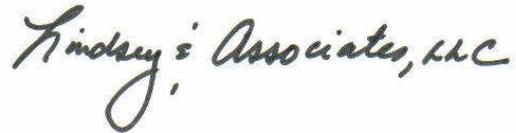
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Laurel’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Laurel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Lindsay's Associates, LLC". The signature is written in a cursive, flowing style.

October 30, 2007