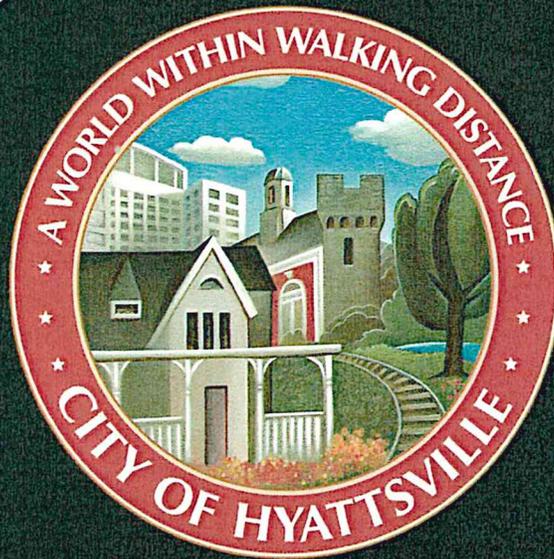


City of Hyattsville Financial Report

For fiscal year ended
June 30, 2014



Ron Brooks, *Treasurer*

Mary Ellen Harding, *Chief Accountant*

CITY OF HYATTSVILLE, MARYLAND
For the Year Ended June 30, 2014

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Independent Auditor's Report

To the City Council
City of Hyattsville, 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 Hyattsville, Maryland (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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 risk 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 opinion.

Opinion

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 Hyattsville, Maryland, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance 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, budgetary comparison schedules and other post employee benefit plan schedules on pages 3 through 14 and 47 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB"), which 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016, 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 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 City of Hyattsville, Maryland's internal control over financial reporting and compliance.



Baltimore, Maryland
June 20, 2016

CITY OF HYATTSVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

As management of the City of Hyattsville, Maryland (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Hyattsville for the fiscal year ended June 30, 2014. The Management's Discussion and Analysis (MD&A) is designed to provide an overview of the City's financial activity, identify significant changes that may have occurred in the City's financial position during the most recent fiscal year, and make the reader aware of financial issues that may have a significant fiscal impact on the City in the future. The information presented here will give the reader a comprehensive overview of the City's fiscal year 2014 financial statements and its fiscal position at the end of the current fiscal year.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$20,576,152 (net position). Of this amount, \$5,206,502 (unrestricted position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,252,530 for fiscal year 2014. The increase is primarily attributable to the fact that the City effectively controlled its operating expenditures during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,005,531, a decrease of \$859,056 in comparison to prior fiscal year.
- At the end of fiscal year 2014, unassigned fund balance for the general fund is \$7,187,555 or 58% of total general fund expenditures.
- The City's total debt decreased by \$477,474. No new bonds or capital leases were issued during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

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. There are two basic statements in the government-wide financial statements: the statement of net position and the statement of activities.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net

CITY OF HYATTSVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

position 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 City's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change, regardless of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

All of the functions of the City are principally supported by taxes and intergovernmental revenues (governmental activities). If there were functions of the City that were intended to recover all or a significant portion of their costs through user fees and charges (business-type activities), the government-wide financial statements would distinguish these from the governmental activities. The City has no business-type activities. The governmental activities of the City include: legislative, general government, public safety, public works, parks, recreation, and community development.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City include governmental and fiduciary funds. The City has no proprietary funds.

- ***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, the 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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four primary governmental funds. They are the general fund, the special revenue fund, the capital projects fund, and the debt service fund.

CITY OF HYATTSVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

- The general fund is used to account for the City's unrestricted revenues and related general operating expenditures.
- The special revenue fund is used to account for specific revenues that are legally restricted to expenditure for a particular purpose. The fund includes a number of component funds that have been established to track activity associated with individual grants the City receives.
- The capital projects fund is used to account for the accumulation of resources used for acquisition of major capital facilities.
- The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for all four of the City's funds, because all of them meet the criteria to be considered major funds.

The City adopts an annual appropriated budget, in which all of the funds are aggregated. A budgetary comparison statement had been provided to demonstrate compliance with this budget for all governmental funds.

The basic governmental fund financial statements can be found on pages **17 and 19** of this report.

- ***Fiduciary Funds*** – Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The City maintains one fiduciary fund, the University Town Center Infrastructure Bond fund.

- The University Town Center Infrastructure Bond fund is used to account for activity associated with the \$18,000,000 Special Assessment bond that the City issued in fiscal year 2005 to fund infrastructure improvements associated with the new development occurring on the University Town Center properties. The bonds are being financed via special assessments levied on the properties benefiting from the improvements and the City is merely a conduit through which the bond proceeds and assessments flow. The City has no obligation to repay these bonds.

The basic fiduciary fund financial statement can be found on **page 21** of this report.

**CITY OF HYATTSVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-45 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that can be found starting on page 47 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. The City's assets exceeded its liabilities by \$20,576,152 at the close of the most recent fiscal year.

| Statement of Net Position | | |
|-----------------------------------|---------------|---------------|
| | 2014 | 2013 |
| Current and other assets | \$ 17,169,335 | \$ 17,810,139 |
| Net capital assets | 20,467,064 | 18,842,959 |
| Total Assets | \$ 37,636,399 | \$ 36,653,098 |
| | | |
| Long-term liabilities outstanding | \$ 15,408,695 | \$ 15,886,169 |
| Other liabilities | 1,651,552 | 1,443,307 |
| Total Liabilities | \$ 17,060,247 | \$ 17,329,476 |
| | | |
| Net Position | | |
| Net investment in capital assets | \$ 8,888,175 | \$ 5,983,237 |
| Restricted | 6,481,475 | 4,243,126 |
| Unrestricted | 5,206,502 | 9,097,259 |
| Total Net Position | \$ 20,576,152 | \$ 19,323,622 |

One of the largest portions of the City's net position (43%) at fiscal year-end reflects its investments in capital assets (e.g., land, building, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be

**CITY OF HYATTSVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (31%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position (26%) is considered unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's net position increased by \$1,252,530 during the current fiscal year.
- The City reported positive balances in all three categories of net position.

Governmental Activities

Revenue from governmental revenue activities increased by \$645,050 in the current fiscal year and is attributed to the following:

- Operating grants increased by \$477,736, largely due to the Strategic Demolition & Smart Growth Impact Fund grant awarded by the Maryland Department of Housing & Community Development to assist with the cost of demolition and site development of Hamilton Street properties.
- Property taxes decreased by \$749,650, mostly attributable to decrease in the assessed values of homes by Prince George's County for the current fiscal period.
- Other revenues increased by \$88,237 primarily due to refunds from the employee 401(A) money purchase program and adjustments made to LEOPS premiums.
- Income and other tax revenues increased by \$158,385 due to small business expansion in the area.

Expenses of governmental activities increased by \$397,729 in fiscal year 2014 and is attributed mainly to the following:

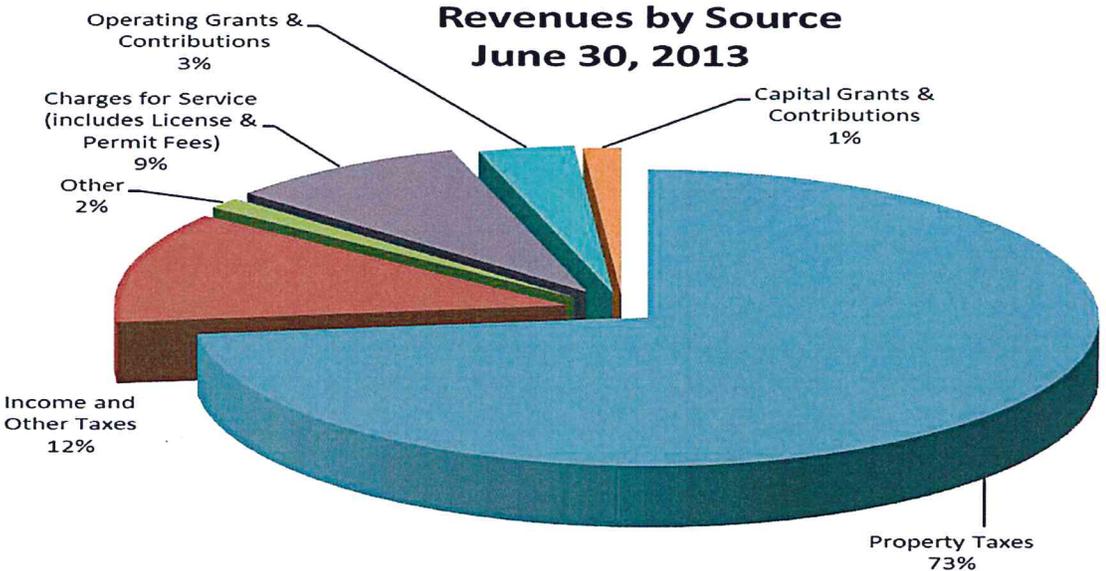
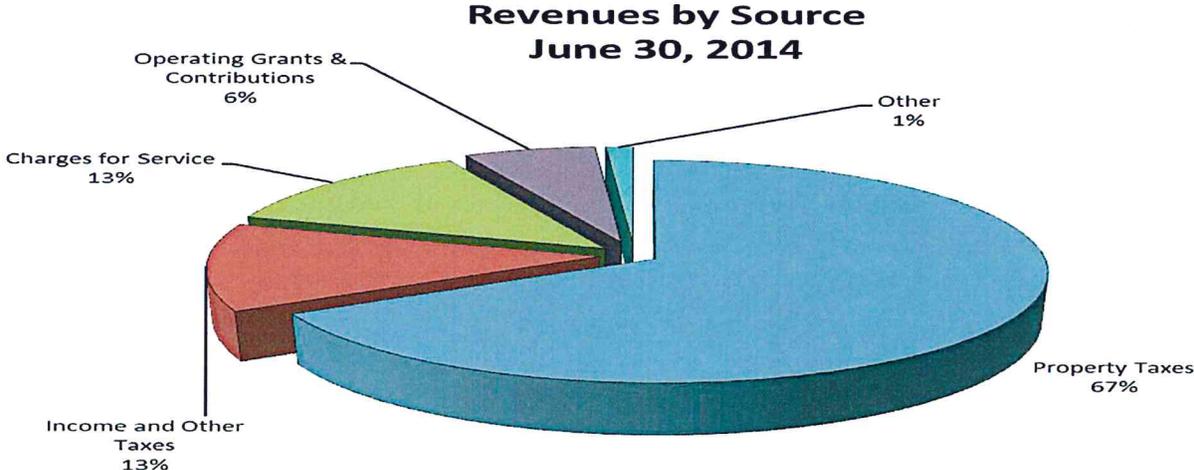
- Community development expenses increased by \$240,934 due to the addition of two new positions and filling previously vacant positions in the department.
- General government expenses increased by \$264,656 due to the addition of one new position to handle police information technology concerns and hiring of patrol officers to fill previously vacant positions.

**CITY OF HYATTSVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

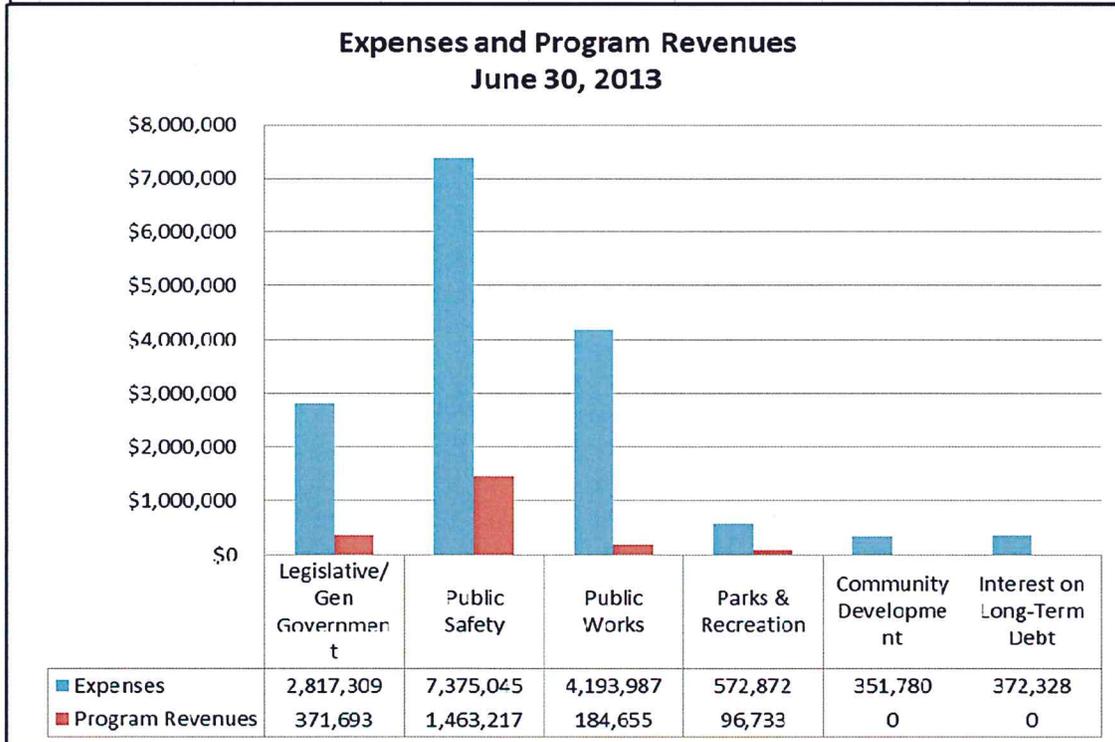
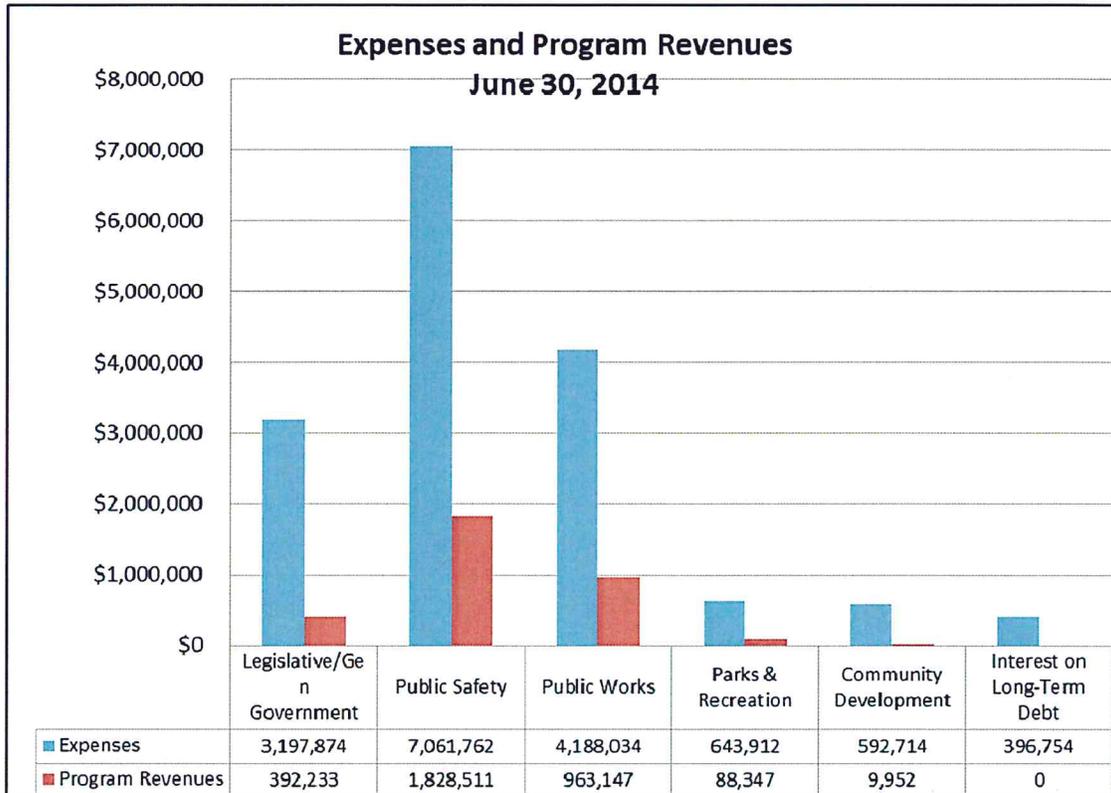
The following table provides a detailed breakdown of the City's revenues, expenses, and changes in net position for the years ended June 30, 2014 and 2013.

| Change in Net Position | | |
|---|----------------------|----------------------|
| | 2014 | 2013 |
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 2,218,758 | \$ 1,474,143 |
| Operating grants and contributions | 1,059,828 | 582,092 |
| Capital grants and contributions | 3,604 | 60,063 |
| General revenues | | |
| Property taxes | 11,617,982 | 12,367,632 |
| Income and other taxes | 2,215,108 | 2,056,723 |
| Unrestricted investment earnings | 16,902 | 27,188 |
| Gain on sale of capital assets | 16,109 | 23,637 |
| Other | 185,289 | 97,052 |
| Total Revenues | 17,333,580 | 16,688,530 |
| Expenses | | |
| Legislative | \$ 322,827 | \$ 206,918 |
| General government | 2,875,047 | 2,610,391 |
| Public safety | 7,061,762 | 7,375,045 |
| Public works | 4,188,034 | 4,193,987 |
| Parks and recreation | 643,912 | 572,872 |
| Community development | 592,714 | 351,780 |
| Interest on debt | 396,754 | 372,328 |
| Total Expenses | 16,081,050 | 15,683,321 |
| Increase in Net Position | 1,252,530 | 1,005,209 |
| Net Position - Beginning, as previously reported | 19,323,622 | 18,204,832 |
| Adjustment to net position | - | 113,581 |
| Net Position - Beginning, as restated | 19,323,622 | 18,318,413 |
| Net Position - Ending | \$ 20,576,152 | \$ 19,323,622 |

**CITY OF HYATTSVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**



**CITY OF HYATTSVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**



**CITY OF HYATTSVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The City's fund balances are calculated by subtracting the City's liabilities from its assets and serve as a useful measure of the City's available financial resources. In February 2009, GASB issued Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*." This statement provides clearer fund balance classifications and provides a hierarchy based on the extent to which the City is bound to observe constraints placed on the use of resources in governmental funds. The City has implemented this standard as of July 1, 2010. The five categories of fund balance are as follows: Nonspendable, Restricted, Committed, Assigned and Unassigned.

The decrease in fund balance of the capital project fund is due to the fact there were no new bond issuances for fiscal year 2014.

The fund balance in the debt service fund did not change during the fiscal year 2014. This fund is funded by a transfer from the general fund and as general rule there is no change in the fund balance year over year.

Budgetary Highlights

Original vs. Final

The originally adopted fiscal year 2014 budget was amended during the year. The changes can be summarized as follows:

Special revenue fund- There were no major amendments in this fund for fiscal year 2014.

Capital project fund – There were no major amendments in this fund for fiscal year 2014.

Capital Asset and Debt Administration

Total Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2014 amounts to \$20,467,064 (net of accumulated depreciation). This investment in capital assets includes land, buildings, site improvements, infrastructure, vehicles, machinery and equipment.

**CITY OF HYATTSVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

The change in the City's net investment in capital assets for fiscal year 2014 and 2013 was \$1,624,105 and (\$325,259), respectively.

The major capital acquisitions/expenditures made during fiscal year 2014 were as follows:

- Six vehicles for Police Department.
- One new vehicle for Parking Enforcement Operations.
- One new vehicle for Code Enforcement Operations.
- One new replacement truck for Department of Public Works.
- Purchase of 4503 and 4505 Hamilton Street properties to expand City surface parking.

| Total Capital Assets (Net of Accumulated Depreciation) | | |
|---|---------------|---------------|
| | 2014 | 2013 |
| Land | \$ 2,276,999 | \$ 804,154 |
| Construction in progress | 1,749,804 | 782,021 |
| Buildings | 4,265,164 | 4,019,752 |
| Infrastructure | 9,362,712 | 10,132,965 |
| Vehicles | 883,044 | 905,572 |
| Machinery and equipment | 1,929,341 | 2,198,495 |
| Total capital assets, net | \$ 20,467,064 | \$ 18,842,959 |

Additional information on the City's capital assets can be found in **note 5 on page 33** of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total outstanding debt obligations of \$11,578,889, a net OPEB obligation of \$3,485,861, and compensated absences of \$343,945. These entire amounts are backed by the full faith and credit of the government. The majority of the City's debt is general obligation debt. The balance of the City's long-term obligations is related to the loan that the City obtained to pay off its unfunded pension liability, capital lease obligations and the City employee's unused annual leave balances.

Additional information on the City's long-term debt can be found in **note 6 on pages 34-38** of this report. Additional information on the City's net OPEB obligation can be found in **note 9 page 41-44**.

**CITY OF HYATTSVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Outstanding Debt

| | 2014 | 2013 |
|---------------------------|----------------------|----------------------|
| General obligation bonds | \$ 11,063,926 | \$ 12,157,257 |
| Capital lease obligations | 149,938 | 274,321 |
| Notes payable | 365,025 | 428,144 |
| OPEB liability | 3,485,861 | 2,684,387 |
| Compensated absences | 343,945 | 342,060 |
| Total | <u>\$ 15,408,695</u> | <u>\$ 15,886,169</u> |

The City's total long-term debt decreased by \$477,474. During fiscal year 2014, the City did not issue any new debt.

Economic Factors and the Fiscal Year 2015 Budget

The State of Maryland (State) and Prince George's County (County) are forecasting a slight improvement in the economy in fiscal year 2015 due to anticipated nominal regional job growth coupled with continued growth in new housing units. This equates to an increase in funds passed through from the State and County to local municipalities. Historically, the City does not rely on money from these sources to cover the costs of providing basic services to its citizens. As funds become available from the State and County, it enhances the City's ability to move on special projects and/or initiatives that are funded with State or County grants.

Nationally, the economy is expected to gradually improve; however, the City's economic future is still progressing upward. Geographically, the City is located six miles from the heart of the District of Columbia, twenty-eight miles from downtown Baltimore and twenty-four miles west of the City of Annapolis. When considering the two metro stations, the accessibility to the MARC commuter train line and regional highway system, the City is thought of as a desirable place to live. Additionally, the City's appeal is further enhanced by its diversity and overall affordability. At the time of the 2010 Census, the City's population was identified as 31.7% white, 32.6% African American and 39.6% Hispanic. The City offers a wide variety of housing options such as mid-rise multifamily apartments, 1930 bungalows, turn of the century Victorians, and brand new state-of-the-art townhomes and condominiums. Most housing units are considered reasonably priced and affordable relative to housing elsewhere in the metro Baltimore/D.C. region. These components, as well as the undeveloped property at both metro stations and vacant properties along US Route 1, continue to attract new investors and development to the City.

The fiscal year 2014 budget maintains the current level of key services. The City was able to maintain real estate tax rate at \$0.63 per \$100 of assessed value.

**CITY OF HYATTSVILLE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, City of Hyattsville, 4310 Gallatin Street, Hyattsville, MD 20781.

CITY OF HYATTSVILLE, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2014

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current Assets | |
| Equity in pooled cash and cash equivalents | \$ 11,526,625 |
| Restricted Cash | 3,714,288 |
| Receivables (net of allowance): | |
| Property taxes | 125,227 |
| Due from other governments | 891,466 |
| Rehabilitation loans | 30,734 |
| Other | 744,582 |
| Total Receivables | <u>1,792,009</u> |
| Prepaid expenses | 132,337 |
| Inventory | 4,076 |
| Total Current Assets | <u>17,169,335</u> |
| Noncurrent Assets | |
| Net capital assets | <u>20,467,064</u> |
| Total Noncurrent Assets | <u>20,467,064</u> |
| TOTAL ASSETS | <u><u>37,636,399</u></u> |
| LIABILITIES | |
| Current Liabilities | |
| Accrued interest | \$ 59,217 |
| Accounts payable | 384,589 |
| Retainage payable | 121,018 |
| Accrued wages/benefits payable | 291,198 |
| Deposits | 4,288 |
| Due to other governments | 1,913 |
| Unearned revenues | 784,605 |
| Other liabilities | 4,724 |
| Total Current Liabilities | <u>1,651,552</u> |
| Noncurrent Liabilities | |
| Due within one year | |
| Current portion of compensated absences | 258,735 |
| Current portion of long-term debt | 1,548,843 |
| Due within more than one year | |
| Compensated absences | 85,210 |
| Loans payable - long-term | 10,030,046 |
| OPEB Liability | 3,485,861 |
| Total Noncurrent Liabilities | <u>15,408,695</u> |
| TOTAL LIABILITIES | <u>17,060,247</u> |
| NET POSITION | |
| Net investment in capital assets | 8,888,175 |
| Restricted | 6,481,475 |
| Unrestricted | 5,206,502 |
| TOTAL NET POSITION | <u><u>20,576,152</u></u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 37,636,399</u></u> |

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

CITY OF HYATTSVILLE, MARYLAND
STATEMENT OF ACTIVITIES
JUNE 30, 2014

| Functions/Programs | Expenses | Charges for Services | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|----------------------------------|---------------|----------------------|------------------------------------|----------------------------------|---|
| | | | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities | | | | | |
| Legislative | \$ 322,827 | \$ - | \$ - | \$ - | \$ (322,827) |
| General government | 2,875,047 | 337,233 | 55,000 | - | (2,482,814) |
| Public safety | | | | | |
| Police | 6,655,723 | 972,660 | 391,854 | 3,604 | (5,287,605) |
| Fire | 50,000 | - | - | - | (50,000) |
| Code enforcement | 356,039 | 460,393 | - | - | 104,354 |
| Public works | 4,188,034 | 369,173 | 593,974 | - | (3,224,887) |
| Parks | 240,455 | 8,875 | - | - | (231,580) |
| Recreation | 403,457 | 60,472 | 19,000 | - | (323,985) |
| Community development | 592,714 | 9,952 | - | - | (582,762) |
| Interest expense | 396,754 | - | - | - | (396,754) |
| Total Governmental Activities | \$ 16,081,050 | \$ 2,218,758 | \$ 1,059,828 | \$ 3,604 | \$ (12,798,860) |
| | | | | | |
| General revenues | | | | | |
| Taxes | | | | | |
| Property taxes | | | | | \$ 11,617,982 |
| Income taxes | | | | | 1,736,564 |
| Other taxes | | | | | 478,544 |
| Interest and investment earnings | | | | | 16,902 |
| Gain or loss on sale of assets | | | | | 16,109 |
| Miscellaneous | | | | | 185,289 |
| Total General Revenues | | | | | 14,051,390 |
| Transfers in (out) | | | | | - |
| Change in Net Position | | | | | 1,252,530 |
| Net Position, beginning of year | | | | | 19,323,622 |
| Net Position, end of year | | | | | \$ 20,576,152 |

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

**CITY OF HYATTSVILLE, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|----------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| Assets | | | | | |
| Equity in pooled cash and cash equivalents | \$ 7,508,861 | \$ 58,279 | \$ 3,959,485 | \$ - | \$ 11,526,625 |
| Restricted Cash | 3,714,288 | - | - | - | 3,714,288 |
| Receivables (net of allowance): | | | | | |
| Property taxes | 125,227 | - | - | - | 125,227 |
| Due from other governments | 840,494 | 50,972 | - | - | 891,466 |
| Due from other funds | 7,378,544 | 2,724,894 | 4,072,243 | 228,553 | 14,404,234 |
| Rehabilitation loans | - | 30,734 | - | - | 30,734 |
| Other | 322,516 | 99,016 | 23,050 | - | 444,582 |
| Total receivables | <u>8,666,781</u> | <u>2,905,616</u> | <u>4,095,293</u> | <u>228,553</u> | <u>15,896,243</u> |
| Prepaid expenses | 132,337 | - | - | - | 132,337 |
| Inventory | 4,076 | - | - | - | 4,076 |
| Total assets | <u>20,026,343</u> | <u>2,963,895</u> | <u>8,054,778</u> | <u>228,553</u> | <u>31,273,569</u> |
| Deferred Outflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 20,026,343</u> | <u>\$ 2,963,895</u> | <u>\$ 8,054,778</u> | <u>\$ 228,553</u> | <u>\$ 31,273,569</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 287,868 | \$ 46,288 | \$ 50,433 | \$ - | \$ 384,589 |
| Retainage payable | - | - | 121,018 | - | 121,018 |
| Accrued wages/benefits payable | 291,198 | - | - | - | 291,198 |
| Deposits | 4,288 | - | - | - | 4,288 |
| Current portion of compensated absences | 258,735 | - | - | - | 258,735 |
| Due to other governments | 1,913 | - | - | - | 1,913 |
| Due to other funds | 7,384,500 | 2,437,979 | 4,581,755 | - | 14,404,234 |
| Unearned revenues | 602,171 | 182,434 | - | - | 784,605 |
| Other liabilities | 4,724 | - | - | - | 4,724 |
| Total liabilities | <u>8,835,397</u> | <u>2,666,701</u> | <u>4,753,206</u> | <u>-</u> | <u>16,255,304</u> |
| Deferred Inflows of Resources | <u>12,734</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,734</u> |
| Fund Balance | | | | | |
| Nonspendable | 136,413 | - | - | - | 136,413 |
| Restricted | 3,752,338 | 148,790 | 2,580,347 | - | 6,481,475 |
| Committed | - | - | - | 228,553 | 228,553 |
| Assigned | 101,906 | 148,404 | 721,225 | - | 971,535 |
| Unassigned | 7,187,555 | - | - | - | 7,187,555 |
| Total fund balances | <u>11,178,212</u> | <u>297,194</u> | <u>3,301,572</u> | <u>228,553</u> | <u>15,005,531</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 20,026,343</u> | <u>\$ 2,963,895</u> | <u>\$ 8,054,778</u> | <u>\$ 228,553</u> | <u>\$ 31,273,569</u> |

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

CITY OF HYATTSVILLE, MARYLAND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

| | |
|---|----------------------|
| <i>Total Governmental Fund Balances</i> | \$ 15,005,531 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 20,467,064 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 312,734 |
| Long-term liabilities, including bonds payable, OPEB, capital leases, and compensated absences are not due and payable in the current period and therefore are not reported in the funds. | <u>(15,209,177)</u> |
| <i>Net Position of Governmental Activities</i> | <u>\$ 20,576,152</u> |

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

CITY OF HYATTSVILLE, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
JUNE 30, 2014

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|----------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| Revenues | | | | | |
| Property taxes | \$ 11,623,548 | \$ - | \$ - | \$ - | \$ 11,623,548 |
| State taxes | 2,191,612 | - | - | - | 2,191,612 |
| Licenses and permits | 646,523 | - | - | - | 646,523 |
| Intergovernmental revenues | 615,708 | 368,810 | 457,362 | - | 1,441,880 |
| Charges for service | 126,599 | 153,376 | - | - | 279,975 |
| Fines and forfeitures | | | | | |
| Red-light fines | 259,718 | - | - | - | 259,718 |
| Other fines | 31,695 | 547,288 | - | - | 578,983 |
| Miscellaneous revenues | | | | | |
| Interest | 16,419 | 29 | 616 | - | 17,064 |
| Rents | 12,955 | - | - | - | 12,955 |
| Other miscellaneous revenues | 168,128 | 6,000 | 112,760 | - | 286,888 |
| Total Revenues | <u>15,692,905</u> | <u>1,075,503</u> | <u>570,738</u> | <u>-</u> | <u>17,339,146</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Legislative | 322,827 | - | - | - | 322,827 |
| General government | 1,946,992 | - | - | - | 1,946,992 |
| Public safety | | | | | |
| Police services | 5,777,543 | 282,167 | 23,633 | - | 6,083,343 |
| Volunteer fire department | 50,000 | - | - | - | 50,000 |
| Code enforcement | 347,706 | - | - | - | 347,706 |
| Speed camera | - | 146,893 | - | - | 146,893 |
| Public works | 3,246,937 | - | 82,581 | - | 3,329,518 |
| Parks | 186,642 | - | - | - | 186,642 |
| Recreation | 372,973 | 19,051 | - | - | 392,024 |
| Community development | 201,489 | 349,943 | 37,016 | - | 588,448 |
| Capital outlay | 41,220 | - | 3,085,002 | - | 3,126,222 |
| Debt service: | | | | | |
| Principal | - | - | - | 1,280,833 | 1,280,833 |
| Interest | - | - | - | 394,231 | 394,231 |
| Fees | - | - | - | 2,523 | 2,523 |
| Total Expenditures | <u>12,494,329</u> | <u>798,054</u> | <u>3,228,232</u> | <u>1,677,587</u> | <u>18,198,202</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>3,198,576</u> | <u>277,449</u> | <u>(2,657,494)</u> | <u>(1,677,587)</u> | <u>(859,056)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers from other funds | - | - | - | 1,677,587 | 1,677,587 |
| Transfers to other funds | (1,677,587) | - | - | - | (1,677,587) |
| Long-term debt proceeds | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>(1,677,587)</u> | <u>-</u> | <u>-</u> | <u>1,677,587</u> | <u>-</u> |
| Net Change in Fund Balances | <u>1,520,989</u> | <u>277,449</u> | <u>(2,657,494)</u> | <u>-</u> | <u>(859,056)</u> |
| Fund Balances - Beginning of the Year | <u>9,657,223</u> | <u>19,745</u> | <u>5,959,066</u> | <u>228,553</u> | <u>15,864,587</u> |
| Fund Balances - End of the Year | <u>\$ 11,178,212</u> | <u>\$ 297,194</u> | <u>\$ 3,301,572</u> | <u>\$ 228,553</u> | <u>\$ 15,005,531</u> |

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

**CITY OF HYATTSVILLE, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2014**

| | |
|--|----------------------------|
| <i>Net Change in Fund Balances - Total Governmental Funds</i> | \$ (859,056) |
| <p>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.</p> | |
| | 1,624,105 |
| <p>Repayment of debt principal is reported in governmental funds as an expenditure, however, in the statement of activities, it is recorded as a reduction in long-term debt. This is the amount of principal debt repayment.</p> | |
| | 1,280,833 |
| <p>Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | |
| | (5,566) |
| <p>Difference between modified accrual and full accrual basis of accounting for compensated absences.</p> | |
| | 13,688 |
| <p>OPEB contributions are long-term liabilities and the related expense is not reported in the funds.</p> | |
| | <u>(801,474)</u> |
| <i>Change in Net Position of Governmental Activities</i> | <u><u>\$ 1,252,530</u></u> |

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

**CITY OF HYATTSVILLE, MARYLAND
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

| | University Town Centre Infrastructure Bond Fund <hr style="border: 0.5px solid black;"/> |
|---|---|
| ASSETS | |
| Cash and investments | \$ 2,450,930 |
| Due from other funds | - |
| TOTAL ASSETS | <hr style="border: 0.5px solid black;"/> 2,450,930 <hr style="border: 0.5px solid black;"/> |
| LIABILITIES | |
| Bond proceeds held for University Town Centre Special tax district infrastructure improvements and other purposes | 2,450,930 |
| Other | - |
| TOTAL LIABILITIES | <hr style="border: 0.5px solid black;"/> \$ 2,450,930 <hr style="border: 0.5px solid black;"/> |

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

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Summary of Significant Accounting Policies

The City’s financial statements are prepared in accordance with accounting principles generally accepted in the United State of America (USA). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

The City of Hyattsville, Maryland (the “City”) was established in 1886 and adopted its present Charter in 1983. The City, in conjunction with Prince George’s County, the Prince George’s County Board of Education, and the Washington Suburban Sanitary Commission, provides the citizens of Hyattsville with services in legislative, general government, public safety, public works, parks, recreation, and community development. The other aforementioned governmental entities are administered by separate boards or commissions; accordingly, the City has no oversight responsibility for any of these entities and the financial activities of such entities are not included in the financial statements.

B. Basic Financial Statements – Government-Wide Financial Statements

The City’s basic financial statements include both government-wide financial statements (reporting the City as a whole) and fund financial statements (reporting the City’s major funds). Both the government-wide and fund financial statements categorize primary activities by governmental type: public safety, parks, recreation, public works, legislative, and general services are classified as governmental activities. The City had no business-type activities for the fiscal year ended June 30, 2014.

In the government-wide statement of net position, the governmental balances are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as long-term debt and obligations. The City’s net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements – Government-Wide Financial Statements (continued)

The government-wide statement of activities reports both the gross and net expense of each of the City's functions. These functions are also supported by general governmental revenues (property and state taxes, certain intergovernmental revenues, investment earnings, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants and contributions. Program revenues must be directly associated with the function (public safety, public works, community development, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions reflect capital-specific grants.

The net expenses (by function) are normally covered by general revenues (property and state taxes, intergovernmental revenues, investment earnings, etc.).

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund balance, revenues, and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

- *Governmental Funds*
 - general fund – is the general operating fund of the City and is used to account for all financial resources, except those required to be accounted for in another fund.
 - special revenue fund – is used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes, such as grants and parking fine violations.

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

C. Basic Financial Statements – Fund Financial Statements (continued)

- *Governmental Funds* (continued)
 - capital projects fund – is used to account for financial resources to be used for the acquisition or construction of major capital facilities and the acquisition of major capital assets.
 - debt service fund – is used for the repayment of general obligation long-term debt and corresponding interest expense on the debt.
- *Fiduciary Funds (Not Included in Government-Wide Statements)*
 - Fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, and other governmental units and funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

The City maintains one agency fund. The University Town Center Infrastructure Bond fund accounts for the \$18,000,000 special assessment bond that funded the infrastructure improvements for the University Town Center properties.

The funds are further classified as major and nonmajor. Major funds are determined by a percentage of assets, liabilities, revenues, or expenditures/expenses in relation to the totals of all funds in those categories. The major funds of the City are the general, special revenue, capital projects, and debt service funds. The City does not have any non-major funds.

D. Measurement Focus

In the government-wide statement of net position and statement of activities, the governmental activities are presented using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of changes in net position and financial position. All assets and deferred outflows of resources and liabilities and deferred inflows of resources (whether current or non-current) associated with their activities are reported.

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

D. Measurement Focus (continued)

In the fund financial statements, all government funds use a “current financial resources” measurement focus. Only current financial assets and deferred outflows of resources and liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

E. Basis of Accounting

Accrual

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. In the government-wide statement of net position and statement of activities, the accrual basis of accounting is used, which means revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available). “Available” means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

F. Financial Statement Amounts

Deposits and Investments

To facilitate effective management of the City's resources, substantially all operational cash is combined in one pooled account. Short-term investments of one year or less, which are included in the City's equity in pooled cash and cash equivalents, are stated at amortized cost plus accrued interest.

Interest income earned on City's investments is allocated among all the funds in accordance with the equity in pooled cash and cash equivalent balances.

Receivables

Receivable balances for the governmental activities include property taxes, due from other governments, and fines and forfeitures. Allowances for uncollectible accounts receivable, if any, are based upon historical trends and the periodic aging of the related accounts receivable. As of June 30, 2014, allowance for uncollectible accounts receivable was \$662,095.

Interfund Receivable and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables within governmental activities are eliminated in the statement of net position.

Inventory and Prepaids

Inventory in the general fund consists of expendable supplies held for the City's use and is stated at cost, on the first-in, first-out basis.

Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported on the statement of net position at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are then expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

F. Financial Statement Amounts (continued)

Capital Assets (continued)

| | |
|-------------------------|-------------|
| Buildings | 20-50 years |
| Machinery and equipment | 2-15 years |
| Improvements | 10-20 years |
| Infrastructure | 20 years |
| Vehicles | 10 years |

Expenditures for capital assets are reflected as capital outlay expenditures in the governmental fund statements.

Equity Classifications

- Government-Wide Statements

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

- a. Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing, and reduced or increased by deferred inflows and outflows attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position: Consists of net position with constraints placed on the use by either 1) an external group such as creditors, grantors, contributors, or laws or regulation of governments; or 2) a law through constitutional provision or enabling legislation and are reduced by liabilities and deferred inflows of resources relating to those constraints.
- c. Unrestricted net position: Consists of the remaining net position that does not meet the definition of “restricted” or “net investment in capital assets.”

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

F. Financial Statement Amounts (continued)

Equity Classifications (continued)

- Fund Statements

Governmental fund equity is classified as fund balance. 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 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, as noted above.

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 be spent first when other unrestricted fund balance classifications are available for use.

At the end of fiscal year 2014, the City’s total fund balance was \$15,005,531, a decrease of \$859,056 from prior fiscal year. At the end of the current fiscal year, the unassigned fund balance was \$7,187,555 of the total fund balance. The classifications of fund balances are: “Nonspendable” of \$132,337 in prepaid expenses and \$4,076 in inventory, “Restricted”- \$6,481,475 for various expenditures related to grants and future capital projects, “Committed” - \$228,553 for debt service, and “Assigned” - \$971,535 for encumbrances.

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

F. Financial Statement Amounts (continued)

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the tax is levied. The City's real property taxes are levied on July 1st. Payments are due one-half by September 30th and one-half by December 31st. The lien date of both personal and real property is March 31st. Prince George's County bills and collects real property taxes for the City. Governmental funds and governmental activities defer revenue recognition in connection with resources that have been received but not earned.

Property in which taxes remain in a delinquent status as of the second Monday in May is placed for tax sale.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Compensated Absences

Based on years of service, employees are allowed to accrue vacation and carry over up to a maximum of 30 days. Any days in excess of 30 as of January 31 each year are credited to sick leave. If such days are unused at retirement, they are then converted to days worked for purposes of determining total retirement benefits. Sick pay does not vest and, accordingly, has not been reflected in the financial statements.

Grants

Federal grants received on the basis of entitlement periods are recorded as receivables and revenues when the entitlement occurs. Federal reimbursement grants are recorded as receivables and revenues when the related expenditures are incurred. Under the Community Development Block Grant program, the City makes interest-free loans and grants to qualified City residents for the rehabilitation of homes, with repayment deferred until the properties are transferred to other owners. The property owners convey deeds of trust to the City as security for the loans. Upon repayment by the resident, the City can reuse the funds in accordance with the program regulations. The program also provides interest-free loans for businesses for building façade improvements. These loans, also protected by a deed of trust on the property, are amortized over a 10-year period.

CITY OF HYATTSVILLE, 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 general fund, \$12,734, consisted of personal property tax revenue.

G. Risk Management

The City's risk management program is administered principally by the City Administrator's Department. This department is charged with procuring the correct types of insurance and in sufficient amounts to provide adequate protection to the City. All of the City's insurance policies are purchased from the Local Government Insurance Trust (LGIT). LGIT is a consortium of Maryland local governments' insurance pools that was established for Local Government in Maryland by State Statute as a result of the efforts of the Maryland Municipal League (MML) and the Maryland Association of Counties (MACO). Group health insurance is provided under either the state program or one privately administered plan. In addition to providing coverage, LGIT also provides claims processing, investigation of incidents, and legal consulting services to the City when necessary.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 – Equity in Pooled Cash and Cash Equivalents

The City maintains cash in an investment pool that is available for use by all of the City's funds. The City is required by State law to invest only in federally insured banks in the State of Maryland, federally insured savings and loan associations in the State of Maryland, or in the Maryland Local Government Investment Pool (MLGIP). The City primarily invests in MLGIP.

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2 – Equity in Pooled Cash and Cash Equivalents (continued)

As of June 30, 2014, the City had the following deposits and investments included as equity in pooled cash and cash equivalents in the Statement of Net Position:

| Investment Type | Fair Value |
|---|-------------------|
| Deposits | \$ 799,741 |
| Maryland Local Government Investment Pool | 10,726,884 |
| Total Fair Market Value of Investments | \$ 11,526,625 |

Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of bank failure, the City’s deposits may not be returned. Maryland State Law prescribes that local government units, such as the City, must deposit its cash in banks which transact business in the State of Maryland. Such banks must also secure any deposits in excess of the Federal Depository Insurance Corporation insurance levels with collateral whose market value is at least 102% of the deposits. As of June 30, 2014, all the City’s deposits were either covered by federal depository insurance or covered by collateral held in the pledging bank’s trust department in the City’s name.

Restricted Cash

A portion of undistributed bond proceeds are being held for future capital projects in the amount of \$3,714,288, which is included in restricted cash on the balance sheet as of June 30, 2014.

Investments

Credit Risk – As of June 30, 2014, the Maryland Local Government Investment Pool was rated AAAM by Standard & Poor’s. Regulatory oversight for the local government investment pool rests with the Maryland State Treasurer’s Office and the fair value of the pool is the same as the value of the pool shares.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is minimized due to the fact that all authorized investments have a maximum allowable maturity of two years from the date of purchase.

Custodial Credit Risk – Custodial credit risk for investments is the risk that in the event of failure of a depository financial institution or counterparty to a transaction, the City will not recover the value of deposits, investments, or collateral securities that are in the possession of an outside party. The City was not exposed to custodial credit risk at June 30, 2014.

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3 – Due From Other Governments

As of June 30, 2014, due from other governments consisted of the following:

| | General Fund | Special Revenue Fund | Total |
|------------------------|-------------------------|-------------------------------------|--------------|
| State of Maryland | \$ 721,286 | \$ - | \$ 721,286 |
| Prince George's County | 107,022 | 10,215 | 117,237 |
| Other | 12,186 | 40,757 | 52,943 |
| | \$ 840,494 | \$ 50,972 | \$ 891,466 |

Note 4 – Due To/From Other Funds

As of June 30, 2014, due to/from other funds consisted of the following:

| | Interfund Receivables | Interfund Payables |
|-----------------------|----------------------------------|-------------------------------|
| General Fund | \$ 7,378,544 | \$ 7,384,500 |
| Special Revenue Fund | 2,724,894 | 2,437,979 |
| Capital Projects Fund | 4,072,243 | 4,581,755 |
| Debt Service Fund | 228,553 | - |
| | \$ 14,404,234 | \$ 14,404,234 |

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5 – Capital Assets

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|----------------------------|--------------------|-----------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 804,154 | \$ 1,472,845 | \$ - | \$ 2,276,999 |
| Construction in progress | 782,021 | 967,783 | - | 1,749,804 |
| Total Capital Assets Not Being Depreciated | <u>1,586,175</u> | <u>2,440,628</u> | <u>-</u> | <u>4,026,803</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 6,764,827 | 364,695 | - | 7,129,522 |
| Infrastructure | 13,241,098 | 36,150 | - | 13,277,248 |
| Vehicles | 3,258,909 | 201,994 | - | 3,460,903 |
| Machinery and equipment | 4,214,527 | 82,755 | - | 4,297,282 |
| Total Capital Assets Being Depreciated | <u>27,479,361</u> | <u>685,594</u> | <u>-</u> | <u>28,164,955</u> |
| Less -- accumulated depreciation for | | | | |
| Buildings and improvements | 2,745,075 | 119,283 | - | 2,864,358 |
| Infrastructure | 3,108,133 | 806,403 | - | 3,914,536 |
| Vehicles | 2,353,337 | 224,522 | - | 2,577,859 |
| Machinery and equipment | 2,016,032 | 351,909 | - | 2,367,941 |
| Total Accumulated Depreciation | <u>10,222,577</u> | <u>1,502,117</u> | <u>-</u> | <u>11,724,694</u> |
| Total Capital Assets Being Depreciated, Net | <u>17,256,784</u> | <u>(816,523)</u> | <u>-</u> | <u>16,440,261</u> |
| Total Capital Assets, Net | <u><u>\$ 18,842,959</u></u> | <u><u>\$ 1,624,105</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 20,467,064</u></u> |

Summary of fiscal year 2014 depreciation:

| | |
|-----------------------------------|----------------------------|
| General Government | \$ 139,229 |
| Public Safety | 430,672 |
| Code | 10,619 |
| Public Works | 857,578 |
| Parks | 53,813 |
| Recreation | 10,206 |
| Total Depreciation Expense | <u><u>\$ 1,502,117</u></u> |

Construction Commitments

The City has outstanding commitments for construction contracts at year-end. The commitments represent the difference between the contract prices of the various projects and the amounts incurred on each contract. As of June 30, 2014, the capital project fund and the general fund have construction commitments of \$562,165 and \$148,404, respectively that were considered outstanding.

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 6 – Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2014, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|----------------------|---------------------|---------------------|----------------------|--------------------------------|
| Governmental activities | | | | | |
| Bonds and notes payable | | | | | |
| General obligation debt and notes payable | \$ 12,585,401 | \$ - | \$ 1,156,450 | \$ 11,428,951 | \$ 1,465,996 |
| Capital lease obligations | 274,321 | - | 124,383 | 149,938 | 82,847 |
| Total Bonds and Notes Payable | <u>12,859,722</u> | <u>-</u> | <u>1,280,833</u> | <u>11,578,889</u> | <u>1,548,843</u> |
| Other liabilities | | | | | |
| OPEB liability | 2,684,387 | 1,033,000 | 231,526 | 3,485,861 | - |
| Compensated absences | 342,060 | 1,885 | - | 343,945 | 258,735 |
| Total Noncurrent Liabilities | <u>\$ 15,886,169</u> | <u>\$ 1,034,885</u> | <u>\$ 1,512,359</u> | <u>\$ 15,408,695</u> | <u>\$ 1,807,578</u> |

General Obligation Bonds

During the year ended June 30, 2005, the City issued a public improvements bond of \$1,600,000. The bond has been issued for a term of 15 years with an interest rate of 3.363%. The outstanding principal balance at June 30, 2014 was \$639,999.

Remaining payments are as follows:

| For the Years Ending June 30 | Principal | Interest | Total |
|---------------------------------|-------------------|------------------|-------------------|
| 2015 | \$ 106,667 | \$ 20,626 | \$ 127,293 |
| 2016 | 106,667 | 17,039 | 123,706 |
| 2017 | 106,667 | 13,452 | 120,119 |
| 2018 | 106,667 | 9,865 | 116,532 |
| 2019 | 106,667 | 6,277 | 112,944 |
| thereafter | 106,664 | 2,675 | 109,339 |
| | <u>\$ 639,999</u> | <u>\$ 69,934</u> | <u>\$ 709,933</u> |

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 6 – Noncurrent Liabilities (continued)

General Obligation Bonds (continued)

During the year ended June 30, 2006, the City issued a public improvements bond of \$2,400,000. The bond has been issued for a term of 15 years with an interest rate of 4.15%. The outstanding principal balance at June 30, 2014 was \$1,073,337. Remaining payments are as follows:

| For the Years Ending | | | |
|-----------------------------|---------------------|-------------------|---------------------|
| June 30 | Principal | Interest | Total |
| 2015 | \$ 153,333 | \$ 44,543 | \$ 197,876 |
| 2016 | 153,333 | 38,180 | 191,513 |
| 2017 | 153,333 | 31,817 | 185,150 |
| 2018 | 153,333 | 25,454 | 178,787 |
| 2019 | 153,333 | 19,090 | 172,423 |
| thereafter | 306,672 | 19,090 | 325,762 |
| | <u>\$ 1,073,337</u> | <u>\$ 178,174</u> | <u>\$ 1,251,511</u> |

During the year ended June 30, 2008, the City issued a public improvement bond of \$5,852,000. The bond has been issued for a term of 15 years with an interest rate of 3.67%. The outstanding principal balance at June 30, 2014 was \$3,512,418. Remaining payments are as follows:

| For the Years Ending | | | |
|-----------------------------|---------------------|-------------------|---------------------|
| June 30 | Principal | Interest | Total |
| 2015 | \$ 390,133 | \$ 121,702 | \$ 511,835 |
| 2016 | 390,133 | 107,384 | 497,517 |
| 2017 | 390,133 | 93,066 | 483,199 |
| 2018 | 390,133 | 78,749 | 468,882 |
| 2019 | 390,133 | 64,431 | 454,564 |
| thereafter | 1,561,753 | 114,539 | 1,676,292 |
| | <u>\$ 3,512,418</u> | <u>\$ 579,871</u> | <u>\$ 4,092,289</u> |

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 6 – Noncurrent Liabilities (continued)

General Obligation Bonds (continued)

During the year ended June 30, 2010, the City issued a public improvement bond of \$650,000. The bond has been issued for a term of 15 years with an interest rate of 4.01%. The outstanding principal balance at June 30, 2014 was \$476,667. Remaining payments are as follows:

| For the Years Ending June 30 | Principal | Interest | Total |
|---|-------------------|-------------------|-------------------|
| 2015 | \$ 43,333 | \$ 19,114 | \$ 62,447 |
| 2016 | 43,333 | 17,377 | 60,710 |
| 2017 | 43,333 | 15,639 | 58,972 |
| 2018 | 43,333 | 13,901 | 57,234 |
| 2019 | 43,333 | 12,164 | 55,497 |
| thereafter | 260,002 | 36,491 | 296,493 |
| | <u>\$ 476,667</u> | <u>\$ 114,686</u> | <u>\$ 591,353</u> |

During the year ended June 30, 2011, the City issued public improvement bonds of \$4,144,062. Series A for \$50,120 was issued for a term of 5 years and Series B for \$4,093,945 was issued for a term of 15 years with an interest rate of 3.12%. The outstanding principal balance at June 30, 2014 was \$10,300 and \$3,153,200, respectively.

Remaining payments are as follows:

| For the Years Ending June 30 | Principal | Interest | Total |
|---|---------------------|-------------------|---------------------|
| 2015 | \$ 255,000 | \$ 104,170 | \$ 359,170 |
| 2016 | 250,500 | 98,243 | 348,743 |
| 2017 | 256,500 | 92,632 | 349,132 |
| 2018 | 265,000 | 84,655 | 349,655 |
| 2019 | 273,500 | 76,254 | 349,754 |
| thereafter | 1,863,000 | 251,919 | 2,114,919 |
| | <u>\$ 3,163,500</u> | <u>\$ 707,873</u> | <u>\$ 3,871,373</u> |

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 6 – Noncurrent Liabilities (continued)

General Obligation Bonds (continued)

During the year ended June 30, 2013, the City issued a public improvement bond of \$2,500,000. The bond has been issued for a term of 15 years with an interest rate of 2.48%. The outstanding principal balance at June 30, 2014 was \$2,198,000. Remaining payments are as follows:

| For the Years Ending | | | |
|-----------------------------|---------------------|-------------------|---------------------|
| June 30 | Principal | Interest | Total |
| 2015 | \$ 152,500 | \$ 48,279 | \$ 200,779 |
| 2016 | 154,500 | 46,662 | 201,162 |
| 2017 | 156,000 | 44,716 | 200,716 |
| 2018 | 158,400 | 42,594 | 200,994 |
| 2019 | 160,500 | 40,202 | 200,702 |
| thereafter | 1,416,100 | 187,698 | 1,603,798 |
| | <u>\$ 2,198,000</u> | <u>\$ 410,151</u> | <u>\$ 2,608,151</u> |

Notes Payable

SunTrust Bank, Inc. – Prior to 2003, the City was financing its unfunded retirement obligation through the State of Maryland. During 2003, the City decided to refinance this \$659,000 obligation with SunTrust Bank, Inc. at 3.25% with semi-annual payments of \$33,380. The note is collateralized by the full faith and credit of the City. The note matures on March 31, 2015. At June 30, 2014, the outstanding balance is \$65,030.

Department of Housing and Community Development Note – On July 30, 2005, the City entered into a note agreement with the Department of Housing and Community Development to borrow \$300,000. The purpose of the loan is for the funding of the Neighborhood Intervention projects. Payments on principal and interest at zero percent (0%) per annum are deferred until December 15, 2015. The loan will only need to be repaid under certain conditions which, if they occur, another party is responsible for the repayment of the loan. As of June 30, 2014, the outstanding balance is \$300,000. A corresponding receivable has been recorded for this liability.

Payments on the notes are as follows:

| For the Years Ending | | | |
|-----------------------------|-------------------|-----------------|-------------------|
| June 30 | Principal | Interest | Total |
| 2015 | \$ 365,030 | \$ 1,685 | \$ 366,715 |
| | <u>\$ 365,030</u> | <u>\$ 1,685</u> | <u>\$ 366,715</u> |

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Capital Lease Obligations

The City is obligated under a lease-purchase agreement for public works and police vehicles and equipment that have been capitalized for government-wide financial statement purposes. Under the terms of the agreement, the City has the option to purchase the vehicles and/or equipment for the remaining principal balance at any time during the term of the lease. Remaining payments are as follows:

| For the Years Ending June 30 | Principal | Interest | Total |
|---------------------------------|------------|----------|------------|
| 2015 | \$ 82,847 | \$ 4,380 | \$ 87,227 |
| 2016 | 67,091 | 2,173 | 69,264 |
| | \$ 149,938 | \$ 6,553 | \$ 156,491 |

The gross amount of assets under the outstanding capitalized leases included in machinery and equipment was \$612,977 at June 30, 2014. The amount of accumulated depreciation related to these assets was \$217,660 as of June 30, 2014.

Note 7 – Employee Retirement Plans

Plan Description

The employees of the City are covered by the Maryland State Retirement Agency (MSRA), a multiple-employer cost-sharing pension system. The plan has certain characteristics of a multi-employer agent plan in that the assets of the individual entities participating in the plan are tracked separately.

All employees of the City whose positions are considered classified, meaning that these positions have been adopted in the budget and approved by City Council, and all police officers who have been certified in the State of Maryland are eligible to participate in the plan upon their date of hire.

During the 1999 legislative session, the Maryland General Assembly created, effective, July 1, 1998, the “Contributory Pension System.” Prior to this date, all employees except for police officers were members of either the “Employees’ Retirement System of the State of Maryland” or the “Non-contributory Pension System.”

Employees who were members of the “Non-contributory Pension System” were compelled to join the “Contributory Pension System” (CPS) if the municipality in which they were employed opted to join. The City opted to join the CPS on June 10, 1999. The Employees’ Retirement System and the Contributory Pension System were combined to form one plan.

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

CPS provides retirement, death, and disability benefits to members, who are required to have at least 90 years of combined age and years of eligibility service. Members of CPS may apply for early retirement benefits at age 60 with a minimum of 15 years of service or at age 65 with 10 years.

For police officers, the Maryland General Assembly created the “Law Enforcement Officers Pension System” (LEOPS) during its 2003 legislative session. LEOPS was made effective retroactive to July 1, 2002. All certified law enforcement officers were compelled to join either the LEOPS Retirement or LEOPS Pension System if the municipality in which they worked opted to join. The Law Enforcement Officer Retirement and Pension Systems were established to cover police officers who are certified in the State of Maryland. All police officers are eligible to participate in the plan upon their date of hire.

LEOPS provides retirement, death, and disability benefits. A member of the LEOPS may retire as early as age 50 with 15 years of service or retire after 25 years of service regardless of age. Benefits vest after five years of service. The Maryland State Retirement Agency issues a comprehensive annual financial report for the State Retirement and Pension System of Maryland. This report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by calling (410) 625-5555.

Funding Policy

The “Retirement, Pension and LEOPS Systems” (collectively, the “Systems”) are jointly contributory. Under the “Retirement System and LEOPS Retirement System,” employees contribute 4% to 7% of their base salary. In the “Contributory Pension System” employees contribute 5% of their base salary. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance. Annually appropriated employer contribution rates for the retirement benefits are determined using the entry age normal cost method.

The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability.

Contributions Required and Made

The City’s contributions, totaling \$989,612 or 16.7% of covered payroll for fiscal year 2014, were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2014. A three-year trend of the City’s annual pension cost is as follows:

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 7 – Employee Retirement Plans (continued)

| Fiscal Year Ending | Total Annual Pension Cost (APC) | APC Contributed by the City | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|---------------------------------------|-----------------------------------|-------------------------------------|------------------------------|
| June 30, 2014 | \$ 989,612 | \$ 989,612 | 100.0% | \$0 |
| June 30, 2013 | 883,785 | 883,785 | 100.0% | 0 |
| June 30, 2012 | 1,039,649 | 1,039,649 | 100.0% | 0 |

Savings Plans

457 Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In accordance with the provisions of IFC Section 457(g), assets of the plan are in trust for the exclusive benefit of participants and their beneficiaries. The City does not own the amounts deferred by employees, or the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not reflected in the City's financial statements.

401(A) Money Purchase Plan

The City established a 401(A) Money Purchase Plan. All full and part time civilian employees are eligible to participate. Under the plan, the City will match employee contributions to the 457 Deferred Compensation Plan up to 5% of gross salary. The matching contribution will be placed in the 401(A) Money Purchase Plan. In addition, the City will contribute an additional 5% (above the 5% match) for all employees in the Maryland State Retirement Plan. The City's cost to fund the 401(A) Money Purchase Plan in fiscal year 2014 was \$200,614. Employees become fully vested after five years of service. The City receives the 5% share back as a refund when employees leave prior to completing five years of service. The City receives its vested share back as a refund when employees leave employment prior to five years. All amendments to the City of Hyattsville's 401(A) Money Purchase Plan must be approved by the Hyattsville City Council.

CITY OF HYATTSVILLE, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Investments are managed by ICMA-Retirement Corporation under one or a combination of various investment options. The choice of investment option is made by the participant. Plan assets and related earnings are not reflected in the City’s financial statements.

Note 8 – Special Obligation Bond

On August 1, 2004, the City issued bonds designated “City of Hyattsville Special Obligation Bonds (University Town Center Project) Series 2004” in the amount of \$18,000,000. The bond proceeds were used to finance the construction of public improvements in a special taxing district. The bonds bear an initial interest rate of 5% through September 1, 2017, at which time the rate adjusts to 5.75% through September 1, 2034. While the City is the issuer of the bonds, the bonds do not carry the full faith obligation of the City. The City’s obligation does not extend beyond the collections of real estate property taxes generated from tax increment revenues and special tax revenues from the property owners in the special taxing district and making those revenue collections available for the bond holders.

Note 9 – Other Post-Employment Benefits (OPEB)

The City provides medical and dental insurance benefits to eligible employees who retire from employment with the City. Pre-Medicare retirees (age 64 or younger) may choose between several medical plans including PPO, HMO, and POS plans. There are separate plans for prescription drugs and dental insurances. The City subsidizes the retiree and spouse/dependent premiums based on years of service as follows:

| Years of Service | Subsidy Percent |
|------------------------|--------------------|
| 0 – 4 | 0% |
| 5 – 15 | 8.33% per year |
| 16 | 100% |

The maximum subsidy that may be received for retiree insurance is as follows:

- 80% for retirees age 64 or younger
- 100% for retirees age 65 or older
- 80% for dental and prescription drug coverage.

Surviving spouses are eligible to participate in the plan, but must pay the full premium. Disabled participants are eligible to receive the subsidy listed above. As of June 30, 2014, 31 eligible participants were receiving benefits.

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

Funding Policy and Funded Progress

The City’s annual other post-employment benefit 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 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 (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation for fiscal years 2014, 2013 and 2012:

| | June 30, 2014 | June 30, 2013 | June 30, 2012 |
|--|----------------------------|----------------------------|----------------------------|
| Annual required contribution | \$ 1,039,000 | \$ 973,000 | \$ 909,000 |
| Interest on net OPEB obligation | 101,000 | 74,000 | 48,000 |
| Net OPEB obligation amortization | <u>(107,000)</u> | <u>(75,000)</u> | <u>(48,000)</u> |
| Annual OPEB cost (expense) | 1,033,000 | 972,000 | 909,000 |
| Contributions made | <u>(231,526)</u> | <u>(213,781)</u> | <u>(270,000)</u> |
| Increase in net OPEB obligation | 801,474 | 758,219 | 639,000 |
| Net OPEB obligation - beginning of year | <u>2,684,387</u> | <u>1,926,128</u> | <u>1,287,168</u> |
| Net OPEB obligation - end of year | <u><u>\$ 3,485,861</u></u> | <u><u>\$ 2,684,347</u></u> | <u><u>\$ 1,926,168</u></u> |

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years are presented below.

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|------------------------|---|---------------------------|
| 06/30/2012 | 909,000 | 29.7% | 1,926,168 |
| 06/30/2013 | 972,000 | 22.0% | 2,684,387 |
| 06/30/2014 | 1,033,000 | 22.4% | 3,485,861 |

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

As of the date of this report, the most recent valuation has been performed with a valuation date of July 1, 2013 and covers the valuation plan years beginning July 1, 2013 through July 1, 2015. The funded status of the plan as of July 1, 2014, is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL) (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a Percentage of Covered Payroll ((B-A)/C) |
|--------------------------------|--|---|------------------------------------|--------------------------|-----------------------------|---|
| 6/30/2014 | \$ - | \$ 11,387,000 | \$ 11,387,000 | 0% | \$ 5,959,068 | 191.09% |

The required schedule of funding progress 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 liability for benefits.

Actuarial Assumptions

The actuarial methods and significant assumptions used by the actuary are summarized to conform to the disclosure requirements for GASB statements 43 and 45. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates made about the future.

The projection of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point.

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

| | |
|---------------------------|-------------------------|
| Actuarial Valuation Date: | 7/1/2014 |
| Actuarial Cost Method: | Projected Unit Credit |
| Amortization Method: | Closed |
| Amortization Period: | 30 (as of July 1, 2009) |
| Asset Valuation Method: | Market Value of Assets |
| Actuarial Assumptions | |
| Discount Rate: | 4.00% |
| Payroll Increase: | 3.50% |

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

Medical Trend: Based on Society of Actuaries Long Term Medical Trend Model, the initial rate is 8.00% decreasing gradually. The rate in 2050 is 5.00%.

Note 10 – Commitments and Contingencies

Grant Compliance – The City participates in a number of state and federally assigned grant programs, which are subject to financial and compliance audits by the grantors or their representatives. Disallowed claims, if any, may constitute a liability of the applicable fund. The claims, which may be disallowed, cannot be currently determined. Management expects, if any claims disallowed, the amount would be immaterial.

Litigation – The City is subject to various legal proceedings. In the opinion of the City Attorney, the potential liability arising from claims against the City not covered by insurance, would not materially affect the financial statements.

Note 11 – Deficit Balances

The City had no deficits in any of the major funds for year end June 30, 2014.

Note 12 – New Governmental Accounting Standards Board Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2014, that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

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.

Statement No. 72, *Fair Value Measurement and Application*, issued November 2013, effective for fiscal years beginning after June 15, 2015.

CITY OF HYATTSVILLE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not reported with the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB 67 and 68*, issued June 2015, effective for fiscal years beginning after June 15, 2015.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans and Other Pension Plans*, issued June 2015, effective for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, issued June 2015, effective for fiscal years beginning after June 15, 2017.

Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015, effective for fiscal years beginning after June 15, 2015.

Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, effective for fiscal years beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Multi-Employer Defined Benefit Pension Plans* issued December 2015, effective for fiscal years beginning after December 15, 2015.

Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued December 2015, effective for fiscal years beginning after June 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* issued January 2016, effective for fiscal years beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split – Interest Agreements*, issued March 2016, effective for fiscal years beginning after December 31, 2016.

Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, issued March 2016, effective for fiscal years beginning after June 15, 2016.

CITY OF HYATTSVILLE, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

CITY OF HYATTSVILLE, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance - Favorable (Unfavorable) |
|---|---------------------|---------------------|----------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| Real Property | \$ 10,070,000 | \$ 10,070,000 | \$ 10,141,828 | \$ 71,828 |
| Personal Property | 301,800 | 301,800 | 647,244 | 345,444 |
| Railroads and public utilities | 750,000 | 750,000 | 792,389 | 42,389 |
| Penalties and interest | - | - | 42,087 | 42,087 |
| Income tax | 1,400,000 | 1,400,000 | 1,736,564 | 336,564 |
| Admissions and amusement | 350,000 | 350,000 | 455,048 | 105,048 |
| Total taxes | <u>12,871,800</u> | <u>12,871,800</u> | <u>13,815,160</u> | <u>943,360</u> |
| Licenses and permits | 628,450 | 628,450 | 646,523 | 18,073 |
| Intergovernmental | 649,420 | 649,420 | 615,708 | (33,712) |
| Service charges | 133,300 | 133,300 | 126,599 | (6,701) |
| Fines and forfeitures | 168,000 | 168,000 | 291,413 | 123,413 |
| Miscellaneous | 36,405 | 36,405 | 197,502 | 161,097 |
| Total Revenues | <u>14,487,375</u> | <u>14,487,375</u> | <u>15,692,905</u> | <u>1,205,530</u> |
| Expenditures | | | | |
| Current: | | | | |
| Legislative | 256,100 | 256,100 | 322,827 | (66,727) |
| General Government | 2,693,720 | 2,693,720 | 1,928,296 | 765,424 |
| Public safety | | | | |
| Police services | 6,031,175 | 6,031,175 | 5,771,297 | 259,878 |
| Volunteer fire department | 50,000 | 50,000 | 50,000 | - |
| Code enforcement | 376,980 | 376,980 | 366,093 | 10,887 |
| Public works | 3,764,620 | 3,764,620 | 3,220,849 | 543,771 |
| Parks | 206,985 | 206,985 | 182,228 | 24,757 |
| Recreation | 300,960 | 300,960 | 372,973 | (72,013) |
| Community development | 152,560 | 152,560 | 200,497 | (47,937) |
| Capital outlays | - | - | 41,220 | (41,220) |
| Total Expenditures | <u>13,833,100</u> | <u>13,833,100</u> | <u>12,456,280</u> | <u>1,376,820</u> |
| Excess of Revenues Over Expenditures | <u>654,275</u> | <u>654,275</u> | <u>3,236,625</u> | <u>2,582,350</u> |
| Other Financing Uses | | | | |
| Transfers to other funds | <u>(1,754,275)</u> | <u>(1,754,275)</u> | <u>(1,677,587)</u> | <u>76,688</u> |
| Total Other Financing Uses | <u>(1,754,275)</u> | <u>(1,754,275)</u> | <u>(1,677,587)</u> | <u>76,688</u> |
| Net Change in Fund Balances | (1,100,000) | (1,100,000) | 1,559,038 | 2,659,038 |
| Fund Balances - Beginning of the Year | <u>9,657,223</u> | <u>9,657,223</u> | <u>9,657,223</u> | <u>-</u> |
| Fund Balances - End of the Year | <u>\$ 8,557,223</u> | <u>\$ 8,557,223</u> | <u>\$ 11,216,261</u> | <u>\$ 2,659,038</u> |

Note: Budgeted amounts for capital outlays are included in current expenditures.

CITY OF HYATTSVILLE, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUND
For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance - |
|---|--------------------|--------------------|-------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| Revenues | | | | |
| Intergovernmental | \$ 225,681 | \$ 225,681 | \$ 368,810 | \$ 143,129 |
| Charges for service | 405,000 | 405,000 | 153,376 | (251,624) |
| Fines and forfeitures | 288,000 | 288,000 | 547,288 | 259,288 |
| Miscellaneous | - | - | 6,029 | 6,029 |
| Total Revenues | <u>918,681</u> | <u>918,681</u> | <u>1,075,503</u> | <u>156,822</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public safety | | | | |
| Police services | 364,886 | 364,886 | 428,725 | (63,839) |
| Speed camera | 276,860 | 276,860 | 146,893 | 129,967 |
| Recreation | 19,000 | 19,000 | 19,051 | (51) |
| Community development | 126,681 | 126,681 | 349,943 | (223,262) |
| Total Expenditures | <u>787,427</u> | <u>787,427</u> | <u>944,612</u> | <u>(157,185)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>131,254</u> | <u>131,254</u> | <u>130,891</u> | <u>(363)</u> |
| Other Financing Uses | | | | |
| Transfers to other funds | (166,905) | (166,905) | - | (166,905) |
| Total Other Financing Uses | <u>(166,905)</u> | <u>(166,905)</u> | <u>-</u> | <u>(166,905)</u> |
| Net change in fund balance | <u>(35,651)</u> | <u>(35,651)</u> | <u>130,891</u> | <u>166,542</u> |
| Fund Balance - Beginning of the Year | <u>19,745</u> | <u>19,745</u> | <u>19,745</u> | <u>-</u> |
| Fund Balances - End of the Year | <u>\$ (15,906)</u> | <u>\$ (15,906)</u> | <u>\$ 150,636</u> | <u>\$ 166,542</u> |

CITY OF HYATTSVILLE, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance - Favorable (Unfavorable) |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 350,000 | \$ 350,000 | \$ 457,362 | \$ 107,362 |
| Miscellaneous | | | | |
| Interest | - | - | 616 | 616 |
| Other miscellaneous | 15,000 | 15,000 | 112,760 | 97,760 |
| Total Revenues | <u>365,000</u> | <u>365,000</u> | <u>570,738</u> | <u>205,738</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 223,000 | 223,000 | - | 223,000 |
| Public safety | | | | |
| Police services | 2,174,750 | 2,174,750 | 23,633 | 2,151,117 |
| Public works | 2,975,000 | 2,975,000 | 82,581 | 2,892,419 |
| Parks | - | - | - | - |
| Community development | - | - | 37,016 | (37,016) |
| Capital outlays | - | - | 2,305,806 | (2,305,806) |
| Total Expenditures | <u>5,372,750</u> | <u>5,372,750</u> | <u>2,449,036</u> | <u>2,923,714</u> |
| Deficiency of Revenues Over Expenditures | <u>(5,007,750)</u> | <u>(5,007,750)</u> | <u>(1,878,298)</u> | <u>3,129,452</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers from other funds | 214,750 | 214,750 | - | (214,750) |
| General obligation bond proceeds | 4,050,000 | 4,050,000 | - | (4,050,000) |
| Lease/purchase financing proceeds | 160,000 | 160,000 | - | (160,000) |
| Total Other Financing Sources (Uses) | <u>4,424,750</u> | <u>4,424,750</u> | <u>-</u> | <u>(4,424,750)</u> |
| Net Change in Fund Balances | (583,000) | (583,000) | (1,878,298) | (1,295,298) |
| Fund Balances - Beginning of the Year | <u>5,959,066</u> | <u>5,959,066</u> | <u>5,959,066</u> | <u>-</u> |
| Fund Balances - End of the Year | <u>\$ 5,376,066</u> | <u>\$ 5,376,066</u> | <u>\$ 4,080,768</u> | <u>\$ (1,295,298)</u> |

Note: Budgeted amounts for capital outlays are included in current expenditures.

CITY OF HYATTSVILLE, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE FUND
For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance - Favorable (Unfavorable) |
|---|--------------------|--------------------|--------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Miscellaneous | \$ - | \$ - | \$ - | \$ - |
| Total Revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | 1,706,430 | 1,706,430 | 1,280,833 | 425,597 |
| Interest | - | - | 396,754 | (396,754) |
| Total Expenditures | <u>1,706,430</u> | <u>1,706,430</u> | <u>1,677,587</u> | <u>28,843</u> |
| Deficiency of Revenues Over Expenditures | <u>(1,706,430)</u> | <u>(1,706,430)</u> | <u>(1,677,587)</u> | <u>28,843</u> |
| Other Financing Sources | | | | |
| Transfers from other funds | 1,706,430 | 1,706,430 | 1,677,587 | (28,843) |
| Total Other Financing Sources | <u>1,706,430</u> | <u>1,706,430</u> | <u>1,677,587</u> | <u>(28,843)</u> |
| Net Change in Fund Balances | - | - | - | - |
| Fund Balances - Beginning of the Year | <u>228,553</u> | <u>228,553</u> | <u>228,553</u> | <u>-</u> |
| Fund Balances - End of the Year | <u>\$ 228,553</u> | <u>\$ 228,553</u> | <u>\$ 228,553</u> | <u>\$ -</u> |

CITY OF HYATTSVILLE, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended, June 30, 2014

Budgetary Information

Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue fund, the capital projects fund, and the debt service fund. The City Council approved, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent transfer of funds between major appropriations for different purposes must be approved by the Council before becoming effective. All appropriations lapse at the end of the budget year to the extent that they shall not have been expended or lawfully encumbered. Any unexpended and unencumbered funds shall be considered a surplus at the end of the budget year and shall be included among the anticipated revenues of the next succeeding year. The original budget was amended twelve times during the year.

Reconciliation of Budgetary Basis and GAAP Basis

While the City reports financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Comparative Statement of Budgeted and Actual Revenues and Expenditures Non-GAAP Budgetary Basis is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

| | General Fund | Special Revenue Fund | Capital Projects Fund |
|---|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Actual expenditures non-GAAP budgetary basis | \$ 12,456,280 | \$ 944,612 | \$ 2,449,036 |
| Encumbrance adjustment, net | 38,049 | (146,558) | 779,196 |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances | <u>\$ 12,494,329</u> | <u>\$ 798,054</u> | <u>\$ 3,228,232</u> |

**CITY OF HYATTSVILLE, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended, June 30, 2014**

Other Post-Employment Benefit Plan Schedule –

Schedule of Funding Progress

Historical trend information about the other post-employment benefit (OPEB) plan is presented herewith as required supplementary information. This information is intended to help users assess OPEB plan funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employees' OPEB plans. The amount shown in the historical trend information as the "actuarial accrued liability" is a measure of the present value of benefits, adjusted for the effects of future employment, mortality, and the healthcare cost trend as a result of employee service to date.

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL) (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a Percentage of Covered Payroll ((B-A)/C) |
|--------------------------------|--|---|------------------------------------|--------------------------|-----------------------------|---|
| 6/30/2014 | \$ - | \$ 11,387,000 | \$ 11,387,000 | 0% | \$ 5,959,068 | 191.09% |
| 6/30/2013 | - | 10,714,000 | 10,714,000 | 0% | 5,687,028 | 188.39% |
| 6/30/2012 | - | 11,292,000 | 11,292,000 | 0% | 5,704,209 | 197.96% |
| 6/30/2011 | - | 10,697,000 | 10,697,000 | 0% | 5,566,408 | 192.17% |
| 6/30/2010 | - | 10,140,000 | 10,140,000 | 0% | 5,729,630 | 176.97% |

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and funded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides an indication of the City's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Trends in the funded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the funded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the City's progress made in accumulating sufficient assets to pay benefits when due. Generally, a higher percentage strengthens the plan. The actuarial valuation for the plan year beginning July 1, 2013 is the most recent valuation, which corresponds to fiscal year 2014.