


## MEMO

Date: December 6, 2006  
To: Mayor & Commission  
From: Dan Baden, Treasurer   
Re: FY2006 Financial Analysis

I have completed my financial analysis of the City of District Heights for the fiscal year ending 6/30/06. The following is a summary of my analysis:

1. The revenues for the year were \$2,881,868 while the expenditures were \$3,484,820. The City had a deficit for the year of \$602,952.
2. The prior year fund balance was \$779,121. Therefore the ending fund balance at 6/30/06 is \$176,169. Of this amount \$55,507 is reserved for affordable housing related costs.
3. A major reason for the operating deficit is that the real estate tax revenue was projected in the budget at an incorrect amount. The projected revenue was \$1,488,365 while the actual revenue was \$1,362,393 a \$125,971 difference. The expenditure budget was based on the higher amount and therefore expenditures were made for items that the City did not have revenue to support.
4. There were projects that should have been partially grant funded for which the projects were completed but the grants were never billed for. This includes Transportation Enhancement Funding in the amount of \$9,000, Program Open Space in the amount of \$44,556 and Community Park & Playground in the amount of \$17,938. It is anticipated that we will be able to recoup these amounts in FY07.
5. The City purchased the ANGEL House II for \$170,661. This was an expense for which no revenue was generated from in FY06.
6. Renovations were performed on the Recreation Office and HVAC System in the amount of \$240,000. About \$100,000 of this was not in the original budget.
7. The City paid \$14,756 in penalty and late charges for late payment of the annual State of Maryland Pension Plan liability.
8. The City incurred approximately \$25,000 in penalties, interest and late fees for late payment of payroll taxes and credit cards.
9. The City did not invest any of its surplus funds during the year resulting in an approximate loss of revenue in the amount of \$20,000.
10. The City overspent in Legal Fees by \$7,600 and had Workman's Comp. cost \$14,000 over budget.

These are the major items that helped to contribute to the \$602,952 deficit for the year. The attached Statement of Revenues and Expenditures will give you a detailed breakdown of the individual revenue and expenditure items that contributed to the deficit.

Please feel free to contact me if you would like to discuss any of these items prior to the 12/12/06 meeting.