

**TOWN OF BLADENSBURG, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2014**

TOWN OF BLADENSBURG, MARYLAND
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Independent Auditor's Report

The Honorable Mayor and Members of the Town Council
Town of Bladensburg, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Bladensburg, Maryland (the "Town"), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Bladensburg as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 4 through 9 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bladensburg, Maryland's financial statements as a whole. The supplemental schedules on pages 35 through 38 are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2014, on our consideration of the Town of Bladensburg, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Hindry Associates, LLC

October 6, 2014

**TOWN OF BLADENSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Our discussion and analysis of the Town of Bladensburg's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2014. Please read it in conjunction with the Town's financial statements.

Financial Highlights

- The Town was awarded a grant from the Maryland Department of Natural Resources for \$121,000. This grant was used to replace Town Hall's playground.
- The Town invested in a new employee performance evaluation system.
- The Town received \$107,914 in highway user revenue from the MD State Highway Administration.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities are government-wide statements that provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds and individual parts.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report changes in the Town's net position. You can think of the Town's *net* position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) as one way to measure the Town's financial health or position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads to assess the overall health of the Town.

**TOWN OF BLADENSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities – The Town's basic services are reported here, including general administration, public works, streets, recreation, public safety and community promotion. Taxes, franchise fees, fines, and state and federal grants finance these activities.
- Business-type activities – The Town currently has no business activities.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Currently, the Town only has governmental funds.

- Government funds – The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation to the right of the fund financial statements.

**TOWN OF BLADENSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The Town as a Whole

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General Government	Building Permit Fees, Penalties
Public Works	Highway User Revenues, County Overlapping Grants, State Sidewalk Grants

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted to a specific purpose.

**TOWN OF BLADENSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Governmental-Wide Financial Information

The following is selected information as of June 30, 2014, and for the previous year, which is provided for comparison purposes.

	Governmental Activities	
	2014	2013
Current and other assets	5,397,138	5,420,048
Capital assets	1,919,081	1,920,798
Total assets	7,316,219	7,340,846
Deferred outflows	-	-
Total deferred outflows and assets	7,316,219	7,340,846
Current liabilities	487,005	417,363
Long-term liabilities	918,453	997,214
Total liabilities	1,405,458	1,414,577
Deferred inflows	-	-
Net position		
Net investment in capital assets	1,848,052	1,783,021
Restricted for ATF program	77,963	78,779
Unrestricted net position	3,984,746	4,064,469
Total net position	5,910,761	5,926,269
Total liabilities, deferred inflows and net position	7,316,219	7,340,846
Program revenues		
Charges for services	135,837	138,797
Operating grants and contributions	986,151	539,735
Capital grants and contributions	167,252	69,175
General revenues		
Property, income, highway user and taxes levied for general purposes	3,874,535	3,781,783
Miscellaneous	105,707	143,714
Investment earnings	2,946	5,876
	3,983,188	3,931,373
Total general revenues	5,272,428	4,679,080
Expenses		
General government	1,575,786	1,081,942
Public safety	2,829,323	2,840,054
Public works	882,827	890,689
Parks and recreation	-	39,609
Community promotion	-	298
Total expenses	5,287,936	4,852,592
Change in net position	(15,508)	(173,512)
Net position, beginning of year	5,926,269	6,099,781
Net position, end of year	5,910,761	5,926,269

**TOWN OF BLADENSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Business-type Activities

The Town currently has no business-type activities.

The Town's Funds

The following schedule presents a summary of general revenue and expenditures for the fiscal year ended June 30, 2014 and the amount of increases and decreases in relation to the prior year.

	FY 2014 Amount	Percent of Total	Increase (Decrease) From FY 2013
Revenues			
Property taxes	\$ 3,436,495	65%	\$ 6,381
Income taxes	458,080	9%	19,610
Other taxes	5,510	0%	918
Licenses and permits	67,832	1%	2,260
Intergovernmental	1,028,267	19%	536,989
Service charges	68,005	1%	(5,220)
Other revenues	244,654	5%	(37,858)
Total Revenues	\$ 5,308,843	100%	\$ 523,080
Expenditures			
General government	\$ 1,698,889	31%	\$ 659,959
Public safety	2,732,609	50%	(83,038)
Public works	787,341	15%	(18,553)
Community promotion	29,176	1%	(10,433)
Recreation	473	0%	175
Debt service	139,594	3%	4
Total Expenditures	\$ 5,388,082	100%	\$ 548,114

The significant increase in governmental revenue and general government expenditures over last fiscal year was due to a rise in grants and contributions.

General Fund Budgetary Highlights

The budget was passed to reflect expenditures for FY2014 and was amended five times.

**TOWN OF BLADENSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Capital Asset and Debt Administration

Capital Assets

Major capital additions for the year included vehicles, machinery and equipment, and land improvement.

Debt

During FY2014, the Town reduced its loan payable (long-term) balance by \$112,575. As of 6/30/14, the loan payable balance was \$549,368.

Economic Factors and Next Year's Budgets and Rates

It is anticipated that the 2015 budget will include no increase in the tax rate for residential and commercial property owners. The anticipated revenues for fiscal year 2015 will be more than fiscal year 2014. The 2015 budget includes capital spending for public safety vehicles and public works equipment. The 2015 budget also includes a reallocation of resources to fund senior citizen and youth projects while also continuing to provide essential public safety and public works services rendered to the public.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office, Town of Bladensburg, 4229 Edmonston Road, Bladensburg, MD 20710.

TOWN OF BLADENSBURG, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	\$ 523,764
Investments	4,295,427
Accounts receivable - taxes, net of allowance	99,050
Accounts receivable - income taxes	57,254
Amounts due from other governments	232,757
Prepaid expenses	60,056
Total Current Assets	5,268,308
Noncurrent Assets	
Note receivable	128,830
Net capital assets	1,919,081
Total Noncurrent Assets	2,047,911
TOTAL ASSETS	7,316,219
DEFERRED OUTFLOWS OF RESOURCES	
	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 7,316,219
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	\$ 173,489
Accrued salary	57,318
Amounts held in escrow	100,968
Unearned revenue	40,184
Current portion of compensated absences	-
Current portion of long-term debt	115,046
Total Current Liabilities	487,005
Noncurrent Liabilities	
Compensated absences	371,127
Loan payable - long-term	547,326
Total Noncurrent Liabilities	918,453
TOTAL LIABILITIES	1,405,458
DEFERRED INFLOWS OF RESOURCES	
	-
NET POSITION	
Net investment in capital assets	1,848,052
Restricted - ATF	77,963
Unrestricted	3,984,746
TOTAL NET POSITION	5,910,761
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 7,316,219

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

TOWN OF BLADENSBURG, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues			Indirect Expense Allocation	Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		Net (Expense) Revenue and Changes in Net Position
	Expenses	\$	30,613		\$	69,360	\$	726,881	\$	167,252	
Primary Government											
Governmental Activities:											
General government	\$ 1,545,173	\$	30,613	\$	69,360	\$	726,881	\$	167,252	\$	(612,293)
Public safety	2,829,323		-		66,477		130,092		-		(2,632,754)
Public works	882,827		-		-		129,178		-		(753,649)
Interest	30,613		(30,613)		-		-		-		-
Total Governmental Activities	5,287,936		-		135,837		986,151		167,252		(3,998,696)
Total Primary Government	\$ 5,287,936	\$	-	\$	135,837	\$	986,151	\$	167,252	\$	(3,998,696)
General revenues:											
Taxes											
Income taxes											464,303
Property taxes											3,404,722
Other taxes											5,510
Interest and investment earnings											2,946
Miscellaneous											105,707
Total General Revenues											3,983,188
Transfers in (out)											-
Change in Net Position											(15,508)
Net Position, beginning of year											5,926,269
Net Position, end of year											\$ 5,910,761

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

**TOWN OF BLADENSBURG, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

**RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 414,259	\$ 109,505	\$ 523,764
Investments	4,239,772	55,655	4,295,427
Accounts receivable - taxes, net of allowance	99,050	-	99,050
Accounts receivable - income taxes	57,254	-	57,254
Amounts due from other governments	232,757	-	232,757
Due from other funds	-	10,052	10,052
Prepaid expenses	60,056	-	60,056
TOTAL ASSETS	5,103,148	175,212	5,278,360
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,103,148	175,212	5,278,360
LIABILITIES			
Accounts payable and accrued expenses	\$ 173,489	\$ -	\$ 173,489
Accrued salary	57,318	-	57,318
Amounts held in escrow	3,719	97,249	100,968
Due to other funds	10,052	-	10,052
Unearned revenue	40,184	-	40,184
TOTAL LIABILITIES	284,762	97,249	382,011
DEFERRED INFLOWS OF RESOURCES	161,390	-	161,390
FUND BALANCES			
Nonspendable	60,056	-	60,056
Restricted - A TF	-	77,963	77,963
Committed	750,000	-	750,000
Unassigned	3,846,940	-	3,846,940
TOTAL FUND BALANCES	4,656,996	77,963	4,734,959
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	5,103,148	175,212	5,278,360

Total Governmental Fund Balances \$ 4,734,959

Note receivable is not receivable in the current period and is therefore not reported in the funds. 128,830

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds. (1,033,499)

Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds. 161,390

Capital assets used in governmental activities are not financial resources and therefore are not reported on the funds. 1,919,081

Net Position of Governmental Activities \$ 5,910,761

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

TOWN OF BLADENSBURG, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Taxes	\$ 3,900,085	\$ -	\$ 3,900,085
Intergovernmental	1,028,267	-	1,028,267
Licenses and permits	67,832	-	67,832
Franchise fees	127,508	-	127,508
Service charges	68,005	-	68,005
Other revenues	117,146	95	117,241
Total Revenues	5,308,843	95	5,308,938
Expenditures			
General government	1,698,889	-	1,698,889
Public safety	2,732,609	911	2,733,520
Public works	787,341	-	787,341
Debt service - principal	108,981	-	108,981
Debt service - interest	30,613	-	30,613
Total Expenditures	5,358,433	911	5,359,344
Excess (deficiency) of revenues over expenditures	(49,590)	(816)	(50,406)
Other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(49,590)	(816)	(50,406)
Fund balance, beginning of year	4,706,586	78,779	4,785,365
Fund balance, end of year	\$ 4,656,996	\$ 77,963	\$ 4,734,959

	Total Governmental Funds	\$	(50,406)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			6,463
Increases in deferred inflows of resources relating to state income taxes do not provide current financial resources and are not reported as revenue in the funds.			6,223
The proceeds received from note receivable principal payments is a revenue in the governmental funds, but these proceeds reduce the note receivable balance in the statement of net position.			(10,960)
Repayment of long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.			108,981
Difference between accrual and modified accrual in accounting for compensated absences.			(35,856)
Loss on disposal of fixed asset			(8,180)
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 under modified accrual and accrual basis per the Statement of Activities.			(31,773)
Change in Net Position of Governmental Activities		\$	(15,508)

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

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town of Bladensburg (the “Town”) was established in 1742 and incorporated in 1947. The Town operates under a Mayor-Council form of government. Services provided include streets, recreation, public safety, public works and community promotion.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set by the Governmental Accounting Standards Board. Component units are legally separate organizations for which the elected officials of the Town are financially accountable and a financial benefit or burden relationship exists. In addition, component units can be other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town’s financial statements to be misleading. Based upon the application of criteria set by the Governmental Accounting Standards Board, there are no separate component units of the Town.

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 Town’s funds are grouped into two broad fund categories.

The Town’s governmental funds include the General Fund and the Special Revenue Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Town 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 or within 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.

The government-wide statement of activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Town, 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 may be allocated to programs. When both restricted and unrestricted resources are available for use, it is the Town'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 and 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 Town. Net position should be reported as restricted when constraints placed on net position 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, if any, 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.

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Financial Statements

Fund financial statements report detailed information about the Town. 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.

Governmental Funds

Town activities pertaining to general government, public safety, public works, community promotion and recreation services 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. The major governmental funds are:

- General Fund – This is the Town’s primary operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund.
- Special Revenue Fund – This fund is used to account for all financial resources pertaining to the Town’s ATF program.

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, 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 inflows of resources.

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

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Cash and Cash Equivalents

The Town'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, excluding investments in the State of Maryland Local Government Investment Pool.

Investments

Investments held at June 30, 2014 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.

Accounts Receivable – Net of Allowances

Receivables at June 30, 2014 consist of property, income taxes and amounts due from other governments. The Town recognizes an allowance for doubtful accounts to ensure that personal property tax receivables are not overstated due to un-collectability. At June 30, 2014, the allowance for doubtful accounts relating to personal property tax in the general fund is \$6,274.

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Town as a whole with an acquisition cost or donated value of \$1,000 or more. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as roads, curbs and gutters, streets, sidewalks, drainage systems and lighting systems are capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. Intangible assets are recognized if they are identifiable, and amortized over their useful lives if they do not have indefinite useful lives.

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: buildings, 25 – 50 years; improvements/infrastructure, 10 – 50 years; vehicles and equipment, 3 to 20 years; furniture and equipment, 8 years, computer software 3 – 7 years.

Restricted Reserves

The Town considers restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Interest Expense

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

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred Outflows and Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Likewise, a deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

As of June 30, 2014 the balance of deferred inflows of resources in the governmental funds consisted of the following:

Real property taxes	\$ 23,342
Personal property taxes	77,349
Income taxes	57,254
Abatements	3,445
	<u>\$ 161,390</u>

Local Tax Reserve Fund

At June 30, 2014, the Town was advised by the State of Maryland that \$57,254 of the Local Tax Reserve Fund was allocable to the Town. The Town recorded receivable and deferred inflows of resources in the amount of \$57,254 in the fund financial statements. The change in this amount has been reflected as income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

Compensated Absences

The Town policies regarding vacation time permit employees to accumulate earned but unused vacation leave. Also, the Town allows the employees upon termination to be paid for 50% of their sick leave to a \$5,000 maximum. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Post-Employment Benefits

The Town provides employees with the ability to continue their health insurance benefit for a period as defined under Maryland law or Town policy.

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.

Interfund Receivables and Payables

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

Equity Classifications

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings, and reduced or increased by deferred inflows and outflows attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Consists of net position 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 and are reduced by liabilities and deferred inflows of resources related to those constraints.

Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Governmental Fund Balances

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 Town Charter, Town Code or enabling legislation.
3. Committed Fund Balance – amounts that can be used only for specific purposes determined by a formal action by Town Council, the Town’s highest level of decision-making authority, ordinance or resolution.
4. Assigned Fund Balance – amounts that are constrained by the Town’s intent that they will be used for specific purposes but are neither restricted nor committed. Pursuant to the Town Charter, the Town council are authorized to assign amounts for specific purposes.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.

The Town considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The Town 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:

The Town prepares an annual operating budget on a basis not consistent with generally accepted accounting principles. See Note 15 for a reconciliation with GAAP. The Town Council may subsequently amend the budget. The budget was amended during fiscal year 2014. For day-to-day management control, expenditures may not exceed budget by more than six percent at the account level.

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Policies

The Town is authorized to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptance, and other available bank investments. By arrangement with the banks, the Town's deposits in excess of the FDIC insured limit are collateralized at 102% by investments in U.S. Treasuries. The Town has contractual arrangements with the banks for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented. For the Town's repurchase agreements, collateralization is provided at the rate of 102% by investments in a combination of U.S. Treasuries, FNMA and FHLMC mortgage backed securities held by the bank in the Town's name.

The Town's deposits are insured by FDIC or secured by a surety bond or collateralized with securities held by the Town, its agent, or by the pledging financial institution's trust department or agent in the name of the Town.

Deposits

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

At year-end, the carrying amounts of the Town's deposits were \$523,462 and the bank balances totaled \$566,624. Of the bank balances, the entire amount was either insured by Federal Depository Insurance Corporation (FDIC), or balances exceeding FDIC limits are secured by a surety bond or collateral valued at 102 percent of principal and accrued interest. Collateral is to be held by the Town, its agent, or by the pledging institution's trust department or agent in the name of the Town. At year end, the Town's bank balances were not exposed to any custodial credit risk because all deposits were fully collateralized.

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policy of the Town permits investments in the following types of investments as authorized by the State of Maryland: direct U.S. obligations, U.S. agency obligations, repurchase agreements, banker's acceptances, municipal securities, commercial paper, money market mutual funds and the Maryland Local Government Investment Pool.

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 Town’s policy provides that investments generally be limited to those with maturities of one year or less.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town’s investment in a single issuer. The Town does not have a policy regarding concentration of credit risk.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. At June 30, 2014, all of the Town’s investments were insured or registered, invested in US Treasury securities, invested in MLGIP or were collateralized by US securities which were held by the Town’s agent in the Town’s name.

Generally, the Town’s investing activities are managed by the Treasurer with approval by the Town Council. Investing is performed in accordance with investment policies adopted by the council complying with State Statutes and the Town Charter.

Investments

At June 30, 2014, the Town had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings
MLGIP - unrestricted	\$ 3,232,674	\$ 3,232,674	AAAm
MLGIP - restricted	55,655	55,655	AAAm
Total MLGIP	3,288,329	3,288,329	
Money Market - SunTrust	1,007,098	1,007,098	N/A
	<u>\$ 4,295,427</u>	<u>\$ 4,295,427</u>	

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

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 – INTERFUND BALANCES

As of June 30, 2014, the amounts due to/from other funds are as follows:

Receivable Fund	Payable Fund	Amount
General fund	ATF fund	\$ (10,052)
ATF fund	General fund	10,052
		\$ -

NOTE 5 – RECEIVABLES

Accounts receivable are comprised of the following as of June 30, 2014:

Income taxes	\$ 57,254
Property taxes	99,050
Due from other governments	232,757
Total	\$ 389,061

NOTE 6 – NOTE RECEIVABLE

In August 2010, the Town entered into a note agreement with two nonprofit organizations to repay the Town in the amount of \$185,750. The Town had funded a Community Legacy project for the organizations with a note they received from the Department of Housing and Community Development. The note receivable is noninterest bearing and is payable in monthly payments varying from \$920 to \$2,020. At June 30, 2014, the outstanding balance is \$128,830.

NOTE 7 – PROPERTY TAX

The Town Council holds an annual public hearing no later than May 31, for the residents to voice their opinion on the proposed real and property tax rates and annual budget. After the hearing, the Council sets the tax rate by ordinance by May 31. Prince George's (the County) tax offices are informed of the approved rate and County tax bills have these amounts included on them. Property taxes are levied as of July 1, on property values as of the same date. The rates of levy cannot exceed the constant yield tax rate without public notice and only after public hearings as determined by the Maryland Department of Assessments and Taxation. Town residents pay all property taxes directly to the County. The County then forwards all payments made to the Town office. When taxes are overdue, a lien is placed against the property. The Town has established an allowance for doubtful accounts for personal property taxes in the amount of \$6,274 as of June 30, 2014. The Town's real property and personal property tax rates for the year ended June 30, 2013 was \$.74 per \$100 of assessed value and \$2.09 per \$100 of assessed value respectively.

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 17,448	\$ -	\$ -	\$ 17,448
Construction in progress	-	17,500	-	17,500
Subtotal	<u>17,448</u>	<u>17,500</u>	<u>-</u>	<u>34,948</u>
Depreciable capital assets:				
Buildings	1,397,377	-	-	1,397,377
Equipment	2,257,114	130,584	23,559	2,364,139
Improvements	566,210	121,000	-	687,210
Computer software	25,322	3,407	-	28,729
Subtotal	<u>4,246,023</u>	<u>254,991</u>	<u>23,559</u>	<u>4,477,455</u>
Total capital assets	<u>4,263,471</u>	<u>272,491</u>	<u>23,559</u>	<u>4,512,403</u>
Accumulated depreciation:				
Buildings	669,494	35,458	-	704,952
Equipment	1,470,440	189,237	15,379	1,644,298
Improvements	195,095	37,659	-	232,754
Computer software	7,644	3,674	-	11,318
Subtotal, accumulated depreciation	<u>2,342,673</u>	<u>266,028</u>	<u>15,379</u>	<u>2,593,322</u>
Net capital assets	<u>\$ 1,920,798</u>	<u>\$ 6,463</u>	<u>\$ 8,180</u>	<u>\$ 1,919,081</u>

Depreciation was charged to functions as follows:

Government activities:	
General government	\$ 26,681
Public safety	134,474
Public works	104,873
Total government activities depreciation expense	<u>\$ 266,028</u>

As of June 30, 2014, there were no material construction commitments.

Capital assets acquired through a capital lease are as follows:

Equipment	\$ 293,143
Less accumulated depreciation	124,993
Total	<u>\$ 168,150</u>

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 – LONG-TERM LIABILITIES

The following summarizes the changes in long-term liabilities for the year ended June 30, 2014.

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase /</u> <u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>one year</u>
Note payable	\$ 38,000	\$ (19,000)	\$ 19,000	\$ 19,000
Bond payable	633,576	(42,233)	591,343	44,017
Lease payable	99,777	(47,748)	52,029	52,029
Accrued compensatory time	356,397	14,730	371,127	-
Total	<u>\$ 1,127,750</u>	<u>\$ (94,251)</u>	<u>\$ 1,033,499</u>	<u>\$ 115,046</u>

The Town of Bladensburg adopted a resolution on September 8, 2008 providing for the issuance and sale of \$744,385 of bonds known as Town of Bladensburg Taxable Pension Contribution Bond of 2008. The bond was issued and sold to SunTrust Bank for the purpose of financing the prepayment of the Town's special accrued liability contribution owed to the State Retirement and Pension System as a result of the Town participation in the Alternate Contributory Pension Selection SunTrust Bank with an initial principal balance of \$687,244 and an interest rate of 6.73% per annum. In January 2012, the interest rate was reduced to 4.18%. The new terms call for semi-annual payments of principal and interest in the amount of \$34,131. The term of the bond is 23 years and mature in March 2025. At June 30, 2014, the outstanding balance is \$591,343.

In fiscal year 2004, the Town entered into a non-interest bearing loan agreement with the Department of Housing and Community Development Community Legacy organization in the amount of \$190,000. The loan was used to fund a community legacy project. The payments were to be made yearly in the amount of \$19,000. The note matures on December 31, 2018. The loan was amended in January 2006, calling for yearly payments beginning January 1, 2008. At June 30, 2014, the outstanding principal balance is \$19,000.

The Town entered into a capital lease agreement in fiscal year 2010 as a lessee for financing the acquisition of 700MHz radio dispatch consoles and related equipment from Motorola, Inc. amounting to \$228,523. The payments of \$52,332 are to be paid on June 1 of each year for five years. The equipment acquired through the capital lease totaled \$293,143, with an initial down payment of \$64,620. At June 30, 2014, the outstanding balance is \$52,029.

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 – LONG-TERM LIABILITIES - continued

Annual principal payments for the note payable and bonds payable are as follows:

For the year ending June 30	Bond		
	Principal	Interest	Total
2015	\$ 44,017	\$ 24,245	\$ 68,262
2016	45,876	22,386	68,262
2017	47,814	20,448	68,262
2018	49,834	18,428	68,262
2019	51,938	16,324	68,262
2020 - 2024	294,509	46,801	341,310
2025	57,355	1,691	59,046
	<u>\$ 591,343</u>	<u>\$ 150,323</u>	<u>\$ 741,666</u>

For the year ending June 30	Note		
	Principal	Interest	Total
2015	\$ 19,000	\$ -	\$ 19,000
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
	<u>\$ 19,000</u>	<u>\$ -</u>	<u>\$ 19,000</u>

Maturities of capital leases are as follows at June 30:

For the year ending June 30	
2015	\$ 52,332
Total payments	52,332
Less amount representing interest	303
Present value of lease payments	<u>\$ 52,029</u>

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 – PENSION PLAN

Effective July 1, 2007, the Town approved participation in the State of Maryland Alternate Contributory Pension Selection System (ACPS). The Plan is part of the Maryland State Retirement and Pension System (the State System), and is a cost-sharing multiple-employer public employee retirement system. The State System provides pension, death, and disability benefits to plan members and beneficiaries.

The Alternate Contributory Pension Selection (ACPS) was established as of July 1, 2006 and consists of all eligible State employees and those participating employers that elected participation in the ACPS effective July 1, 2006.

Plan Description

An actuarial valuation was made to determine the special liability contribution on accounts of the employees of Bladensburg who were eligible and elected to participate effective July 1, 2007. The Town agreed to be responsible for paying 100% of the employees past service cost as of July 1, 2007. The Town agreed to amortize the special accrued liability contribution over a 25-year term commencing July 1, 2007 by annual level installment payments. The participation agreement allowed the Town to prepay all the special contributors with interest, which the Town decided to do in September of 2008. A bond in the amount of \$744,385 was issued and the proceeds used to pay the State for this special accrued liability.

Benefits under the plan are established under the State Personnel and Pensions Articles of the Annotated Code of Maryland. Under the terms of the Alternate Contributory Pension System, members are eligible for full service pension allowances upon accumulating 30 years of eligibility service regardless of age. Absent 30 years of eligibility service, members must meet one of the following conditions to be eligible for full service pension allowances:

- Age 62 and five years of eligibility service
- Age 63 and four years of eligibility service
- Age 64 and three years of eligibility service
- Age 65 and older and two years of eligibility service

An employee may also take early retirement with reduced benefits at age 55 with 15 years of service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 62.

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 – PENSION PLAN - continued

On retirement from service, a member of the Plan shall receive an annual service retirement allowance based on the member’s average final compensation and years of creditable service multiplied by a factor. This factor varies from 1.2% to 1.8% per eligible service year, depending on employee/employer contributions and other plan-specific provisions. Early retirement, where available, is subject to provisions that reduce the benefit received.

The State Retirement and Pension System of Maryland issues a comprehensive annual financial report that includes disclosures regarding: actual value of assets; total actuarial accrued liability; unfunded actuarial accrued liability, if any; and funded liability ratio. This report can be obtained from the agency’s office as follows:

State Retirement and Pension System of Maryland
 120 E. Baltimore Street, Suite 1601
 Baltimore, MD 21202-1600

Funding Policy

Obligations to contribute to the Plan are under the Annotated Code of Maryland. Members of the Plan contribute a percentage of their gross employee compensation. Contribution rate to the plan is 7% effective July 1, 2013.

Contributions by the Town to the Plan take place during the fiscal year and are based upon salaries for the year ending June 30, 2013. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees. The required and actual contributions for the fiscal years ending June 30th were as follows:

	2014	2013	2012
Retirement plan contributions	\$ 188,514	\$ 188,261	\$ 227,242

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 – DEFERRED COMPENSATION PLAN

The Town has a deferred compensation plan available to all Town employees which is established in accordance with Internal Revenue Service Code Section 457. The plan permits participating employees to defer a portion of their salary, along with the related federal and state income tax until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Plan is administered by Public Employees Benefit Services Corporation and International City Management Association Retirement Corporation (“ICMA-RC”).

As of June 30, 2014, the Town complied with the Internal Revenue Code Section 457(g) requiring all assets and income of the plan to be held in trust for the exclusive benefit of participants and their beneficiaries. Management’s involvement with the plan is limited to transferring amounts withheld from payroll to ICMA-RC. Management has little administrative involvement with the plan and does not perform the investing function for the plan. Accordingly, the fair value of the plan assets at June 30, 2014 is not reflected in the Town’s financial statements.

NOTE 12 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to workers, and natural disasters.

The Town has an insurance agreement with the Local Government Insurance Trust (LGIT), a public entity risk pool. LGIT provides the Town’s property, general, public officials’ legal liability, punitive damage and umbrella insurance coverages.

This is a total risk and cost sharing pool for all participants. In the event that the Trust’s General Fund falls into a deficit that cannot be satisfied by transfers from the Trust’s capital and surplus accounts, the Trustees shall determine a method to fund the deficit. The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit.

Premiums are charged to the Town’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 during the year ended June 30, 2014 and the amounts of settlements have not exceeded coverage for each of the past three years. During the year ended June 30, 2014 the Town paid premiums of \$61,409 to the Trust.

The Town is insured for worker’s compensation through the Chesapeake Employers’ Insurance Company. Employees are bonded through commercial insurance carriers to limit the loss to the Town in the event of employee acts of embezzlement or theft.

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13 – CONCENTRATIONS

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

In the normal course of business the Town is a defendant in lawsuits and other claims. The outcome of these claims and lawsuits cannot be reasonably estimated. Therefore, a reserve has not been established. Management believes that such lawsuits and claims will not have a material adverse impact on the Town’s financial condition.

NOTE 15 – 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 because the prior years’ surplus is included in budgeted revenues and expenditures. The reconciliation between the non-GAAP budget and GAAP follows:

Budgeted excess of revenue over (under) expenditures - Non-GAAP basis	\$ -
Less: Prior years' surplus - revenues	<u>(775,120)</u>
Budgeted excess of revenue over (under) expenditures - GAAP basis	<u><u>\$ (775,120)</u></u>

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 16 – FUND BALANCE REPORTING

Fund balances for the Town's governmental funds consisted of the following as of June 30, 2014:

Nonspendable Fund Balances

Nonspendable fund balances in the general fund pertain to prepaid expenses. At June 30, 2014, this amount was \$60,056.

Restricted Fund Balances

All fund balances in the special revenue fund and the related net position is restricted to public safety purposes. At June 30, 2014, this amount was \$77,963.

Committed Fund Balances

The Town Council has established a reserve fund in the amount of \$750,000 for future contingencies. This amount is shown as committed fund balance.

Unassigned Fund Balances

All remaining fund balances in the general fund is unassigned. At June 30, 2014, this amount was \$3,845,940.

TOWN OF BLADENSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 17 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012, effective for fiscal years beginning after June 15, 2014.

Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, effective for fiscal years beginning after December 15, 2013.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, issued November 2013, effective for fiscal years beginning after June 15, 2014.

The Town will implement these statements as necessary as of their effective dates. While the Town 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 Town.

TOWN OF BLADENSBURG, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES - UNAUDITED
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund		Actual	Variance
	Original Budget	Final Budget		
Revenues				
Property taxes	\$ 3,402,735	\$ 3,402,735	\$ 3,436,495	\$ 33,760
Income taxes	380,620	380,620	458,080	77,460
Other taxes	6,143	6,143	5,510	(633)
Licenses and permits	64,811	64,811	67,832	3,021
Intergovernmental - federal	-	14,927	1,422	(13,505)
Intergovernmental - state	608,015	844,770	1,003,209	158,439
Intergovernmental - county	29,856	144,480	23,636	(120,844)
Services charges	74,219	74,219	68,005	(6,214)
Other revenues	189,542	189,542	244,654	55,112
Transfer from fund balance	667,996	775,120	-	(775,120)
Total Revenues	5,423,937	5,897,367	5,308,843	(588,524)
Expenditures				
General government				
Mayor, council and town clerk	512,542	512,542	409,856	102,686
Town administrator	624,814	996,254	1,008,853	(12,599)
Finance	274,969	294,269	250,531	43,738
Community promotion	41,000	41,000	29,176	11,824
Recreation	850	850	473	377
Total General Government	1,454,175	1,844,915	1,698,889	146,026
Police department	2,635,473	2,718,163	2,498,234	219,929
Code enforcement	268,124	268,124	234,375	33,749
Public works	926,571	926,571	787,341	139,230
Debt Service	139,594	139,594	139,594	-
Total Expenditures	5,423,937	5,897,367	5,358,433	538,934
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ (49,590)	\$ (49,590)

Note: In an effort to balance the original and final budget, the Town does transfers from the fund balance.

SUPPLEMENTAL INFORMATION

TOWN OF BLADENSBURG, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual - General Fund	Budget Favorable (Unfavorable)
REVENUES				
Property taxes				
Real estate	\$ 2,782,059	\$ 2,782,059	\$ 2,727,031	\$ (55,028)
Personal property	620,676	620,676	709,464	88,788
Total property taxes	<u>3,402,735</u>	<u>3,402,735</u>	<u>3,436,495</u>	<u>33,760</u>
Income tax	380,620	380,620	458,080	77,460
Admission and amusement taxes	6,143	6,143	5,510	(633)
Total taxes	<u>3,789,498</u>	<u>3,789,498</u>	<u>3,900,085</u>	<u>110,587</u>
Licenses and permits				
Alcoholic beverage license	1,283	1,283	1,740	457
County traders license	9,189	9,189	11,006	1,817
Local business license	48,913	48,913	49,404	491
Sign permit	2,706	2,706	2,738	32
Coin machine license	600	600	534	(66)
Building permits	1,800	1,800	1,890	90
User and occupancy permits	320	320	520	200
Total Licenses and permits	<u>64,811</u>	<u>64,811</u>	<u>67,832</u>	<u>3,021</u>
Intergovernmental - federal				
Police grants	-	14,927	1,422	(13,505)
Total Intergovernmental - federal	<u>-</u>	<u>14,927</u>	<u>1,422</u>	<u>(13,505)</u>
Intergovernmental - state				
Highway user revenue	78,754	78,754	107,914	29,160
State grant for police	128,261	128,261	128,670	409
Other State grants	401,000	637,755	766,625	128,870
Total Intergovernmental - state	<u>608,015</u>	<u>844,770</u>	<u>1,003,209</u>	<u>158,439</u>
Intergovernmental - county				
County disposal fee rebate	22,484	22,484	16,863	(5,621)
Public works reimbursement	5,000	5,000	4,401	(599)
Financial - bank stock tax	2,372	2,372	2,372	-
CDBG construction	-	114,624	-	(114,624)
Total Intergovernmental - county	<u>29,856</u>	<u>144,480</u>	<u>23,636</u>	<u>(120,844)</u>
Total Intergovernmental	<u>637,871</u>	<u>1,004,177</u>	<u>1,028,267</u>	<u>24,090</u>

**TOWN OF BLADENSBURG, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual - General Fund	Budget Favorable (Unfavorable)
REVENUES - continued				
Service charges				
Dispatch service sharing	\$ 62,000	\$ 62,000	\$ 55,000	\$ (7,000)
Local fines	7,457	7,457	9,109	1,652
Copier administration fees	1,978	1,978	1,528	(450)
Fingerprinting	2,784	2,784	2,368	(416)
Total Service charges	<u>74,219</u>	<u>74,219</u>	<u>68,005</u>	<u>(6,214)</u>
Franchise Fees				
Cable network	98,344	98,344	127,508	29,164
Total Franchise Fees	<u>98,344</u>	<u>98,344</u>	<u>127,508</u>	<u>29,164</u>
Other revenues				
Interest on investments	5,000	5,000	2,851	(2,149)
Miscellaneous revenues	4,000	4,000	22,190	18,190
Public safety overtime reimbursement	5,500	5,500	4,603	(897)
Insurance recoveries	5,000	5,000	18,915	13,915
Transfer from fund balance	667,996	775,120	-	(775,120)
Solar energy credits	-	-	1,044	1,044
Bus shelter income	3,000	3,000	2,708	(292)
Vehicle development program	5,350	5,350	5,456	106
Property rental	48,228	48,228	48,419	191
Loan repayment	15,120	15,120	10,960	(4,160)
Total Other revenues	<u>759,194</u>	<u>866,318</u>	<u>117,146</u>	<u>(749,172)</u>
Total Revenues	<u>\$ 5,423,937</u>	<u>\$ 5,897,367</u>	<u>\$ 5,308,843</u>	<u>\$ (588,524)</u>

**TOWN OF BLADENSBURG, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Budget Favorable (Unfavorable)
General Government				
Mayor, council & town clerk				
Compensation	\$ 311,331	\$ 311,331	\$ 282,467	\$ 28,864
General administration	151,711	151,711	125,742	25,969
Capital outlay	49,500	49,500	1,647	47,853
Total Mayor and Council	<u>512,542</u>	<u>512,542</u>	<u>409,856</u>	<u>102,686</u>
Town Administration				
Compensation	161,782	161,782	149,857	11,925
General administration	443,032	679,787	661,841	17,946
Capital outlay	20,000	154,685	197,155	(42,470)
Total Town Administration	<u>624,814</u>	<u>996,254</u>	<u>1,008,853</u>	<u>(12,599)</u>
Finance				
Compensation	206,306	206,306	198,889	7,417
General administration	68,663	87,963	47,137	40,826
Capital outlay	-	-	4,505	(4,505)
Total Finance	<u>274,969</u>	<u>294,269</u>	<u>250,531</u>	<u>43,738</u>
Public Safety				
Police Department				
Compensation	2,259,459	2,306,114	2,100,956	205,158
General administration	376,014	376,014	339,678	36,336
Capital outlay	-	36,035	57,600	(21,565)
Total Police Department	<u>2,635,473</u>	<u>2,718,163</u>	<u>2,498,234</u>	<u>219,929</u>
Code Enforcement				
Compensation	263,164	263,164	230,718	32,446
General administration	4,960	4,960	1,460	3,500
Capital outlay	-	-	2,197	(2,197)
Total Code Enforcement	<u>268,124</u>	<u>268,124</u>	<u>234,375</u>	<u>33,749</u>
Total Public Safety	<u>2,903,597</u>	<u>2,986,287</u>	<u>2,732,609</u>	<u>253,678</u>

**TOWN OF BLADENSBURG, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Budget Favorable (Unfavorable)
Public Works				
Compensation	\$ 373,118	\$ 373,118	\$ 323,182	\$ 49,936
General administration	545,653	545,653	454,772	90,881
Capital outlay	7,800	7,800	9,387	(1,587)
Total Public Works	<u>926,571</u>	<u>926,571</u>	<u>787,341</u>	<u>139,230</u>
Community Promotion				
General administration	41,000	41,000	29,176	11,824
Total Community Promotion	<u>41,000</u>	<u>41,000</u>	<u>29,176</u>	<u>11,824</u>
Recreation				
General administration	850	850	473	377
Total Recreation	<u>850</u>	<u>850</u>	<u>473</u>	<u>377</u>
Debt Service				
Principal	108,981	108,981	108,981	-
Interest	30,613	30,613	30,613	-
Total Debt Service	<u>139,594</u>	<u>139,594</u>	<u>139,594</u>	<u>-</u>
Total Expenditures	<u>\$ 5,423,937</u>	<u>\$ 5,897,367</u>	<u>\$ 5,358,433</u>	<u>\$ 538,934</u>