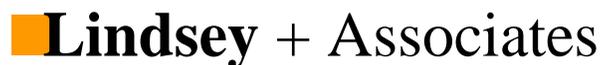


**CITY OF LAUREL, MARYLAND  
FINANCIAL STATEMENTS  
JUNE 30, 2011**

**CITY OF LAUREL  
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JUNE 30, 2011**

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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, 2011, 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, 2011, 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 December 9, 2011, 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, other post-employment benefits plan – schedule of funding progress, other post-employment benefits plan – schedule of employer contributions, and budgetary comparison information on pages 3 through 10 and 48 through 51 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 52 through 56 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.

December 9, 2011

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

**CITY OF LAUREL, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

**Financial Highlights**

- At June 30, 2011, the assets of the City of Laurel exceeded the liabilities by \$35,314,009 (net assets). Unrestricted net assets were \$11,043,578.
- Net assets increased by \$5,262,303 or 18% from June 30, 2010 to June 30, 2011. This was due to the capitalization of completed road construction projects, park improvement projects and investment in equipment.
- The fund balance of the general fund has increased by 22% from \$8,831,484 at June 30, 2010 to \$10,731,368 at June 30, 2011. This is due to the excess in revenues over expenditures.
- The total debt of the City of Laurel decreased by \$3,086,700. Debt service payments totaled \$4,242,522. In FY2011 the Mayor and City Council authorized the use of funds from the Undesignated Reserve to advance the final payment of the 1996 PIB to reduce the debt service in the FY2012 operating budget. An additional \$300,000 was added to the note for the purchase of 7703 and 7705 Sandy Spring Road for renovation funding.

**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 AND ANALYSIS**  
**JUNE 30, 2011**

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-like 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.

**CITY OF LAUREL, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Government-wide Financial Analysis**

The City's total net assets as of June 30, 2011 were \$35,314,009. The largest portion of net assets, 66%, is the investment in capital assets, net of related debt, in the amount of \$23,383,680. The unrestricted portion, 31%, of net assets can be used to meet the needs of serving the citizens and obligations to creditors.

The following is a condensed statement of net assets:

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

	Governmental Activities	
	2011	2010
Current and other assets	\$ 18,496,897	\$ 15,628,335
Capital assets	34,874,237	34,772,186
<b>Total Assets</b>	53,371,134	50,400,521
Long-term liabilities	12,710,210	11,369,982
Other liabilities	5,346,915	8,978,833
<b>Total Liabilities</b>	18,057,125	20,348,815
Net assets		
Invested in capital assets, net of related debt	23,383,680	19,839,107
Restricted	886,751	2,851,651
Unrestricted	11,043,578	7,360,948
<b>Total Net Assets</b>	\$ 35,314,009	\$ 30,051,706

**CITY OF LAUREL, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Governmental Activities**

Governmental activities increased the City's net assets by \$5,262,303 or 18% over June 30, 2010. Property taxes comprised 70% of the total revenue, while the next highest source of revenue, charges for service, is 10% of the total revenue. Income taxes make up 9% of total revenue. The remaining 11% of revenue is received from licenses, permits, interest, operating grants, fines and forfeitures, and miscellaneous items.

	Governmental Activities	
	2011	2010
<b>Revenue</b>		
Program Revenue		
Charges for services	\$ 3,310,781	\$ 1,639,794
Operating grants/contributions	1,344,425	2,915,255
Capital grants/contributions	-	-
General Revenue		
Property taxes	22,386,736	20,238,352
Income taxes	2,752,648	2,507,210
Other taxes	291,526	362,974
Licenses/permits	678,454	752,628
Interest	32,865	35,976
Miscellaneous	980,344	1,318,465
<b>Total Revenue</b>	<b>31,777,779</b>	<b>29,770,654</b>
<b>Expenses</b>		
General government	5,219,068	5,456,587
Public safety	9,712,486	8,018,099
Parks & recreation	1,987,278	1,844,251
Public works	4,268,077	4,064,678
Miscellaneous	4,760,309	4,274,081
Debt service	568,258	680,842
<b>Total Expenses</b>	<b>26,515,476</b>	<b>24,338,538</b>
Increase in net assets	5,262,303	5,432,116
Net assets, beginning of year	30,051,706	24,619,590
<b>Net assets, ending</b>	<b>\$ 35,314,009</b>	<b>\$ 30,051,706</b>

**CITY OF LAUREL, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

**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 \$10,731,368. A portion of fund balance in the amount of \$988,614 is determined to be nonspendable. \$2,738,701 is limited in its use either by external restrictions (\$886,751), or internal restrictions (\$1,851,950). Unassigned fund balance represents 25% of total general fund expenditures, while total fund balance represents 38% of that same amount.

The fund balance of the general fund has increased by 22% from \$8,831,484 at June 30, 2010 to \$10,731,368 at June 30, 2011 because revenues exceeded expenditures by \$2,664,165 before operating transfers of \$1,264,281 and loan proceeds of \$500,000.

The capital projects fund balance decreased by 31% from the prior fiscal year. This is due to significant expenditures made for the renovations to the Barkman-Kaiser Public Safety Complex as well as park improvement and technology projects: the funding for which was provided in previous fiscal years.

**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 26% from June 30, 2010 to June 30, 2011. The City's contribution met the actuarial recommendation and the employee payroll deductions increased due to the increase in the pay plans. Investment gains of \$3,902,950 put the balance of the net assets higher than that of the last four years.

**Budgetary Highlights.** The General Operating Budget of FY2011 was amended five times. Budget amendments were necessary to record and appropriate revenues and expenditures for the Speed Monitoring program. Revenues exceeded expectations beyond estimates made from the testing and warning periods. Additionally, it was determined by this department and unanimously supported by Mayor Moe and the City Council that the final debt service payment for the 1996 Public Improvement Bond be advanced to FY2011 to reduce the burden on the FY2012 operating budget. The budget was amended to appropriate funds from the Undesignated Reserve for this purpose.

Savings in various outside services and debt service accounts were used to amend the budget in order to transfer additional funds to the Capital Improvement Program in order to lessen the impact of the Capital Improvement Program on future operating budgets.

**CITY OF LAUREL, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets of \$34,874,237 (net of accumulated depreciation) includes land and land improvements, infrastructure, buildings, and machinery, equipment and tools. This is a .3% increase from the prior fiscal year. The \$2.08 million in increases were due to purchases of equipment and vehicles as well as street projects and park improvement projects.

In FY2011, \$727,294 in equipment was purchased between the general fund and the capital improvement program. This includes computers and other electronic equipment as well as guns office equipment; office furniture and vehicle replacements per the replacement schedule. Additional Construction in Progress of \$783,314 is comprised of renovations at 7705 Sandy Spring Road and the Partnership Hall at the Barkman-Kaiser Public Safety Complex.

The following table displays the City's capital assets:

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

<b>Description</b>	<b>Governmental Activities</b>
Land	\$ 6,664,556
Construction-in-progress	1,148,777
Buildings and improvements	14,308,801
Machinery, tools, equipment	3,349,306
Land improvements	1,873,777
Infrastructure	7,529,020
<b>TOTAL</b>	<b>\$ 34,874,237</b>

**CITY OF LAUREL, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Long-term debt.** At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$13,986,949. This amount is comprised of the \$11,490,557 notes payable; \$1,540,000 in OPEB liability and \$956,392 in accrued vacation leave. This is an decrease of \$3,086,700 from the FY2010 balance. FY2011 scheduled debt service payments as well as the advanced payoff of the 1996 PIB of \$1,530,000 exceeded the increase of the total debt by the additional \$300,000 for renovations to 7705 Sandy Spring Road; the new note incurred for a rescue truck on behalf of the Laurel Volunteer Rescue Squad and the increase in the OPEB liability.

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

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

	<b>Governmental Activities</b>
Notes payable	\$ 11,490,557
Accrued leave liability	956,392
OPEB Liability	1,540,000
<b>Total</b>	<u><u>\$ 13,986,949</u></u>

**Economic Factors and Activities**

By the end of the first quarter of the City of Laurel's Fiscal Year 2009 the nation had entered a recession. Due to the measures taken by the Federal government to improve the economy, the City received \$457,544 in American Recovery and Reinvestment Act funds either directly from the Federal government or through the State of Maryland. Most of the grants were relative to public safety. Though this funding is not interchangeable in its application it allows flexibility in future budgets in order to make one-time purchases and the addition of three police officers.

The Hawthorne Place mixed use development by the Patriot Group and the redevelopment of the Laurel Mall have been delayed due to conditions in the credit market. However, the Mall project is now ready to begin the early stages of redevelopment starting with partial demolition of the existing mall's front parking deck. Indications are that further demolition and new construction are likely in early 2012. Other developments have also been proposed that could commence development in late 2012 or 2013, such as the Anderson's Corner development, located adjacent to Konterra Town Center East.

**CITY OF LAUREL, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

Additionally, the City Administrator and Director of Community Planning and Business Services continue to be active in the Fort George G. Meade Regional Growth Committee, in order to plan and prepare the City for the impacts of the Base Realignment and Closure (BRAC) at Ft. George G. Meade which is 5 miles outside the City of Laurel. While the BRAC relocation is technically completed, the relocation of many of the families has been delayed to housing market conditions. When homeowners can have more equity to sell their properties, an increased pressure is expected on the local housing market. Telecommuting and carpooling/transit have reduced this potential slightly.

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. This 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 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.

Because development has slowed a great deal in the City of Laurel, officials remain cautious regarding the national and state economies. 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 and the impact of escalating economic issues on income tax and real estate tax revenues.

**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 & Personnel Services at 8103 Sandy Spring Road, Laurel, MD 20707.

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

	Governmental Activities	Total
<b>ASSETS</b>		
Current Assets		
Equity in pooled cash and cash equivalents	\$ 12,990,076	\$ 12,990,076
Restricted cash	1,968,239	1,968,239
Taxes receivable, net of allowances	956,285	956,285
Notes receivable	31,677	31,677
Other receivables	267,430	267,430
Accounts receivable - speed camera fines	228,647	228,647
Accounts receivable - income taxes	732,209	732,209
Due from other governments	317,543	317,543
Due from other funds	47,854	47,854
Inventory	239,176	239,176
<b>Total Current Assets</b>	<b>17,779,136</b>	<b>17,779,136</b>
Noncurrent Assets		
Notes receivable	717,761	717,761
Net capital assets	34,874,237	34,874,237
<b>Total Noncurrent Assets</b>	<b>35,591,998</b>	<b>35,591,998</b>
<b>TOTAL ASSETS</b>	<b>\$ 53,371,134</b>	<b>\$ 53,371,134</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,672,875	\$ 1,672,875
Accrued interest	5,343	5,343
Deposits	1,968,239	1,968,239
Unearned revenue	423,719	423,719
Current portion of long-term debt	1,276,739	1,276,739
<b>Total Current Liabilities</b>	<b>5,346,915</b>	<b>5,346,915</b>
Noncurrent Liabilities		
OPEB liability	1,540,000	1,540,000
Compensated absences	956,392	956,392
Loan payable - long-term	10,213,818	10,213,818
<b>Total Noncurrent Liabilities</b>	<b>12,710,210</b>	<b>12,710,210</b>
<b>TOTAL LIABILITIES</b>	<b>18,057,125</b>	<b>18,057,125</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	23,383,680	23,383,680
Restricted		
Speed cameras	886,751	886,751
Unrestricted	11,043,578	11,043,578
<b>TOTAL NET ASSETS</b>	<b>35,314,009</b>	<b>35,314,009</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 53,371,134</b>	<b>\$ 53,371,134</b>

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

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

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General government	\$ 5,219,068	\$ 1,153,859	\$ 213,382	\$ 335,964	\$ -	\$ (5,823,581)	\$ (5,823,581)
Public safety	9,712,486	2,433,896	2,547,644	418,109	-	(9,180,629)	(9,180,629)
Parks and recreation	1,987,278	564,330	440,095	147,151	-	(1,964,362)	(1,964,362)
Public works	4,268,077	1,176,482	109,660	443,201	-	(4,891,698)	(4,891,698)
Miscellaneous	4,760,309	(4,760,309)	-	-	-	-	-
Interest	568,258	(568,258)	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>26,515,476</b>	<b>-</b>	<b>3,310,781</b>	<b>1,344,425</b>	<b>-</b>	<b>(21,860,270)</b>	<b>(21,860,270)</b>
<b>Total Primary Government</b>	<b>\$ 26,515,476</b>	<b>\$ -</b>	<b>\$ 3,310,781</b>	<b>\$ 1,344,425</b>	<b>\$ -</b>	<b>\$ (21,860,270)</b>	<b>\$ (21,860,270)</b>
<b>General revenues:</b>							
<b>Taxes</b>							
						2,752,648	2,752,648
						22,386,736	22,386,736
						291,526	291,526
						678,454	678,454
						32,865	32,865
						980,344	980,344
						<b>27,122,573</b>	<b>27,122,573</b>
						-	-
						5,262,303	5,262,303
						30,051,706	30,051,706
						<b>\$ 35,314,009</b>	<b>\$ 35,314,009</b>

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

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

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

	General Fund	Capital Projects Fund	Non-Major Fund Special Taxing District	Total Governmental Funds	
<b>ASSETS</b>					
Equity in pooled cash and cash equivalents	\$ 11,333,016	\$ 1,657,060	\$ -	\$ 12,990,076	<i>Total Governmental Fund Balances</i>
Restricted cash	1,968,239	-	-	1,968,239	
Taxes receivable, net of allowances	956,285	-	-	956,285	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.
Notes receivable	749,438	-	-	749,438	34,874,237
Other receivables	267,420	10	-	267,430	
Accounts receivable - speed camera fines	228,647	-	-	228,647	
Accounts receivable - income taxes	732,209	-	-	732,209	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.
Due from other governments	167,543	150,000	-	317,543	(13,986,949)
Due from other funds	597,500	-	-	597,500	
Inventory	239,176	-	-	239,176	
<b>TOTAL ASSETS</b>	<b>\$ 17,239,473</b>	<b>\$ 1,807,070</b>	<b>\$ -</b>	<b>\$ 19,046,543</b>	Deferred income tax revenues are recorded on the modified accrual basis in the fund financial statements.
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 1,672,875	\$ -	\$ -	\$ 1,672,875	
Accrued interest	5,343	-	-	5,343	
Deposits	1,968,239	-	-	1,968,239	Certain receivables are offset by deferred revenue in the governmental funds since they are not available to pay for current period expenditures. This is the amount of deferred revenue related to those receivables.
Due to other funds	-	549,646	-	549,646	1,705,720
Deferred revenue	2,129,439	-	-	2,129,439	
Deferred revenue - income taxes	732,209	-	-	732,209	
<b>TOTAL LIABILITIES</b>	<b>6,508,105</b>	<b>549,646</b>	<b>-</b>	<b>7,057,751</b>	<i>Net Assets of Governmental Activities</i>
<b>FUND BALANCES</b>					
Nonspendable	988,614	-	-	988,614	
Restricted	886,751	-	-	886,751	
Committed	1,562,251	1,257,424	-	2,819,675	
Assigned	289,699	-	-	289,699	
Unassigned	7,004,053	-	-	7,004,053	
<b>TOTAL FUND BALANCES</b>	<b>10,731,368</b>	<b>1,257,424</b>	<b>-</b>	<b>11,988,792</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 17,239,473</b>	<b>\$ 1,807,070</b>	<b>\$ -</b>	<b>\$ 19,046,543</b>	

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

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

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

	General Fund	Capital Projects Fund	Non-Major Fund Special Taxing District	Total Governmental Funds	
<b>REVENUES</b>					
Taxes	\$ 22,441,201	\$ -	\$ 101,831	\$ 22,543,032	
Intergovernmental	3,773,456	262,273	-	4,035,729	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.
Licenses and permits	678,454	-	-	678,454	This is the amount of principal debt repayment.
Charges for services	763,137	-	-	763,137	4,242,522
Fines and forfeitures	2,547,644	-	-	2,547,644	
Miscellaneous	336,637	122,061	-	458,698	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.
<b>Total Revenues</b>	<b>30,540,529</b>	<b>384,334</b>	<b>101,831</b>	<b>31,026,694</b>	This is the amount of the proceeds from new debt.
<b>EXPENDITURES</b>					
Current Operations					
General government	5,068,259	-	-	5,068,259	Governmental funds report capital outlays as expenditures.
Public safety	9,063,345	-	-	9,063,345	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.
Parks and recreation	1,674,474	-	-	1,674,474	139,169
Public works	3,581,596	-	-	3,581,596	
Miscellaneous	3,677,910	623,399	50,000	4,351,309	
Capital projects	-	1,954,464	-	1,954,464	
Debt Service					
Principal	4,242,522	-	-	4,242,522	Increases in deferred state income taxes do not provide current financial resources and are not reported as revenues in the governmental funds.
Interest	568,258	-	-	568,258	193,446
<b>Total Expenditures</b>	<b>27,876,364</b>	<b>2,577,863</b>	<b>50,000</b>	<b>30,504,227</b>	Difference in accounting for compensated absences between modified accrual and accrual accounting.
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<b>2,664,165</b>	<b>(2,193,529)</b>	<b>51,831</b>	<b>522,467</b>	53,178
<b>Other financing sources (uses)</b>					
Loan proceeds	500,000	300,000	-	800,000	Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability. This is the difference in revenue recorded under modified accrual and accrual basis per the Statement of Activities.
Operating transfers in (out)	(1,264,281)	1,316,112	(51,831)	-	557,639
<b>Total other financing sources (uses)</b>	<b>(764,281)</b>	<b>1,616,112</b>	<b>(51,831)</b>	<b>800,000</b>	Loss on disposal of fixed asset
<b>Excess of revenue and other financing sources over (under) expenditures and other financing sources (uses)</b>	<b>1,899,884</b>	<b>(577,417)</b>	<b>-</b>	<b>1,322,467</b>	OPEB contributions are long-term liabilities and the related expense is not reported in the funds.
<b>Fund balance, beginning of year</b>	<b>8,831,484</b>	<b>1,834,841</b>	<b>-</b>	<b>10,666,325</b>	<i>Change in Net Assets of Governmental Activities</i>
<b>Fund balance, end of year</b>	<b>\$ 10,731,368</b>	<b>\$ 1,257,424</b>	<b>\$ -</b>	<b>\$ 11,988,792</b>	<b>\$ 5,262,303</b>

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

**CITY OF LAUREL, MARYLAND  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND - PENSION TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

**ASSETS**

Cash and cash equivalents	\$ 70,560
Investments, at fair value	22,083,536
Other assets	2,353
<b>TOTAL ASSETS</b>	<b><u>\$ 22,156,449</u></b>

**LIABILITIES**

Accounts payable	\$ 212
Due to general fund	47,854
<b>Total liabilities</b>	<b><u>48,066</u></b>

**NET ASSETS**

Held in trust for pension benefits	<u>22,108,383</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 22,156,449</u></b>
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The accompanying notes to these financial statements are an integral part of these statements.

**CITY OF LAUREL, MARYLAND  
STATEMENT OF CHANGES IN NET ASSETS  
AGENCY FUND - PENSION TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

**ADDITIONS**

Contributions	
Employer	\$ 1,453,849
Plan member	689,389
Total contributions	2,143,238
Investment Income	
Interest income	891
Dividends	395,378
Net change in fair value of investments	3,506,681
Net investment income (loss)	3,902,950
Total additions	6,046,188

**DEDUCTIONS**

Distributions	1,440,582
Administrative expenses	70,467
	1,511,049
<b>Net increase</b>	4,535,139
<b>Net assets held in trust for pension benefits, beginning of year</b>	17,573,244
<b>Net assets held in trust for pension benefits, end of year</b>	\$ 22,108,383

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

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

**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, 2011**

**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 Special Revenue Fund accounts for financial resources of a special taxing district.

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, 2011**

**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, 2011**

**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, 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.

The City has a nonmajor Special Revenue Fund to account for a special taxing district. These funds are to be used to ensure continued bus services in the District and for infrastructure operations and maintenance in the District.

**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, 2011**

**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 51:

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 20.

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, 2011**

**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**

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

**Receivables**

Receivables at June 30, 2011 consist of real estate taxes, personal property taxes, highway user revenue, 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, 2011**

**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. In accordance with GASB No. 51, intangible assets are recognized if they are identifiable, and are amortized over their useful lives if they do not have indefinite useful lives.

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.

**Deferred Income Tax Revenue**

At June 30, 2011, the City was advised by the State of Maryland that \$732,209 of the Local Tax Reserve Fund was allocable to the City. In accordance with the provision of GASB No. 33, the City recorded receivable and deferred income tax revenue in the amount of \$732,209 in the fund financial statements. Changes in this amount have been reflected as current year income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

**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.

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

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

**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.

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.

**Net Assets**

The government-wide statement of net assets reports \$886,751 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.

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

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

**Equity Classifications**

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

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

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

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

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

**Governmental Fund Balances**

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

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

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

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

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

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

**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 2011. 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 20 for a reconciliation to a GAAP basis.

**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.

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

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

**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 \$2,068,479 and the bank balances totaled \$2,199,718. 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, 2011:

Escrow deposits	\$ 1,968,239
	<u>\$ 1,968,239</u>

**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).

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

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

**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.

**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, 2011**

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

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

<u>Types of Investments</u>	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings
MLGIP	\$ 2,956,351	\$ 2,956,351	AAAm
Repurchase agreements	6,766,141	6,766,141	N/A
Money market funds	1,599,793	1,599,793	AAAm
Certificates of Deposit:			
Fleet Reserve	554,347	554,347	N/A
Street Maintenance Reserve	1,007,904	1,007,904	N/A
	<u>\$ 12,884,536</u>	<u>\$ 12,884,536</u>	
Agency Fund -			
Repurchase agreements	1,349,853	1,349,853	N/A
Mutual funds	20,733,683	20,733,683	N/A
	<u>\$ 22,083,536</u>	<u>\$ 22,083,536</u>	

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

A reconciliation of cash and cash equivalents per the Statement of Net Assets totaling \$14,958,315 (\$12,990,076 unrestricted and \$1,968,239 restricted) to investments, deposits and petty cash follows.

Investments	\$ 12,884,536
Deposits	2,068,479
Petty cash	5,300
	<u>\$ 14,958,315</u>

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

**NOTE 4 – TAXES RECEIVABLE**

Taxes receivable are comprised of the following as of June 30, 2011.

Personal property	\$	152,458
Real estate		803,827
		956,285
	\$	956,285

**NOTE 5 – NOTES RECEIVABLE**

The City has made advances to the volunteer fire department and volunteer rescue squad for purchases of equipment owned and used by the volunteer fire department and volunteer rescue squad. These advances are evidenced by signed note agreements. Detail of notes receivable at June 30, 2011 are as follows:

Entity	Interest rate at June 30, 2011	Maturity date	Repayment term	Amount due
Vol. Fire Dept.	4.21%	February, 2018	Monthly	\$ 249,438
Vol. Rescue Squad	2.65%	June, 2016	Monthly	500,000
				\$ 749,438

**NOTE 6 – OTHER ACCOUNTS RECEIVABLE**

Other accounts receivable are comprised of the following as of June 30, 2011.

Cable franchise fee	\$	132,100
Grass cutting receivable		24,077
Refuse - residential		15,596
Parks & recreation receivable		14,428
Various		81,229
	\$	267,430

**NOTE 7 – LEASE AGREEMENT**

On January 26, 2010 the City entered into a lease agreement to rent a piece of property. Monthly payments are due to the City in the amount of \$1,650 beginning February 1, 2010 and ending January 31, 2012. Rental income for the year ended June 30, 2011 was \$9,750.

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

**NOTE 7 – LEASE AGREEMENT – continued**

Future minimum rental income is as follows:

Year ended June 30	
2012	\$ 11,550
	<u>\$ 11,550</u>

**NOTE 8 – DEFERRED/UNEARNED REVENUES**

Government funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds all defer revenue recognition in connection with resources that have been received but not earned.

At the end of the current fiscal year, the deferred revenues and unearned revenues reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Income taxes, General Fund	\$ 732,209	\$ -	\$ 732,209
Property taxes, General Fund	956,282	-	956,282
Loan receivable, General Fund	749,438	-	749,438
Impact fees, General Fund	-	364,216	364,216
Other unearned revenues	-	59,503	59,503
	<u>\$ 2,437,929</u>	<u>\$ 423,719</u>	<u>\$ 2,861,648</u>

**NOTE 9 – INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES**

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

Fund	Interfund receivables	Interfund payables
General fund	\$ 597,500	\$ -
Capital projects fund	-	549,646
Pension trust fund	-	47,854
	<u>\$ 597,500</u>	<u>\$ 597,500</u>

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

**NOTE 9 – INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES - continued**

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 10 – 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 \$.71 in 2011.

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, 2011, were 100% of the levy.

The City's real property rate for the special taxing district was \$.03 per \$100 assessed value in 2011.

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 2011. Personal property tax revenue is recognized when received.

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

**NOTE 11 – CAPITAL ASSETS AND DEPRECIATION**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 6,607,876	\$ 71,170	\$ 14,490	\$ 6,664,556
Construction in progress	365,463	783,314	-	1,148,777
Subtotal	<u>6,973,339</u>	<u>854,484</u>	<u>14,490</u>	<u>7,813,333</u>
Depreciable capital assets:				
Infrastructure	20,639,025	329,497	235,001	20,733,521
Land improvements	3,115,902	121,642	-	3,237,544
Buildings and improvements	21,087,125	43,484	-	21,130,609
Machinery, tools and equipment	9,924,829	727,294	224,616	10,427,507
Subtotal	<u>54,766,881</u>	<u>1,221,917</u>	<u>459,617</u>	<u>55,529,181</u>
Total capital assets	<u>61,740,220</u>	<u>2,076,401</u>	<u>474,107</u>	<u>63,342,514</u>
Accumulated depreciation:				
Infrastructure	13,109,077	307,797	212,373	13,204,501
Land improvements	1,229,507	134,260	-	1,363,767
Buildings and improvements	6,245,156	576,652	-	6,821,808
Machinery, tools and equipment	6,384,294	918,523	224,616	7,078,201
Subtotal, accumulated depreciation	<u>26,968,034</u>	<u>1,937,232</u>	<u>436,989</u>	<u>28,468,277</u>
Net capital assets	<u>\$ 34,772,186</u>	<u>\$ 139,169</u>	<u>\$ 37,118</u>	<u>\$ 34,874,237</u>

Depreciation was charged to functions as follows:

General government	\$ 211,267
Public safety	715,946
Parks and recreation	321,473
Public works	688,546
	<u>\$ 1,937,232</u>

The City has construction commitments of approximately \$660,000 as of June 30, 2011.

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

**NOTE 12 – LONG-TERM DEBT**

General obligation bonds consist of the following at June 30, 2011:

\$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, 2011 was \$98,005. In January 2011, the Bond was called and the remaining balance of \$2,990,000 was paid in full. The balance due on June 30, 2011 was \$0.

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, 2008 and thereafter	100.00%

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

**NOTE 12 – LONG-TERM DEBT – continued**

\$8,406,000 - Public improvement bonds, 2007 Series B; due in annual installments of \$599,561 to \$759,105 through May 1, 2022; interest varies from 1.88% to 2.07%. The semiannual interest payments are offset by interest on the undrawn proceeds held in an escrow account by and in the name of the CDA. Interest paid on the bond for the year ended June 30, 2011 was \$284,447 less interest income of \$812. The outstanding principal balance and balance of undrawn proceeds on June 30, 2011 were \$5,351,174 and \$1,261,727 respectively.

Notes payable consists of the following at June 30, 2011:

Note payable to PNC Bank on behalf of the Laurel Volunteer Fire Department in the amount of \$350,000 for the purchase of a new fire truck. The note is payable to the Bank in monthly principal and interest payments of \$3,589 through February 12, 2018, with interest at 4.21%. Total interest paid on the note payable was \$11,385. As of June 30, 2011 the outstanding principal balance is \$249,438.

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% through May 2019. 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, 2011, the outstanding principal balance on the note is \$2,098,800. Interest expense of \$95,246 was incurred and paid as of June 30, 2011.

Note payable to PNC Bank in the amount of \$1,747,267 to finance the purchase of a building to be used by the Laurel Police Department. The note is payable in monthly installments of \$16,291 until December 2021 with interest at 2.24%. As of June 30, 2011, the outstanding principal balance on the note is \$1,668,954. Interest paid on the note for the year ended June 30, 2011 was \$53,741.

Note payable to PNC Bank in the amount of \$1,396,518 to finance the purchase of a building to be used by the Laurel Parks and Recreation Department. In December 2010 the City took out an additional principal advance of \$300,000. The note is payable in monthly installments of \$15,454 until December 2021 with interest at 2.24%. As of June 30, 2011, the outstanding principal balance on the note is \$1,622,191. Interest paid on the note for the year ended June 30, 2011 was \$40,696.

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

**NOTE 12 – LONG-TERM DEBT - continued**

Note payable to PNC Bank on behalf of the Laurel Volunteer Rescue Squad in the amount of \$500,000 for the purchase of a new rescue truck. The note is payable to the Bank in monthly principal and interest payments of \$8,916 through June 14, 2016, with interest at 2.65%. As of June 30, 2011 the outstanding principal balance is \$500,000. Interest paid on the note for the year ended June 30, 2011 was \$0.

The changes in governmental long-term debt for the year ended June 30, 2011 are summarized below.

	Beginning Balance	Additions	Retirements	Ending Balance	Amount due in one year
General					
obligation bonds	\$ 2,990,000	\$ -	\$ (2,990,000)	\$ -	\$ -
Bank loans	3,721,006	800,000	(480,422)	4,040,584	476,839
CDA loans	8,222,073	-	(772,100)	7,449,973	799,900
Total	<u>\$ 14,933,079</u>	<u>\$ 800,000</u>	<u>\$ (4,242,522)</u>	<u>\$ 11,490,557</u>	<u>\$ 1,276,739</u>
Compensated absences	<u>\$ 1,009,570</u>	<u>\$ -</u>	<u>\$ (53,178)</u>	<u>\$ 956,392</u>	<u>\$ -</u>
OPEB liability	<u>\$ 1,131,000</u>	<u>\$ 409,000</u>	<u>\$ -</u>	<u>\$ 1,540,000</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, 2011. Estimated interest payments were based on rates in effect at June 30, 2011 and do not include the effect of interest earned on undrawn proceeds of the note payable, if any.

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

**NOTE 12 – LONG-TERM DEBT – continued**

<u>Year ended June 30,</u>	<u>Bank Loans</u>		<u>CDA Loans (A)</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 476,839	\$ 93,182	\$ 799,900	\$ 335,929
2013	449,199	81,801	829,100	307,932
2014	460,633	70,369	861,400	249,857
2015	472,370	58,632	759,500	246,306
2016	484,299	46,703	789,900	218,676
2017-2021	1,697,244	88,805	3,944,200	603,937
2022-2026	-	-	727,700	30,018
<b>Total</b>	<b>\$ 4,040,584</b>	<b>\$ 439,492</b>	<b>\$ 8,711,700</b>	<b>\$ 1,992,655</b>

<u>Year ended June 30,</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,276,739	\$ 429,111
2013	1,278,299	389,733
2014	1,322,033	320,226
2015	1,231,870	304,938
2016	1,274,199	265,379
2017-2021	5,641,444	692,742
2022-2026	727,700	30,018
<b>Total</b>	<b>\$ 12,752,284</b>	<b>\$ 2,432,147</b>

(A) This payout schedule assumes the remaining \$1,261,727 of undrawn proceeds are drawn down.

**NOTE 13 – 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.

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

**NOTE 14 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and 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 2011, the City paid premiums of \$182,199 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 15 – 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.

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.

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

**NOTE 15 – DEFERRED COMPENSATION PLAN - continued**

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 16 – 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, 2007, 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 employee's normal retirement allowance consists of 1.67% of final average compensation multiplied by credited service not greater than 30 years. Police employee's 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 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.

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

**NOTE 16 – PENSION PLAN - continued**

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 was to end December 31, 2009, but was extended in 2009 to December 31, 2014.

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 \$1,401,849, \$1,155,535, and \$1,037,594, for the fiscal years ended June 30, 2011, 2010, and 2009. The City has made all annual required contributions. The contributions made to the Plans for fiscal year 2011 were made in accordance with the actuarial valuation for the plan year ending June 30, 2010. The contributions consisted of amounts contributed by the employees of \$689,389 and amounts contributed by the City of \$1,453,849.

The plans invest in mutual funds.

The number of employees covered and current membership classifications as of June 30, 2010 are as follows:

Active participants	171
Terminated vested participants	11
Retirees and beneficiaries	66
Total participants	248

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.

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

**NOTE 16 – PENSION PLAN – continued**

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

Years of Service	Percentage Retiring
20	20.00%
21	12.50%
22	28.50%
23	40.00%
24	33.30%
25	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. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the accrued actuarial liability.

Actuarial valuation date:	July 1, 2010
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar
Remaining amortization period:	25 years - Police Plan 30 years - 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	0.00%
Inflation rate	3.5% compounded annually
Contribution rates:	
Police	8.8%
Employees	4.5%
Mortality: healthy lives (employees)	RP-2000 Combined Mortality Table of Males and Females
Mortality: disabled lives (employees)	Healthy life mortality set forward 10 years
Mortality: healthy lives (police)	RP-2000 Blue Collar Mortality Table of Males and Females
Mortality: disabled lives (police)	Healthy life mortality set forward 10 years

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

**NOTE 16 – PENSION PLAN – continued**

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 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 required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**PENSION TRUST FUND - ANALYSIS OF FUNDING**

Actuarial Valuation Date July 1, 2010	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						
2010	\$ 9,075,505	\$ 13,806,971	\$ 4,731,466	65.73%	\$ 4,807,650	98.42%
Police Plan						
2010	9,998,262	18,248,947	8,250,685	54.79%	3,004,929	274.57%

Refer to Required Supplementary Information on page 48 for additional information regarding these plans. There are no separately issued financial statements for these plans.

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

**NOTE 17 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

*Plan Description*

The City pays up to \$300 per month for life for each retiree’s health insurance. The retiree may use this money to obtain health insurance coverage from other carriers, or use the City’s insurance provider. The City reimburses the costs for coverage for the retiree only, not dependents, for \$300 of premiums per month.

*Funding Policy*

The City has not established an OPEB trust as of June 30, 2011 and has not made a contribution for the year ended June 30, 2011. The City will pay benefits on a pay-as-you-go basis.

*Annual OPEB Cost and Net OPEB Obligation*

The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City’s annual OPEB cost, the amount actually contributed to the Plan and the City’s net OPEB obligation as of June 30, 2011.

Annual required contribution (ARC)	\$ 540,000
Less: Contributions made	(131,000)
Less: NOO Amortization	(45,000)
Plus: Interest on NOO	<u>45,000</u>
Increase in net OPEB obligation (NOO)	409,000
Net OPEB obligation - beginning of year	1,131,000
Net OPEB obligation - end of year	<u>\$ 1,540,000</u>
Percentage of annual OPEB cost contributed	24.26%

*Funded Status*

As of July 1, 2010, there was not an OPEB trust. The actuarial accrued liability for benefits was \$5,229,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,229,000. The ratio of the actuarial value of assets to the actuarial accrued liability was 0%. The covered payroll (annual payroll of active employees covered under the Plan) was \$10,145,089 and the ratio of the UAAL to the covered payroll was 51.54%.

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

**NOTE 17 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) - continued**

*Actuarial Methods and Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of July 1, 2010.

Actuarial cost method	Projected unit credit
Asset valuation method	Market value of assets
Rate of return on investments	4.00%
Aggregate salary growth	3.50%
Healthcare cost trend rate	Medical and prescription: 9.00% for FY 2011 trending down to 4.60%
Amortization method	Level percentage of projected payroll
Amortization period	30 years
Status of period	Closed

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

**NOTE 18 – 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 attorney and the insurance carrier are defending these matters.

**NOTE 19 – RISKS AND UNCERTAINTIES**

The Plans invest in various investment securities. Investment securities are exposed to various risks such as interest risk, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

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

**NOTE 20 – 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	\$ -
Increase (decrease) due to:	
Expenditures of amounts encumbered during prior year	(633,495)
Reserved encumbrances (GAAP basis) at June 30, 2011, but recognized as expenditures for budgetary purposes	<u>289,699</u>
Excess of revenue over expenditures and other financing sources (uses) - GAAP	<u><u>\$ (343,796)</u></u>

**NOTE 21 – FUND BALANCE REPORTING**

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

**Non-Spendable Fund Balance**

The non-spendable fund balance in the general fund is made up of \$239,176 of inventory and \$749,438 of notes receivable that are not in spendable form.

**Restricted Fund Balance**

The restricted fund balance in the general fund is comprised of \$886,751 in speed camera funds.

**Committed Fund Balance**

The committed fund balance in the general fund is made up of \$554,347 for fleet equipment and \$1,007,904 for street maintenance. The committed fund balance in the capital projects fund is \$1,257,424 for future capital projects.

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

**NOTE 21 – FUND BALANCE REPORTING – continued**

**Assigned Fund Balance**

The assigned fund balance in the general fund is made up of \$289,699 for encumbrances outstanding.

**Unassigned Fund Balance**

The unassigned fund balance in the general fund is \$7,004,053.

**NOTE 22 – NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued the following statements:

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

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

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

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

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

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

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

**CITY OF LAUREL, MARYLAND  
PENSION TRUST FUND - ANALYSIS OF FUNDING  
PROGRESS AND EMPLOYER CONTRIBUTIONS -  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date July 1, 2010	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
<b>Employees Plan</b>						
2010	\$ 9,075,505	\$ 13,806,971	\$ 4,731,466	65.73%	\$ 4,807,650	98.42%
2009	8,658,749	12,639,873	3,981,124	68.50%	4,618,146	86.21%
2008	8,756,381	11,340,351	2,583,970	77.21%	4,016,384	64.34%
2007	8,371,476	10,541,991	2,170,515	79.41%	3,628,886	59.81%
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%
<b>Police Plan</b>						
2010	9,998,262	18,248,947	8,250,685	54.79%	3,004,929	274.57%
2009	9,483,321	17,018,090	7,534,769	55.72%	2,788,432	270.22%
2008	9,551,099	15,721,489	6,170,390	60.75%	2,468,075	250.01%
2007	8,804,646	15,022,820	6,218,174	58.61%	2,237,874	277.86%
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%

The following schedule gives information on employer required contributions.

Years ended June 30,	Annual required contribution (ARC)	Percentage of ARC contributed
2011	\$ 1,401,849	103.71%
2010	1,155,535	100.00%
2009	1,037,594	104.89%
2008	980,853	116.98%
2007	922,940	123.84%
2006	837,239	114.46%

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

**CITY OF LAUREL, MARYLAND  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date July 1,	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
2010	\$ -	\$ 5,229,000	\$ 5,229,000	0.00%	\$ 10,145,089	51.54%
2009	-	6,502,000	6,502,000	0.00%	10,053,543	64.67%
2008	-	6,119,000	6,119,000	0.00%	9,178,525	66.67%

Information for prior years not available.

**CITY OF LAUREL, MARYLAND  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

Year Ended June 30,	Annual Required Contribution (ARC)	Actual Contribution <sup>1</sup>	Percentage Contributed	
			Employer Contribution	Total
2011	\$ 540,000	\$ 131,000	24.26%	24.26%
2010	584,000	-	0.00%	0.00%
2009	546,000	-	0.00%	0.00%

<sup>1</sup> Sum of estimated retiree medical payments plus scheduled trust contributions.

Information for prior years not available.

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

	<b>General Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>				
Taxes	\$ 22,345,802	\$ 22,345,802	\$ 22,441,201	\$ 95,399
Intergovernmental	3,089,670	3,416,912	3,773,456	356,544
Licenses and permits	496,510	496,510	678,454	181,944
Charges for services	697,950	724,841	763,137	38,296
Fines and forfeitures	664,919	2,186,263	2,547,644	361,381
Miscellaneous	179,941	1,842,987	293,574	(1,549,413)
Loan repayments	43,064	543,064	543,063	(1)
<b>Total Revenues</b>	<b>\$ 27,517,856</b>	<b>\$ 31,556,379</b>	<b>\$ 31,040,529</b>	<b>\$ (515,850)</b>
<b>Expenditures</b>				
General government	\$ 5,761,551	\$ 5,439,122	\$ 5,068,259	\$ 370,863
Public safety	7,907,675	10,078,601	9,063,345	1,015,256
Parks and recreation	1,703,374	1,725,747	1,674,474	51,273
Public works	4,149,172	4,149,172	3,581,596	567,576
Miscellaneous	4,634,489	5,443,273	3,677,910	1,765,363
Debt service	3,361,595	4,720,464	4,810,780	(90,316)
<b>Total Expenditures</b>	<b>\$ 27,517,856</b>	<b>\$ 31,556,379</b>	<b>\$ 27,876,364</b>	<b>\$ 3,680,015</b>

## **SUPPLEMENTAL SCHEDULES**

**CITY OF LAUREL, MARYLAND**  
**SCHEDULE OF REVENUES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES</b>				
<b>Taxes</b>				
Real and personal property	\$ 22,130,802	\$ 22,130,802	\$ 22,195,588	\$ 64,786
Local - admissions	150,000	150,000	166,407	16,407
Penalties and interest	65,000	65,000	79,206	14,206
<b>Total Taxes</b>	<u>22,345,802</u>	<u>22,345,802</u>	<u>22,441,201</u>	<u>95,399</u>
<b>Intergovernmental</b>				
State and Federal Grants				
Other federal and state grants	249,329	266,886	319,424	52,538
FEMA Grant	-	105,727	105,727	-
Police protection	337,115	349,115	345,801	(3,314)
Police aid supplement	68,692	68,692	72,308	3,616
Total state and federal grants	<u>655,136</u>	<u>790,420</u>	<u>843,260</u>	<u>52,840</u>
State Shared Taxes				
Local income tax	2,000,000	2,000,000	2,559,202	559,202
Race track impact fees	50,000	50,000	2,883	(47,117)
Developer impact fees	-	191,958	4,100	(187,858)
Highway user	33,267	33,267	64,249	30,982
Hotel/motel taxes	200,000	200,000	125,119	(74,881)
Total state shared taxes	<u>2,283,267</u>	<u>2,475,225</u>	<u>2,755,553</u>	<u>280,328</u>
County Grants				
Financial corporations	6,362	6,362	6,362	-
M-NCPPC grants	111,305	111,305	147,151	35,846
Highway safety grant	18,600	18,600	10,952	(7,648)
Other grants	15,000	15,000	10,178	(4,822)
Total county grants	<u>151,267</u>	<u>151,267</u>	<u>174,643</u>	<u>23,376</u>
<b>Total Intergovernmental</b>	<u>3,089,670</u>	<u>3,416,912</u>	<u>3,773,456</u>	<u>356,544</u>

**CITY OF LAUREL, MARYLAND**  
**SCHEDULE OF REVENUES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Licenses and permits</b>				
Liquor	\$ 8,000	\$ 8,000	\$ 14,551	\$ 6,551
Amusement permits	3,500	3,500	12,178	8,678
Building permits	56,750	56,750	64,555	7,805
Cable TV	270,000	270,000	328,845	58,845
Traders licenses	50,000	50,000	51,616	1,616
Rental licenses	45,000	45,000	73,430	28,430
Other permits and licenses	63,260	63,260	133,279	70,019
<b>Total licenses and permits</b>	<u>496,510</u>	<u>496,510</u>	<u>678,454</u>	<u>181,944</u>
<b>Charges for services</b>				
Passport execution fees	50,000	50,000	48,138	(1,862)
Zoning fees	30,000	30,000	60,155	30,155
Refuse collection	106,000	106,000	109,660	3,660
Recreation fees	442,600	469,491	440,095	(29,396)
Facility rentals	46,600	46,600	58,621	12,021
Other	22,750	22,750	46,468	23,718
<b>Total charges for services</b>	<u>697,950</u>	<u>724,841</u>	<u>763,137</u>	<u>38,296</u>
<b>Fines and forfeitures</b>				
Red light camera tickets	540,038	540,038	812,135	272,097
Speed camera citations	-	1,521,344	1,553,081	31,737
Parking tickets	72,000	72,000	86,594	14,594
False alarm fines	22,881	22,881	29,260	6,379
Release fee - impound	30,000	30,000	38,454	8,454
Other	-	-	28,120	28,120
<b>Total fines and forfeitures</b>	<u>664,919</u>	<u>2,186,263</u>	<u>2,547,644</u>	<u>361,381</u>

**CITY OF LAUREL, MARYLAND**  
**SCHEDULE OF REVENUES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
<b>Miscellaneous</b>				
Interest on investments	\$ 25,300	\$ 25,300	\$ 28,877	\$ 3,577
Disposal rebate	60,856	60,856	60,856	-
Other	93,785	1,756,831	203,841	(1,552,990)
<b>Total miscellaneous</b>	<u>179,941</u>	<u>1,842,987</u>	<u>293,574</u>	<u>(1,549,413)</u>
<b>Loan repayments</b>				
Fire department repayments	43,064	43,064	43,063	(1)
Rescue squad repayments	-	500,000	500,000	-
<b>Total loan repayments</b>	<u>43,064</u>	<u>543,064</u>	<u>543,063</u>	<u>(1)</u>
<b>Total Revenue</b>	<u>\$ 27,517,856</u>	<u>\$ 31,556,379</u>	<u>\$ 31,040,529</u>	<u>\$ (515,850)</u>

**CITY OF LAUREL, MARYLAND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>General Government</b>				
City council	\$ 99,955	\$ 99,955	\$ 81,797	\$ 18,158
Clerk to the council	187,487	187,487	191,927	(4,440)
Mayor	552,700	552,700	451,588	101,112
City administrator	816,509	541,509	530,302	11,207
Registration and elections	11,650	11,650	4,514	7,136
Budget and personnel services	716,639	716,639	677,705	38,934
Planning and zoning	1,003,344	953,344	898,349	54,995
Information technology and community services	1,159,800	1,159,800	1,059,326	100,474
Municipal center maintenance	529,464	537,427	537,427	-
Other facilities maintenance	599,408	572,290	556,201	16,089
Community promotion	84,595	106,321	79,123	27,198
<b>Total general government</b>	<u>5,761,551</u>	<u>5,439,122</u>	<u>5,068,259</u>	<u>370,863</u>
<b>Public Safety</b>				
Police department	7,255,178	8,991,399	8,044,609	946,790
Emergency services management	485,649	915,649	864,629	51,020
Police department facility	166,848	171,553	154,107	17,446
<b>Total public safety</b>	<u>7,907,675</u>	<u>10,078,601</u>	<u>9,063,345</u>	<u>1,015,256</u>
<b>Parks and recreation</b>				
Greenview drive complex	40,450	40,450	34,533	5,917
Parks and recreation administration	615,239	615,239	600,327	14,912
Recreation	281,458	301,631	292,790	8,841
Laurel municipal pool	160,888	160,561	149,241	11,320
Laurel community center programs	255,192	254,019	253,311	708
Greenview drive programs	40,273	40,273	33,727	6,546
Armory programs	143,208	142,908	142,455	453
Gude lakehouse programs	15,285	15,285	13,526	1,759
Senior services programs	151,381	155,381	154,564	817
<b>Total parks and recreation</b>	<u>1,703,374</u>	<u>1,725,747</u>	<u>1,674,474</u>	<u>51,273</u>

**CITY OF LAUREL, MARYLAND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Public Works</b>				
Public works administration	\$ 364,803	\$ 364,803	\$ 362,583	\$ 2,220
Automotive maintenance	855,880	855,880	732,639	123,241
Waste collection and disposal	1,285,205	1,287,205	1,008,382	278,823
Recycling	200,152	200,152	195,389	4,763
Highways and streets	505,624	503,624	457,274	46,350
Snow and ice removal	92,305	92,305	86,208	6,097
Street lighting	352,000	352,000	276,409	75,591
Engineering and technical services	195,853	195,853	193,653	2,200
Traffic engineering	175,845	175,845	155,411	20,434
Tree management	121,505	121,505	113,648	7,857
<b>Total public works</b>	<u>4,149,172</u>	<u>4,149,172</u>	<u>3,581,596</u>	<u>567,576</u>
<b>Miscellaneous</b>				
Retirement pension	1,421,849	1,421,849	1,457,162	(35,313)
Employee training	77,128	77,128	36,481	40,647
Employee tuition	-	-	-	-
Insurance	2,392,512	2,392,512	2,184,883	207,629
Other	743,000	1,551,784	(616)	1,552,400
<b>Total miscellaneous</b>	<u>4,634,489</u>	<u>5,443,273</u>	<u>3,677,910</u>	<u>1,765,363</u>
<b>Debt Service</b>				
Principal	2,736,244	4,056,863	4,242,522	(185,659)
Interest	625,351	663,601	568,258	95,343
<b>Total debt service</b>	<u>3,361,595</u>	<u>4,720,464</u>	<u>4,810,780</u>	<u>(90,316)</u>
<b>Total Expenditures</b>	<u>\$ 27,517,856</u>	<u>\$ 31,556,379</u>	<u>\$ 27,876,364</u>	<u>\$ 3,680,015</u>