

City of Hyattsville, Maryland

Financial Statements
(with Supplementary Information)
and Independent Auditor's Report

June 30, 2019

City of Hyattsville, Maryland

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Independent Auditor's Report

To the Mayor and 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hyattsville, Maryland, as of June 30, 2019, 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 on pages 4 through 13, budgetary comparison schedules on pages 51 through 54, Schedule of Required OPEB-Related Supplementary Information on page 56 and Schedules of Required Pension Related Supplementary Information on pages 57 and 58 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 July 8, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hyattsville, Maryland's 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
July 8, 2021

City of Hyattsville, Maryland

Management's Discussion And Analysis June 30, 2019

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, 2019. 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 2019 financial statements and its fiscal position at the end of the current fiscal year.

The City participates in the Maryland State Retirement and Pension System ("MSRPS") and the Law Enforcement Officer Pension System ("LEOPS"). The City qualifies as a Participating Governmental Unit ("PGU") as a result of participating in these Pension Systems.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,722,397 (net position). Unrestricted net position - the part of net assets that can be used to finance day-to-day operations changed from \$(12,474,746) at June 30, 2018 to \$(14,214,454).
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$17,370,904, an increase of \$660,827 in comparison to prior fiscal year.
- At the end of fiscal year 2019, unassigned fund balance for the general fund is \$20,049,157 or 125% of total general fund expenditures.
- The City's total debt increased by \$2,841,681, due primarily to increases in the net OPEB and pension liabilities.

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 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).

City of Hyattsville, Maryland

Management's Discussion And Analysis June 30, 2019

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 14-16 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 funds. The City has no proprietary or fiduciary 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 fund balance sheet and the governmental fund 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.

- 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 fund balance sheet and in the governmental fund 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.

City of Hyattsville, Maryland

**Management's Discussion And Analysis
June 30, 2019**

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.

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 - 50** 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 56** 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. In the case of the City, assets exceeded liabilities by \$6,522,397 at the close of the most recent fiscal year.

**City of Hyattsville
Condensed Statement of Net Position**

	Governmental Activities	
	2019	2018
Current and Other Assets	\$ 20,611,511	\$ 20,438,243
Capital Assets	23,727,404	22,836,783
Total Assets	\$ 44,338,915	\$ 43,275,026
Deferred outflows	\$ 5,324,717	\$ 2,716,881
Long-term Liabilities	\$ 38,688,725	\$ 35,847,044
Other Liabilities	2,826,819	3,298,248
Total Liabilities	\$ 41,515,544	\$ 39,145,292
Deferred inflows	\$ 1,425,691	\$ 1,455,751
Net Position		
Net investment in capital assets	\$ 17,408,307	\$ 15,071,206
Restricted	3,528,544	2,794,404
Unrestricted	(14,214,454)	(12,474,746)
Total Net position	\$ 6,722,397	\$ 5,390,864

City of Hyattsville, Maryland

Management's Discussion And Analysis June 30, 2019

One of the largest portions of the City's net position 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 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 (54%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position 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 \$1,331,535 during the current fiscal year.
- The City reported a negative balance in unrestricted net assets due to the increase in the City's OPEB and pension liability.

Governmental Activities

Revenues from governmental revenue activities increased by \$865,570 in the current fiscal year and is mainly attributed to the following:

- Property taxes increased by \$745,298 and is attributable to an increase in the assessable real property base for the fiscal period.
- City income taxes increased by \$493,671 or 15%, although the City did not receive any additional one-time payments during this fiscal period.
- Charges for services decreased by \$289,978 due to decreased collections of speed camera citations.

Expenses of governmental activities decreased by \$555,560 in fiscal year 2019 and are attributed mainly to the following:

- Public Safety expenses of \$9,199,944 increased by \$335,149, and is 44% of total expenses. This increase is due mostly to filling vacant positions, funding associated benefits and required increases in maintenance agreements.
- General government expenses of \$5,037,367 increased by \$525,337 and is 24% of total expenses. This increase is attributed to ongoing renovation of the DPW Facility.
- Public works expenses of \$3,955,485 decreased by \$1,402,961 due to the completion of certain projects.

City of Hyattsville, Maryland

**Management's Discussion And Analysis
June 30, 2019**

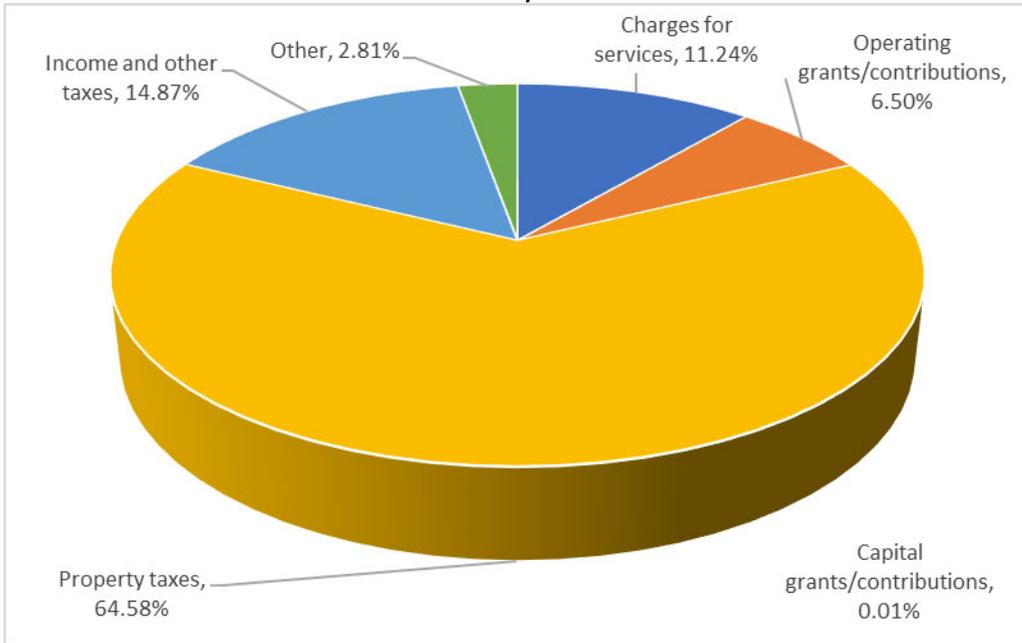
The following table provides a detailed breakdown of the City's revenues, expenses, and changes in net position for the years ended June 30, 2019 and 2018.

	Governmental Activities	
	2019	2018
Revenue		
Program revenue:		
Charges for services	\$ 2,535,887	\$ 2,825,865
Operating grants/contributions	1,611,158	1,534,176
Capital grants/contributions	1,500	1,500
General revenue:		
Property taxes	14,056,938	13,311,640
Income and other taxes	3,230,691	2,737,020
Investment income	459,644	307,846
Gain on sale of capital assets	- 0 -	9,078
Other	150,044	453,167
Total revenue	<u>22,045,862</u>	<u>21,180,292</u>
Expenses		
Legislative	505,091	414,708
General government	5,037,367	4,512,030
Public safety	9,199,944	8,864,795
Public works	3,955,485	5,358,446
Parks and community services	1,429,954	1,135,709
Community development	339,853	699,518
Interest	246,635	284,683
Total expenses	<u>20,714,329</u>	<u>21,269,889</u>
Increase (decrease) in net position	<u>1,331,533</u>	<u>(89,597)</u>
Net position, beginning of year	<u>5,390,864</u>	<u>5,480,461</u>
Net position, end of year	<u>\$ 6,722,397</u>	<u>\$ 5,390,864</u>

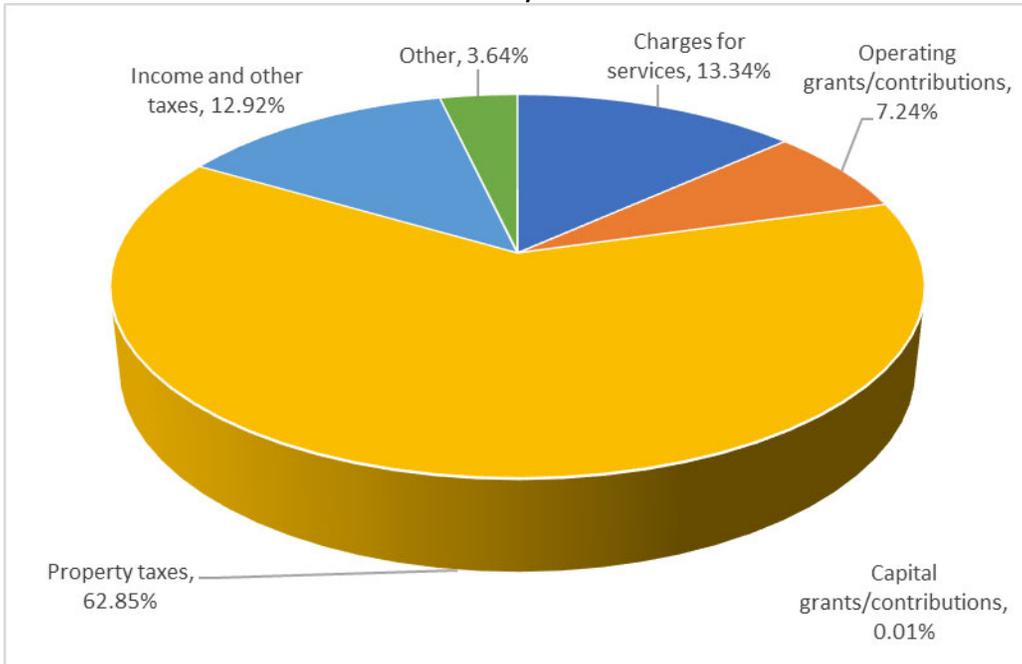
City of Hyattsville, Maryland

**Management's Discussion And Analysis
June 30, 2019**

**Revenues by Source
June 30, 2019**



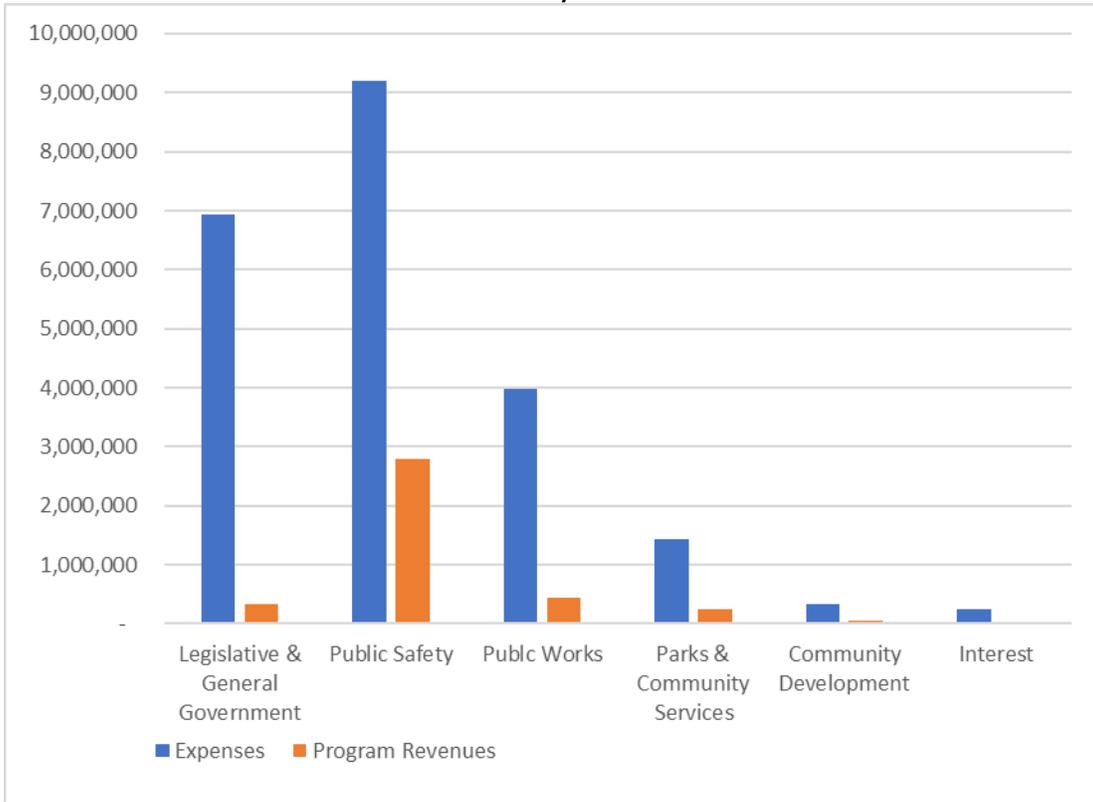
**Revenues by Source
June 30, 2018**



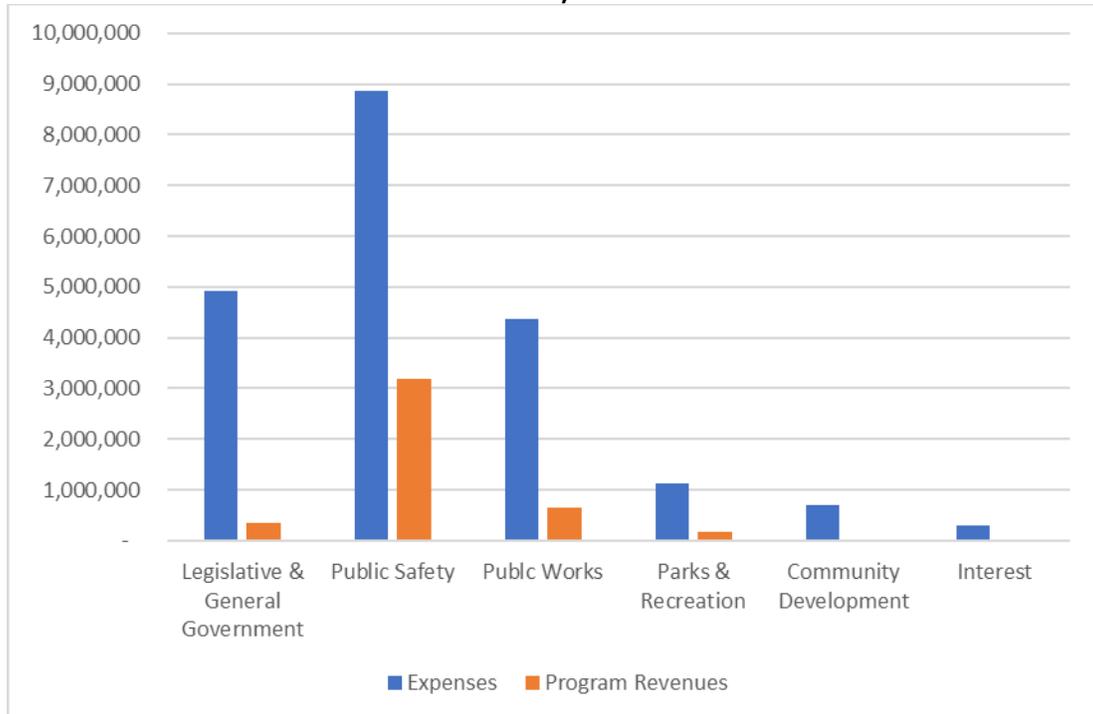
City of Hyattsville, Maryland

**Management's Discussion And Analysis
June 30, 2019**

**Expenses and Program Revenues
June 30, 2019**



**Expenses and Program Revenues
June 30, 2018**



City of Hyattsville, Maryland

Management's Discussion And Analysis June 30, 2019

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 ongoing construction projects with no offsetting bond issuances for fiscal year 2019.

The fund balance in the debt service fund did not change during the fiscal year 2019. This fund is funded by a transfer from the general fund and as a general rule there is no change in the fund balance year over year.

Budgetary Highlights

Original vs. Final

The originally adopted fiscal year 2019 budget was amended during the year.

Capital Asset and Debt Administration

Total Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2019 amounts to \$23,727,404 (net of accumulated depreciation). This investment in capital assets includes land, buildings, site improvements, infrastructure, vehicles, machinery and equipment. The change in the City's net investment in capital assets for fiscal year 2019 and 2018 was \$890,621 and \$935,309 respectively.

The major capital acquisitions/expenditures made during fiscal year 2019 were as follows:

- Nine new patrol vehicles and one zero electric motorcycle for the Police Department.
- One new commercial van for the Code Department.
- One new vehicle, commercial truck and refuse truck for the Department of Public Works.
- Two commercial leaf vacuum mobile units for the Department of Public Works.
- Equipment upgrades for Cable TV Studio Room.
- Complete fitness court for one City park.
- One new portable restroom trailer for one City park.

City of Hyattsville, Maryland

**Management's Discussion And Analysis
June 30, 2019**

Total Capital Assets (Net of Accumulated Depreciation)		
	2019	2018
Land	\$ 2,276,999	\$ 2,276,999
Construction in progress	2,728,466	2,357,694
Buildings	4,989,983	4,877,416
Infrastructure	9,832,260	9,710,469
Vehicles	2,294,941	2,023,588
Machinery and equipment	1,604,755	1,590,617
Total capital assets, net	\$ 23,727,404	\$ 22,836,783

Additional information on the City's capital assets can be found in **Note 5 on page 29** of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total outstanding debt obligations of \$6,319,097, a net pension liability of \$10,575,537, a net OPEB obligation of \$21,272,080, and compensated absences of \$522,011. These entire amounts are backed by the full faith and credit of the government.

Additional information on the City's long-term debt can be found in Note 6 on pages 30 - 33 of this report. Additional information on the City's net pension obligation can be found in Note 7 on pages 33 - 43. Additional information on the City's net OPEB obligation can be found in Note 8 page 43 - 47.

Outstanding Debt		
	2019	2018
General obligation bonds	\$ 5,512,975	\$ 6,640,442
Capital lease obligations	806,122	1,125,133
OPEB liability	21,272,080	18,208,280
Compensated absences	522,011	537,246
Net pension liability	10,575,537	9,335,943
Total	\$ 38,688,725	\$ 35,847,044

The City's total long-term debt increased by \$2,841,681.

Economic Factors and the Fiscal Year 2019 Budget

The State of Maryland ("State") and Prince George's County ("County") project a moderate increase in the economy in fiscal year 2019 as recent State and Local economic data reflects measured growth in regional jobs and in more housing units. As a result, funds being passed through from the State and County to local municipalities will remain consistent with the prior period. Generally noted in previous years, the City has not relied on money from these sources to cover the costs of providing basic services to its citizens. As State and County funds become available, the City's ability to address other projects and initiatives increases through funded State and County grants. Nationally, most economic trends indicate the economy's growth will be higher than the last reporting periods. Similarly, the City's economic future is projected to be reflective of the national economy noted above.

City of Hyattsville, Maryland

Management's Discussion And Analysis June 30, 2019

As reported in the last update, 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, accessibility to the MARC commuter train, the regional highway system plus the City's diversity and overall affordability, it is one of five hottest neighborhoods to live in around the DC area as reported by the Washingtonian magazine.

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, 2019**

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Equity in pooled cash and cash equivalents	\$ 17,551,949
Accounts receivable	
Property taxes - net of allowance	62,880
Due from other governments	1,616,021
Notes receivable	319,265
Other	869,282
Prepaid expenses	166,992
Inventory	10,349
Other assets	<u>14,773</u>
TOTAL CURRENT ASSETS	<u>\$ 20,611,511</u>
CAPITAL ASSETS	
Land - nondepreciable	2,276,999
Construction in progress - nondepreciable	2,728,466
Buildings, infrastructure and equipment	37,440,825
Less: accumulated depreciation	<u>(18,718,886)</u>
TOTAL CAPITAL ASSETS	<u>23,727,404</u>
TOTAL ASSETS	<u>44,338,915</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>5,324,717</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 49,663,632</u></u>

See Notes to Financial Statements.

City of Hyattsville, Maryland

**Statement of Net Position
June 30, 2019**

	<u>Governmental Activities</u>	
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 1,207,366	
Accrued wages and benefits payable	190,438	
Accrued interest	33,090	
Deposits	6,088	
Due to other governments	13,875	
Unearned revenues	1,375,962	
Compensated absences - current portion	373,506	
Long-term obligations - current portion	<u>1,423,063</u>	
TOTAL CURRENT LIABILITIES		\$ 4,623,388
LONG TERM LIABILITIES		
Compensated absences	148,505	
Long-term obligations	4,896,034	
Net OPEB liability	21,272,080	
Net pension liability	<u>10,575,537</u>	
		<u>36,892,156</u>
TOTAL LIABILITIES		<u>41,515,544</u>
DEFERRED INFLOWS OF RESOURCES		<u>1,425,691</u>
NET POSITION		
Net investment in capital assets	17,408,307	
Restricted	3,528,544	
Unrestricted	<u>(14,214,454)</u>	
TOTAL NET POSITION		<u>6,722,397</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		<u><u>\$ 49,663,632</u></u>

See Notes to Financial Statements.

City of Hyattsville, Maryland

**Statement of Activities
Year Ended June 30, 2019**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Total
GOVERNMENTAL ACTIVITIES:						
Legislative	\$ 505,091	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ (505,091)	\$ (505,091)
General government	5,037,367	332,141	- 0 -	- 0 -	(4,705,226)	(4,705,226)
Public safety						
Police	8,620,693	1,667,761	941,739	1,500	(6,009,693)	(6,009,693)
Fire	50,000	- 0 -	- 0 -	- 0 -	(50,000)	(50,000)
Code enforcement	529,251	453,945	25,060	- 0 -	(50,246)	(50,246)
Public works	3,955,485	17,356	414,177	- 0 -	(3,523,952)	(3,523,952)
Parks	728,902	15,525	157,997	- 0 -	(555,380)	(555,380)
Community services	701,052	49,159	22,600	- 0 -	(629,293)	(629,293)
Community development	339,853	- 0 -	49,585	- 0 -	(290,268)	(290,268)
Interest	246,635	- 0 -	- 0 -	- 0 -	(246,635)	(246,635)
Total Governmental Activities	20,714,329	2,535,887	1,611,158	1,500	(16,565,784)	(16,565,784)
TOTAL PRIMARY GOVERNMENT	\$ 20,714,329	\$ 2,535,887	\$ 1,611,158	\$ 1,500	\$ (16,565,784)	(16,565,784)
GENERAL REVENUES:						
Taxes:						
Property					14,056,938	14,056,938
Income					2,870,517	2,870,517
Admission and amusemet					360,174	360,174
Interest and investment income					459,644	459,644
Miscellaneous					150,044	150,044
TOTAL GENERAL REVENUES					17,897,317	17,897,317
CHANGE IN NET POSITION					1,331,533	1,331,533
NET POSITION - BEGINNING					5,390,864	5,390,864
NET POSITION - ENDING					\$ 6,722,397	\$ 6,722,397

See Notes to Financial Statements.

City of Hyattsville, Maryland

**Balance Sheet
Governmental Funds
June 30, 2019**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Equity in pooled cash and cash equivalents	\$ 17,249,523	\$ 58,398	\$ 244,028	\$ - 0 -	\$ 17,551,949
Receivables (net of allowance):					
Property taxes	62,880	- 0 -	- 0 -	- 0 -	62,880
Due from other governments	1,357,069	258,952	- 0 -	- 0 -	1,616,021
Due from other funds	23,776,304	11,068,346	9,086,323	228,552	44,159,525
Notes receivable	288,531	30,734	- 0 -	- 0 -	319,265
Other	447,517	399,396	22,369	- 0 -	869,282
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total receivables	25,932,301	11,757,428	9,108,692	228,552	47,026,973
Prepaid expenses	166,992	- 0 -	- 0 -	- 0 -	166,992
Inventory	10,349	- 0 -	- 0 -	- 0 -	10,349
Other assets	14,773	- 0 -	- 0 -	- 0 -	14,773
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 43,373,938</u>	<u>\$ 11,815,826</u>	<u>\$ 9,352,720</u>	<u>\$ 228,552</u>	<u>\$ 64,771,036</u>

See Notes to Financial Statements.

City of Hyattsville, Maryland

**Balance Sheet
Governmental Funds
June 30, 2019**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>LIABILITIES</u>					
Accounts payable	\$ 338,819	\$ 125,110	\$ 470,291	\$ - 0 -	\$ 934,220
Retainage payable	- 0 -	2,603	270,543	- 0 -	273,146
Accrued wages and benefits payable	190,438	- 0 -	- 0 -	- 0 -	190,438
Deposits	6,088	- 0 -	- 0 -	- 0 -	6,088
Current portion of compensated absences	373,506	- 0 -	- 0 -	- 0 -	373,506
Due to other governments	- 0 -	13,875	- 0 -	- 0 -	13,875
Due to other funds	20,712,777	7,717,389	15,729,359	- 0 -	44,159,525
Unearned revenues	1,076,988	298,974	- 0 -	- 0 -	1,375,962
Total Liabilities	22,698,616	8,157,951	16,470,193	- 0 -	47,326,760
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - property and other taxes	73,372	- 0 -	- 0 -	- 0 -	73,372
Total Deferred Inflows of Resources	73,372	- 0 -	- 0 -	- 0 -	73,372
<u>FUND BALANCES</u>					
Nonspendable	192,114	- 0 -	- 0 -	- 0 -	192,114
Restricted	- 0 -	3,528,544	- 0 -	- 0 -	3,528,544
Committed	- 0 -	- 0 -	- 0 -	228,552	228,552
Assigned	371,028	129,331	- 0 -	- 0 -	500,359
Unassigned	20,038,808	- 0 -	(7,117,473)	- 0 -	12,921,335
Total Fund Balances	20,601,950	3,657,875	(7,117,473)	228,552	17,370,904
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 43,373,938	\$ 11,815,826	\$ 9,352,720	\$ 228,552	\$ 64,771,036

See Notes to Financial Statements.

City of Hyattsville, Maryland

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2019**

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 17,370,904
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p> <p>Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 42,446,290	
Less: accumulated depreciation	<u>(18,718,886)</u>	
		23,727,404
<p>Long term liabilities, including interest accrued on debt are not due and payable in the current period and, therefore, not reported in the governmental funds.</p>		
Accrued interest	(33,090)	
Bonds and leases payable	(6,319,097)	
Compensated absences	(148,505)	
Net pension liability	(10,575,537)	
Total OPEB liability	<u>(21,272,080)</u>	
		(38,348,309)
<p>Deferred inflows pertaining to pensions and OPEB do not provide current financial resources and therefore, not reported in the governmental funds.</p>		
Net pension liability	(1,266,619)	
Total OPEB liability	<u>(159,072)</u>	
		(1,425,691)
<p>Deferred outflows pertaining to pensions and OPEB do not use current financial resources and therefore, not reported in the governmental funds.</p>		
Net pension liability	3,641,554	
Total OPEB liability	<u>1,683,163</u>	
		5,324,717
<p>Revenues that will be collected after year-end, but not available soon enough to pay the current period's expenditures are reported as deferred inflows of resources in the governmental funds.</p>		
		<u>73,372</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 6,722,397</u></u>

See Notes to Financial Statements.

City of Hyattsville, Maryland

**Statement of Revenues, Expenditures and
Change in Fund Balances - Governmental Funds
Year Ended June 30, 2019**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 14,036,743	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 14,036,743
State taxes	3,230,691	- 0 -	- 0 -	- 0 -	3,230,691
Licenses and permits	678,159	- 0 -	- 0 -	- 0 -	678,159
Intergovernmental	794,849	614,245	- 0 -	- 0 -	1,409,094
Charges for services	108,275	208,413	- 0 -	- 0 -	316,688
Fines and forfeitures					
Red-light fines	305,807	- 0 -	- 0 -	- 0 -	305,807
Other fines	31,160	1,132,860	- 0 -	- 0 -	1,164,020
Miscellaneous					
Interest	432,477	13	2,474	- 0 -	434,964
Rents	44,711	- 0 -	- 0 -	- 0 -	44,711
Other miscellaneous revenues	138,008	2,611	287,667	- 0 -	428,286
Total Revenues	19,800,880	1,958,142	290,141	- 0 -	22,049,163
EXPENDITURES					
Current operating					
Legislative	505,091	- 0 -	- 0 -	- 0 -	505,091
General government	3,193,254	- 0 -	107,425	- 0 -	3,300,679
Public safety					
Police services	6,943,554	1,062,108	92,281	- 0 -	8,097,943
Volunteer fire department	50,000	- 0 -	- 0 -	- 0 -	50,000
Code enforcement	516,431	- 0 -	- 0 -	- 0 -	516,431
Public works	2,758,768	- 0 -	30,000	- 0 -	2,788,768
Parks	588,609	85,380	1,061	- 0 -	675,050
Community services	663,739	22,337	- 0 -	- 0 -	686,076
Community development	238,115	37,736	8,377	- 0 -	284,228
Capital outlays	629,093	29,429	2,125,543	- 0 -	2,784,065
Debt service					
Principal	- 0 -	- 0 -	- 0 -	1,446,478	1,446,478
Interest	- 0 -	- 0 -	- 0 -	251,049	251,049
Fees	- 0 -	- 0 -	- 0 -	2,478	2,478
Total Expenditures	16,086,654	1,236,990	2,364,687	1,700,005	21,388,336
EXCESS OF REVENUES OVER (EXPENDITURES)	3,714,226	721,152	(2,074,546)	(1,700,005)	660,827
OTHER FINANCING SOURCES					
Transfers in (out)	(1,700,005)	- 0 -	- 0 -	1,700,005	- 0 -
Total other financing sources	(1,700,005)	- 0 -	- 0 -	1,700,005	- 0 -
NET CHANGE IN FUND BALANCES	2,014,221	721,152	(2,074,546)	- 0 -	660,827
FUND BALANCES - BEGINNING	18,587,729	2,936,723	(5,042,927)	228,552	16,710,077
FUND BALANCES - ENDING	\$ 20,601,950	\$ 3,657,875	\$ (7,117,473)	\$ 228,552	\$ 17,370,904

See Notes to Financial Statements.

City of Hyattsville, Maryland

**Statement of Revenues, Expenditures and
Change in Fund Balances - Governmental Funds
Year Ended June 30, 2019**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 660,827

Amounts reported for Governmental Activities in the Statement of Activities are different because:

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense.

Total depreciation	\$ (1,893,444)	
Capital outlays	<u>2,784,065</u>	890,621

Governmental funds report principal debt payments as expenditures because they use current financial resources. Principal payments reduce long term debt in the Statement of Net Position. This is the amount of principal payments made during the year. 1,446,478

Governmental funds report interest expenditures when paid. However, in the Statement of Activities, they are accrued as incurred. This is the difference of amounts accrued and paid. 6,894

Governmental funds report compensated absences when paid. However, in the Statement of Activities, they are recorded when earned. This is the excess of the amount earned over the amount paid for the year. (4,486)

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported in the governmental funds.

Pension expense	(307,586)	
OPEB expense	<u>(1,357,912)</u>	(1,665,498)

Governmental funds recognize revenues if they are received within sixty days of year end. The Statement of Activities reports revenues when earned. This is the amount of revenue earned in a previous period, and therefore are not reported are not reported in the Statement of Activities. (3,303)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,331,533

See Notes to Financial Statements.

City of Hyattsville, Maryland

Notes to Financial Statements Year Ended June 30, 2019

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 general accepted accounting principles in the United States of America ("GAAP") for state and local governments through its pronouncements (Statements and Interpretations).

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

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.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility or the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. 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. Based on this criteria, the City has concluded that there are no component unit relationships that are required to be presented in these financial statements

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, 2019.

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.

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.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 1 - Summary of Significant Accounting Policies (continued)

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

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.
- 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.

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.

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.

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.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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, 2019, allowance for uncollectible property taxes receivable was \$307,068.

Unearned revenues

Governmental funds report advanced revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and Governmental Activities also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the fiscal year, the City had unearned revenues from income taxes, real and personal property taxes and fines, fees and licenses of \$1,375,962.

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. Further, certain activity may occur during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 1 - Summary of Significant Accounting Policies (continued)

While reported in fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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 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:

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 Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (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. As of June 30, 2019, the City had nonspendable fund balance of \$166,992 of prepaid expenses, \$14,773 of deposits and \$10,349 of inventory.
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. As of June 30, 2019, the City had restricted fund balance of \$3,528,544 from various grants and other projects.
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. As of June 30, 2019, the City had committed fund balance of \$228,552 for debt service.
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. As of June 30, 2019, the City had assigned fund balance of \$500,359 for encumbrances.
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.

Revenues

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.

City of Hyattsville, Maryland

Notes to Financial Statements Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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. The City had deferred outflows of \$3,641,554 relating to the City's proportionate share of the System's net pension liability (see Note 7) and \$1,683,163 relating to the City's OPEB liability (see Note 8) at June 30, 2019. The City had governmental deferred inflows of \$73,372 relating to real and personal property taxes in the general fund, government-wide deferred inflows of \$1,266,619 relating to the City's proportionate share of the System's net pension liability (see Note 7) and \$159,072 relating to the City's OPEB liability (see Note 8) at June 30, 2019.

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"). LGIT is a total risk and cost sharing plan for all participants. In the event that LGIT's General Fund falls into a deficit that cannot be satisfied by transfer from LGIT's capital and surplus accounts, the Trustees determine a method to fund the deficit. The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit. During the year ended June 30, 2019, there was no significant reduction in insurance coverage. In addition to providing coverage, LGIT also provides claims processing, investigation of incidents, and legal consulting services to the City when necessary.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 1 - Summary of Significant Accounting Policies (continued)

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.

As of June 30, 2019, the City had the following deposits and investments included as equity in pooled cash and cash equivalents and restricted cash in the statement of net position:

<u>Investment type</u>	<u>Fair Value</u>
Deposits	\$ 995,357
Maryland Local Government Investment Pool	<u>16,556,592</u>
	<u>\$ 17,551,949</u>

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, 2019, 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.

Investments

Credit Risk - As of June 30, 2019, the Maryland Local Government Investment Pool was rated AAA 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, 2019.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 3 - Due From Other Governments

As of June 30, 2019, due from other governments consisted of the following:

	General Fund	Special Revenue Fund	Total
State of Maryland	\$ 1,337,263	\$ 240,227	\$ 1,577,490
Prince George's County	12,021	18,725	30,746
Other	7,785	- 0 -	7,785
	<u>\$ 1,357,069</u>	<u>\$ 258,952</u>	<u>\$ 1,616,021</u>

Note 4 – Amounts Due To or From Other Funds

As of June 30, 2019, due to/from other funds consisted of the following:

	Interfund Receivables	Interfund Payable
General fund	\$ 23,776,304	\$ 20,712,777
Special revenue fund	11,068,346	7,717,389
Capital projects fund	9,086,323	15,729,359
Debt service fund	228,552	- 0 -
	<u>\$ 44,159,525</u>	<u>\$ 44,159,525</u>

Note 5 - Capital Assets

	Beginning Balance	Increases	Transfers/ Disposals	Ending Balance
Capital assets not being depreciated				
Land	\$ 2,276,999	\$ - 0 -	\$ - 0 -	\$ 2,276,999
Construction in progress	2,357,694	1,393,302	(1,022,530)	2,728,466
Capital assets being depreciated				
Buildings and improvements	8,500,805	278,766	12,500	8,792,071
Infrastructure	16,438,090	- 0 -	1,010,030	17,448,120
Vehicles	4,838,528	662,945	(270,555)	5,230,918
Machinery and equipment	5,520,664	449,052	- 0 -	5,969,716
Total	<u>39,932,780</u>	<u>2,784,065</u>	<u>(270,555)</u>	<u>42,446,290</u>
Less: accumulated depreciation				
Buildings and improvements	3,623,389	178,699	- 0 -	3,802,088
Infrastructure	6,727,621	888,239	- 0 -	7,615,860
Vehicles	2,814,940	391,592	(270,555)	2,935,977
Machinery and equipment	3,930,047	434,914	- 0 -	4,364,961
	<u>17,095,997</u>	<u>1,893,444</u>	<u>(270,555)</u>	<u>18,718,886</u>
Net capital assets	<u>\$ 22,836,783</u>			<u>\$ 23,727,404</u>

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 5 - Capital Assets (continued)

Summary of fiscal year 2019 depreciation:

General government	\$ 66,704
Public safety	522,750
Code enforcement	12,820
Public works	1,166,717
Parks	53,852
Recreation	14,976
Community development	55,625
Total	<u>\$ 1,893,444</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, 2019, the capital project fund had construction commitments of \$7,790,281 that were considered outstanding.

Note 6 - Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities					
Bonds and notes payable					
General obligation debt and notes payable	\$ 6,640,442	\$ - 0 -	\$ 1,127,467	\$ 5,512,975	\$ 1,138,965
Capital lease obligations	1,125,133	- 0 -	319,011	806,122	284,098
Total bonds and notes payable	7,765,575	- 0 -	1,446,478	6,319,097	1,423,063
Other liabilities					
OPEB liability	18,208,280	3,063,800	- 0 -	21,272,080	- 0 -
Net pension liability	9,335,943	1,239,594	- 0 -	10,575,537	- 0 -
Compensated absences	537,246	- 0 -	15,235	522,011	373,506
	<u>\$ 35,847,044</u>	<u>\$ 4,303,394</u>	<u>\$ 1,461,713</u>	<u>\$ 38,688,725</u>	<u>\$ 1,796,569</u>

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 6 - Noncurrent Liabilities (continued)

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, 2019 was \$106,666. Remaining payments are as follows:

For years ending June 30	Principal	Interest	Total
2020	\$ 106,666	\$ 2,695	\$ 109,361

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, 2019 was \$306,672. Remaining payments are as follows:

For years ending June 30	Principal	Interest	Total
2020	\$ 153,333	\$ 12,727	\$ 166,060
2021	153,339	6,358	159,697
	<u>\$ 306,672</u>	<u>\$ 19,085</u>	<u>\$ 325,757</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, 2019 was \$1,560,537. Remaining payments are as follows:

For years ending June 30	Principal	Interest	Total
2020	\$ 390,133	\$ 50,113	\$ 440,246
2021	390,133	35,795	425,928
2022	390,133	21,477	411,610
2023	390,138	7,154	397,292
	<u>\$ 1,560,537</u>	<u>\$ 114,539</u>	<u>\$ 1,675,076</u>

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 6 - Noncurrent Liabilities (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, 2019 was \$260,000. Remaining payments are as follows:

For years ending June 30	Principal	Interest	Total
2020	\$ 43,333	\$ 10,426	\$ 53,759
2021	43,333	8,688	52,021
2022	43,333	6,951	50,284
2023	43,333	5,213	48,546
2024	43,333	3,475	46,808
Thereafter	43,335	1,738	45,073
	<u>\$ 260,000</u>	<u>\$ 36,491</u>	<u>\$ 296,491</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 of the Series B bonds at June 30, 2019 was \$1,863,000. Remaining payments are as follows:

For years ending June 30	Principal	Interest	Total
2020	\$ 282,500	\$ 68,131	\$ 350,631
2021	293,500	58,000	351,500
2022	305,000	48,286	353,286
2023	316,000	33,488	349,488
2024	327,000	26,106	353,106
Thereafter	339,000	14,366	353,366
	<u>\$ 1,863,000</u>	<u>\$ 248,377</u>	<u>\$ 2,111,377</u>

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, 2018 was \$1,416,100. Remaining payments are as follows:

For years ending June 30	Principal	Interest	Total
2020	\$ 163,000	\$ 37,458	\$ 200,458
2021	166,600	34,263	200,863
2022	170,000	30,464	200,464
2023	174,000	24,484	198,484
2024	178,500	21,800	200,300
Thereafter	564,000	37,477	601,477
	<u>\$ 1,416,100</u>	<u>\$ 185,946</u>	<u>\$ 1,602,046</u>

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 6 - Noncurrent Liabilities (continued)

Capital Lease Obligations

The City is obligated under multiple lease-purchase agreements for public works and police vehicles and equipment that have been capitalized for government-wide financial statement purposes. Under the terms of the agreements, 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 respective lease. Remaining payments are as follows:

For years ending June 30	Principal	Interest	Total
2020	\$ 284,098	\$ 24,089	\$ 308,187
2021	239,028	14,500	253,528
2022	177,945	7,464	185,409
2023	105,051	2,079	107,130
	<u>\$ 806,122</u>	<u>\$ 48,132</u>	<u>\$ 854,254</u>

The gross amount of assets under the outstanding capitalized leases included in vehicles was \$1,576,862 at June 30, 2019. The amount of accumulated depreciation related to these assets was \$583,709 as of June 30, 2019.

Note 7 - Employee Retirement Plans

Summary

The City participates in both the "Employees' Retirement and Pension System", and the "Law Enforcement Officers' Pension System", under the Maryland State Retirement and Pension System (the "System"), which is a cost-sharing multiple-employer public employee retirement system. The System is comprised of the Teachers' Retirement and Pension System, Employees' Retirement and Pension System, State Police Retirement Pension System, Judges' Retirement System and the Law Enforcement Officers' Pension System. The System was established, by the State Personnel and Pensions Article of the Annotated Code of Maryland, to provide retirement allowances and other benefits to State employees and employees of participating governmental units.

The Maryland State Retirement and Pension System issues a separately audited Comprehensive Annual Financial Report that includes disclosures regarding: plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The report contains trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due as well as other financial, statistical, and actuarial data. 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 or located online at <http://www.sra.state.md.us/Agency/Downloads/CAFR/>.

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.

City of Hyattsville, Maryland

Notes to Financial Statements Year Ended June 30, 2019

Note 7 - Employee Retirement Plans (continued)

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" 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. 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.

Pension plan description

Organization

The State Retirement Agency (the "Agency") is the administrator of the Maryland State Retirement and Pension System (the "System"). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool." The "State Pool" consists of the State agencies, boards of education, community colleges, and libraries. The "Municipal Pool" consists of the participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elect to join the System (the "Municipal Pool") share in the liabilities of the Municipal Pool only. The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System.

The Agency is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan member or beneficiary as defined by the terms of the plan. Consequently, the System is accounted for as a single plan as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No.25*. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the System is included in the State's reporting entity and disclosed in its financial statements as a pension trust fund.

City of Hyattsville, Maryland

Notes to Financial Statements Year Ended June 30, 2019

Note 7 - Employee Retirement Plans (continued)

The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. The City's employees participate in the Employees' Retirement and Pension System and the Law Enforcement Officer's Pension System.

Covered Members - Non-Uniformed Employees

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System. Currently, more than 150 governmental units participate in the Employees' Retirement System.

Covered Members - Law Enforcement Officers

On July 2, 1990, the Law Enforcement Officers' Pension System ("LEOPS") was established, to provide retirement allowances and other benefits to all uniformed law enforcement officers of the State of Maryland and law enforcement officers, firefighters, and paramedics of participating governmental units. Effective January 1, 2005, the LEOPS Retirement Plan was closed to new members and the LEOPS Pension Plan was established. As a result, all employees hired after December 31, 2004 became members of the LEOPS Pension Plan.

Summary of Significant Plan Provisions - Benefits

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation ("AFC") and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors. Beginning July 1, 2011, the member contribution rate was increased for members of the Employees' Pension System from 5% to 7%, and from 4% to 6% respectively, in fiscal year 2013. In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments ("COLA") that is based on the increase in the Consumer Price Index ("CPI") and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation. A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2019 follows.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 7 - Employee Retirement Plans (continued)

Service Retirement Allowances

A member of the Employees' Retirement system is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable services regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service. An individual who is a member of the Employee's Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62 with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has 10 years of eligibility service.

For most individuals who retired from the Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Employees' Pension System. Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level ("SSIL"), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

A member of the Law Enforcement Officers' Pension System is generally eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of creditable service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equals $1/50$ (2.0%) of the member's AFC multiplied by the number of years of accumulated creditable service up to 30 years, plus $1/100$ (1.0%) of the member's AFC multiplied by the number of years of accumulated creditable service in excess of 30 years. For members subject to the pension provisions, full service pension allowances equal 2.0% of AFC up to a maximum benefit of 60% (30 years of credit).

Vested Allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 7 - Employee Retirement Plans (continued)

Any individual who joins the State Retirement and Pension System on or after July 1, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member who terminates employment prior to attaining retirement age and before vesting receives a refund of all member contributions and interest.

Early service retirement

A member of the Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility services. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for an Employees' Retirement System member is 30%. An individual who is a member of Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Employees' Pension System is 42%. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Employee's Pension System is 30%.

Members of the Law Enforcement Officers' System are not eligible for early service benefits.

Disability and death benefits

Generally, a member covered under retirement provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFCE plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

LEOPS members covered under retirement plan provisions qualify for ordinary disability after completing five years of eligible service and receiving medical board certification as to their permanent incapacity to perform their necessary job functions receive a service allowance based on the greater of the normal service allowance or 25% of AFC. LEOPS members covered under pension plan provisions qualify for ordinary disability after completing five years of eligible service and receiving medical board certification as to their permanent incapacity to perform their necessary job functions receive full service pension allowances if the member is at least age 50 on the date of retirement. Otherwise, the allowances equal full service pension allowances as though the member had continued to work until age 50 without any change in the rate of earnable compensation.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 7 - Employee Retirement Plans (continued)

LEOPS members qualify for accidental disability benefits if the medical board certifies that they became totally and permanently incapacitated for duty arising out of or in the actual performance of duty and receive disability allowances equal to the sum of an annuity determined as of the actuarial date of the members' accumulated contributions, and 2/3 (66.67%) of AFC. Allowances may not exceed the members' AFC.

LEOPS members qualify for ordinary death benefits if the members have accumulated at least one but less than two years of eligibility prior to the date of death and receive benefits equal to a member's annual earnable compensation at the time of death plus accumulated contributions. LEOPS members qualify for special death benefits the members have accumulated at least two years of eligibility prior to the date of death or died in the line of duty receive benefits equal to 50% of the applicable ordinary disability allowance. In cases where the deceased members are not survived by a spouse, the decedents' children, if any will continue to receive the special death benefit until the youngest child reaches age 18. The special death benefit for officers killed in the line of duty is 2/3 (66.67%) of AFC.

Adjusted retirement allowances (as applicable)

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Employees' Retirement Systems the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two-part combination COLA depending upon the COLA election made by the member.

However, beginning July 1, 2011 for benefits attributable to service earned on or after July 1, 2011, in all the systems except the judges' and legislators' system, the adjustment is capped at the lesser of 2.5% or the increases in the CPI if the most recent calendar year market rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in the CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowance will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

LEOPS members are eligible to participate in a Deferred Retirement Option Program (DROP). For members who enter the DROP on or after July 1, 2011, the member is deemed retired and the retirement allowance is placed in an account earning 4% interest per year, compounded annually. At the end of the DROP period, the lump sum held in the DROP account is paid to the retiree. The LEOPS member must end employment and fully retire at the end of the DROP period. The maximum period of participation is 5 years for LEOPS.

City of Hyattsville, Maryland

Notes to Financial Statements Year Ended June 30, 2019

Note 7 - Employee Retirement Plans (continued)

Accounting Principles

The City participates in the System and qualifies as a Participating Governmental Unit ("PGU"). The State Retirement Agency (the "Agency") is the Plan administrator and fiduciary. A PGU must recognize its proportionate share of the System's net pension liability (i.e. unfunded pension liability) and pension expense. The City's proportionate shares for employees participating in the "Employees' Retirement and Pension System" ("ERPS") and in the "Law Enforcement Officers' Pension System" ("LEOPS") are based on total System contributions and approximate 0.01672% and 0.03368%, respectively, as of the measurement date of June 30, 2018.

Funding Policy

The Employees' Retirement System, CPS and LEOPS are jointly contributory. Under the Employees' Retirement System and LEOPS, employees contribute 4% to 7% of their base salary. Under the CPS, 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 City's employees participate in the System and contributed the above percentages of their compensation during fiscal year 2018 as stipulated by the System. The City contributed \$377,455 for ERPS and \$726,420 for LEOPS to the System for fiscal year 2019 which were actuarially determined based on statutory provisions.

The City has also recognized in Pension Expense its proportionate share of the System's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and its proportionate share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

Basis of Presentation and Basis of Accounting

1. Employers participating in the System's cost-sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) provide employers with the required information for financial reporting. The System's financial statements are prepared on the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") that apply to governmental accounting for fiduciary funds.
2. Actual employer contributions billed to participating governmental units for the year ended June 30, 2018, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. Because the State of Maryland contributed 100% of the actuarial determined contributions, there were no adjustments for the year ended June 30, 2018.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 7 - Employee Retirement Plans (continued)

3. The components of the calculation of the net pension liability for the System as of June 30, 2018, calculated in accordance with GASB Statement No. 67, are shown in the following table:

(Expressed in thousands)	
Total pension liability	\$72,808,833
Plan fiduciary net position	<u>51,827,233</u>
Net pension liability	<u>\$20,981,600</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71.18%</u>

Actuarial Assumptions

- Actuarial - Entry Age Normal
- Amortization Method - Level Percentage of Payroll, Closed
- Asset Valuation Method - 5-year smoothed market; 20% collar
- Inflation - 2.60% general, 3.10% wage
- Discount Rate - 7.45%
- Investment Rate of Return - 7.45%
- Retirement Age - Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
- Mortality - RP-2014 Combined Healthy Mortality Table projected to the year 2025

Note: There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2018 valuation:

- Investment return assumption changed from 7.50% to 7.45%
- Inflation assumption changed from 2.65% to 2.60%

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the System's Board after considering input from the investment consultant(s) and actuary(s).

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 7 - Employee Retirement Plans (continued)

For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	5.80%
Private Equity	13%	6.70%
Rate Sensitive	19%	1.10%
Credit Opportunity	9%	3.60%
Real Assets	14%	4.80%
Absolute Return	8%	3.20%
Total	100%	

For the year ending June 30, 2018, the annual money-weighted rate of return of pension plan investments, net of the pension plan investment expense was 8.08%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 7.45% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.45%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the System's net pension liability and the City's proportionate share of the System's net pension liability (expressed in thousands), calculated using a single discount rate of 7.45%, as well as what the System's net pension liability would be if it were calculated using a single discount rate that is 1 percentage point lower (i.e., 6.45%) or 1 percentage point higher (i.e., 8.45%).

	<u>1% Decrease (6.45%)</u>	<u>Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
The System Net Pension Liability	\$ 30,220,704,000	\$ 20,981,600,000	\$ 13,313,808,000
City's Proportionate Share - ERPS	\$ 5,053,990	\$ 3,508,884	\$ 2,226,548
City's Proportionate Share - LEOPS	\$ 10,178,394	\$ 7,066,653	\$ 4,484,117

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 7 - Employee Retirement Plans (continued)

Pension liabilities, pension expense, and deferred outflow of resources and deferred inflows of resources related to pensions

In relation to employees participating in the ERPS and in the LEOPS, at June 30, 2019, the City reported a liability of \$10,575,537 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all PGUs, actuarially determined.

In relation to employees participating in the ERPS and in the LEOPS, for the year ended June 30, 2019, the City recognized pension expense of \$307,586. At the measurement date of June 30, 2018, the City reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Changes in assumptions	\$ 274,699	\$ - 0 -
Difference between actual and expected experience	- 0 -	(778,773)
Differences in investment earnings	357,187	- 0 -
Contributions made subsequent to measurement date	1,103,875	- 0 -
Changes in proportion	1,905,793	(487,846)
	\$ 3,641,554	\$ (1,266,619)

The deferred outflow of resources of \$1,103,875 relating to contributions subsequent to the measurement date of June 30, 2018 will be recognized as a reduction of the City's net pension liability in the year ended June 30, 2019. The deferred outflows and inflows of resources due to changes in assumptions and differences between projected and actual investment earnings represent the City's proportionate share of the unamortized portions of the System's original amounts. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 5.87 years. The 2018, 2017, 2016, and 2015 deferred outflows not related to investment activity are being amortized over the remaining service life of five years. The net difference in investment earnings for 2018, 2017, 2016, and 2015 are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed 5-year period as follows:

Year Ending June 30		
2020	\$	634,966
2021		413,435
2022		(18,564)
2023		60,389
2024		180,834
	\$	1,271,060

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 7 - Employee Retirement Plans (continued)

Net pension liability

The components of the City's proportionate share of the Pension System's net pension liability as of the measurement date of June 30, 2018 were as follows (expressed in thousands):

Total pension liability	\$ 36,698,429
Plan fiduciary net position	26,122,892
Net pension liability	10,575,537
Plan fiduciary net position as a percentage of total pension liability	71.18%

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 2019 was \$329,760. 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.

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.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 8 - 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:

<u>Years of service</u>	<u>Subsidy Percent</u>
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.

At June 30, 2019, the following employees were covered by the benefit term:

Retirees currently receiving benefits	32
Retirees entitled but not yet receiving benefits	0
Active employees	<u>92</u>
Total plan members	124

Funding policy

The City has elected not to fund this obligation and as such, no trust that meets the criteria of GASB statement No. 75 has been established. Contributions continue on a pay-as-you-go basis, and the future payment of these benefits is contingent upon the annual approval of the operating budget by the City Council. During the year ended June 30, 2019, the City contributed \$620,000 to the plan.

Net OPEB liability

The City's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was measured by an actuarial valuation as of June 30, 2019.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 8 - Other Post-Employment Benefits ("OPEB") (continued)

The City's annual other post-employment benefit cost (expense) is calculated based on the *Entry Age Normal* ("EAN") cost method (using a 3.13% discount rate based on the 20 year GO bond index as of the measurement date) as required by GASB 75. The EAN actuarial cost method requires a salary scale assumption. The State of Maryland salary assumption was used for general employees. A separate assumption was used for Law Enforcement Officers. Significant actuarial assumptions used include (a) a rate of return on the investment of 3.5 percent per year compounded annually, (b) projected salary increases of 3.5 percent compounded annually (used for amortization purposes), (c) annual medical and prescription drug trend rate of 5.9 percent initially, reduced annually to arrive at an ultimate healthcare cost trend of 4.1 percent, (d) rates of mortality based upon RP-2014 Healthy Mortality Table, (e) termination of service rates based upon age and sex, ranging from 1.75 percent to 21.0 percent, (f) disablement rates based on age, ranging from 0.09 percent to 2.9 percent, (g) retirement rates based on age, sex, and length of service, ranging from 2 percent to 100 percent, and (h) a rate of inflation of 2.3 percent.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13%) or 1 percentage point higher (4.13%) than the current discount rate:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Net OPEB Liability	\$ 26,010,353	\$ 21,272,080	\$ 17,648,821

Sensitivity of the net OPEB liability to changes in the health care cost trend rate

The following represents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using the health care cost trend rates that are 1 percentage point lower (2.90%) or 1 percentage point higher (4.90%) than the current health care cost trend rate:

	1% Decrease (2.90%)	Medical Trend (3.90%)	1% Increase (4.90%)
Net OPEB Liability	\$ 17,040,656	\$ 21,272,080	\$ 27,037,180

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 8 - Other Post-Employment Benefits ("OPEB") (continued)

Changes in net OPEB liability

The following details the changes in the net OPEB liability for the year ended June 30, 2019:

	Total OPEB Liability	Plan fiduciary net position	Net OPEB Liability
Balance, June 30, 2018	\$ 18,208,280	\$ - 0 -	\$ 18,208,280
Changes for the year:			
Service cost	855,220	- 0 -	855,220
Interest	653,022	- 0 -	653,022
Changes in benefit terms	- 0 -	- 0 -	- 0 -
Experience losses/(gains)	- 0 -	- 0 -	- 0 -
Contribution - employer	- 0 -	338,000	(338,000)
Net investment income	- 0 -	- 0 -	- 0 -
Changes in assumptions	1,893,558	- 0 -	1,893,558
Benefit payments (net of retiree contributions)	(338,000)	(338,000)	- 0 -
Administrative expense	- 0 -	- 0 -	- 0 -
Net change	<u>3,063,800</u>	<u>- 0 -</u>	<u>3,063,800</u>
Balance, June 30, 2019	<u>\$ 21,272,080</u>	<u>\$ - 0 -</u>	<u>\$ 21,272,080</u>

OPEB expense

The following details the total OPEB expense for the year ended June 30, 2019:

Service cost	\$ 855,220
Interest	653,022
Projected earnings on OPEB trust	- 0 -
Administrative expense	- 0 -
Changes in benefit terms	- 0 -
Differences between actual and expected earnings	- 0 -
Differences between actual and expected experience	- 0 -
Changes in assumptions	
Current year	210,395
Prior years recognized in current year	<u>(22,725)</u>
Total OPEB expense	<u>\$ 1,695,912</u>

Changes in assumptions reflects a change in the discount rate from 3.62% at June 30, 2018 to 3.13% at June 30, 2019.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 8 - Other Post-Employment Benefits ("OPEB") (continued)

Deferred outflows and deferred inflows of resources related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,357,912. At June 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	<u>\$ 1,683,163</u>	<u>\$ 159,072</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	
<u>2020</u>	\$ 187,670
2021	187,670
2022	187,670
2023	187,670
2024	187,670
Thereafter	585,741

Note 9 - 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 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.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 10 - Commitments and Contingencies (continued)

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 - Tax Abatements

In accordance with GASB 77, the City is authorized under Section 9-318(g) of the Tax-Property Article, Annotated Code of Maryland to enter into property tax abatement agreements for properties located within a revitalization district.

The City has agreed to abate a maximum of \$400,000 in property taxes to a company over a maximum of four years for the purpose of building a grocery store. During the year ended June 30, 2019, \$100,000 in abatements have been paid. As of June 30, 2019, abatements of \$200,000 have been paid. For the fiscal year ended June 30, 2019, the City had no other property tax abatements.

Note 12 - Notes Receivable

The City has advanced funds to various residents under the Community Development Block ("CDBG") Program to assist with home improvements. The loans are non-interest bearing and are only repaid upon the sale of the property. As of June 30, 2019 the balance due to the City is \$30,734.

In April 2017, the City made an additional loan to HVFD in the amount of \$350,000 to provide financing for equipment. The loan accrues interest at 3.2% per annum. Beginning April 2019, annual payments of principal and interest are due through maturity on April 12, 2027. As of June 30, 2019 the balance outstanding is \$288,531. Future payments due for the next five years and thereafter are as follows:

For years ending June 30	
2020	\$ 32,218
2021	33,249
2022	34,312
2023	35,410
2024	36,544
Thereafter	116,798
	<u>\$ 288,531</u>

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 13 - Lease

On May 11, 2015, the City entered into a lease agreement to lease space to an unrelated third party, Pyramid Atlantic, Inc. ("Pyramid"), for twenty-five years. As part of the agreement, the City advanced \$334,911 to Pyramid to cover development costs. Repayments of the advance will be considered rent payments under the lease agreement. Monthly payments will be made to amortize the advance over the term of the lease at an interest rate of 5.5% per annum, with payments of interest only for the first twelve months. During the year ended June 30, 2019, interest of \$17,898 was earned and lease payments of \$6,782 were received.

Future minimum lease payments to be received as of June 30, 2018, are as follows:

For years ending June 30	
2020	\$ 7,164
2021	7,569
2022	7,998
2023	8,446
2024	8,922
Thereafter	281,609
	<u>\$ 321,708</u>

Note 15 - Deficit balances

For the year ended June 30, 2019, the City has a deficit fund balance in the Capital Projects Fund of (\$7,117,473). The deficit is the result of incurred capital cost for continued construction of the new police facility. Management is working towards decreasing the deficit for FY 2020 with increased revenues and bond proceeds.

Note 16 - New Governmental Accounting Standards Board standards

The GASB has issued several pronouncements prior to the year ended June 30, 2019, 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. 84, *Fiduciary Activities*, issued January 2017, effective for financial statements for fiscal years beginning after June 15, 2021.

Statement No. 87, *Leases*, issued June 2017, effective for financial statements for fiscal years beginning after June 15, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued April 2018, effective for the financial statements for fiscal years beginning after June 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued June 2018, effective for the fiscal years beginning after December 15, 2020.

City of Hyattsville, Maryland

**Notes to Financial Statements
Year Ended June 30, 2019**

Note 16 - New Governmental Accounting Standards Board standards (continued)

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61, issued August 2018*, effective for the fiscal years beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations, issued May 2019*, effective for the fiscal years beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020, issued January 2020*, effective for the fiscal years beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates, issued March 2020*, effective for the fiscal years beginning after June 15, 2021. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements, issued March 2020*, effective for the fiscal years beginning after June 15, 2022.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance, issued March 2020*, effective immediately.

Statement No. 96, *Subscription-Based Information Technology Arrangements, issued May 2020*, effective for the fiscal years beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, issued June 2020*, effective for the fiscal years beginning after June 15, 2021. The requirements in paragraph 4 and paragraph 5 are effective immediately.

Note 17 - Subsequent events

The City evaluated subsequent events through July 8, 2021, which represents the date the financial statements were available to be issued.

In September 2019 the City issued general obligation bonds in the amount \$13,825,000 for various capital projects.

In December 2019 and early 2020, the coronavirus that causes COVID-19 was reported to have surfaced in China. The spread of this virus globally including in early 2020 has caused business disruption domestically in the United States. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this disruption. Therefore, while the City expects this matter to negatively impact the City's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

Required Supplementary Information

City of Hyattsville, Maryland

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
Year Ended June 30, 2019**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes				
Real property	\$ 12,152,116	\$ 12,152,116	\$ 12,377,535	\$ 225,419
Personal property	748,800	748,800	866,927	118,127
Railroads and public utilities	780,000	780,000	792,281	12,281
Income tax	2,500,650	2,500,650	2,870,517	369,867
Admissions and amusements	438,652	438,652	360,174	(78,478)
Licenses and permits	699,315	699,315	678,159	(21,156)
Intergovernmental	645,700	645,700	794,849	149,149
Charges for services	129,491	129,491	108,275	(21,216)
Fines and forfeitures	304,638	304,638	336,967	32,329
Miscellaneous	193,350	193,350	615,196	421,846
Total Revenues	<u>18,592,712</u>	<u>18,592,712</u>	<u>19,800,880</u>	<u>1,208,168</u>
Expenditures				
Legislative	525,764	525,764	505,091	20,673
General government	3,593,283	3,593,283	3,208,806	384,477
Town center	100,000	100,000	100,000	- 0 -
Public safety				
Police	7,549,028	7,549,028	6,933,511	615,517
Fire	50,000	50,000	50,000	- 0 -
Code enforcement	580,648	580,648	516,431	64,217
Public works	4,588,278	4,588,278	4,004,672	583,606
Community services	756,062	756,062	666,827	89,235
Community development	306,010	306,010	229,778	76,232
Total expenditures	<u>18,049,073</u>	<u>18,049,073</u>	<u>16,215,116</u>	<u>1,833,957</u>
Other financing uses - transfers	<u>1,883,952</u>	<u>1,883,952</u>	<u>1,700,005</u>	<u>183,947</u>
	<u>1,883,952</u>	<u>1,883,952</u>	<u>1,700,005</u>	<u>183,947</u>
Excess of revenue and other financing sources over expenditures	(1,340,313)	(1,340,313)	1,885,759	3,226,072
Fund balances - beginning of the year	<u>18,587,729</u>	<u>18,587,729</u>	<u>18,587,729</u>	<u>- 0 -</u>
Fund balances - end of the year	<u>\$ 17,247,416</u>	<u>\$ 17,247,416</u>	<u>\$ 20,473,488</u>	<u>\$ 3,226,072</u>

See Independent Auditor's Report and Notes to Required Supplementary Information.

City of Hyattsville, Maryland

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund
Year Ended June 30, 2019**

	Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Intergovernmental	\$ 75,300	\$ 75,300	\$ 614,245	\$ 538,945
Charges for services	475,000	475,000	208,413	(266,587)
Fines and forfeitures	584,000	584,000	1,132,860	548,860
Miscellaneous	166,000	166,000	2,624	(163,376)
Total Revenues	1,300,300	1,300,300	1,958,142	657,842
Expenditures				
General government	16,000	16,000	- 0 -	16,000
Public safety				
Police	1,005,934	1,005,934	1,137,753	(131,819)
Parks	- 0 -	- 0 -	5,000	(5,000)
Community services	139,000	139,000	22,337	116,663
Community development	130,000	130,000	58,910	71,090
Total expenditures	1,290,934	1,290,934	1,224,000	66,934
Excess of revenue and other financing sources over expenditures	9,366	9,366	734,142	590,908
Fund balances - beginning of the year	2,936,723	2,936,723	2,936,723	- 0 -
Fund balances - end of the year	\$ 2,946,089	\$ 2,946,089	\$ 3,670,865	\$ 590,908

See Independent Auditor's Report and Notes to Required Supplementary Information.

City of Hyattsville, Maryland

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
Capital Projects Fund
Year Ended June 30, 2019**

	Capital Projects Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Miscellaneous	\$ 350,500	\$ 350,500	\$ 290,141	\$ (60,359)
Total Revenues	350,500	350,500	290,141	(60,359)
Other financing sources - bond proceeds	8,400,200	8,400,200	- 0 -	(8,400,200)
Other financing sources - lease proceeds	908,000	908,000	- 0 -	(908,000)
Other financing sources - transfers	298,350	298,350	- 0 -	(298,350)
Total revenues and other financing sources	9,957,050	9,957,050	290,141	(9,666,909)
Expenditures				
General government	364,000	364,000	219,993	144,007
Public safety				
Police	541,000	541,000	495,941	45,059
Public Works	6,770,000	6,770,000	4,049,681	2,720,319
Parks	200,000	200,000	112,401	87,599
Community development	2,079,000	2,079,000	40,336	2,038,664
Total expenditures	9,954,000	9,954,000	4,918,352	5,035,648
Excess of revenue and other financing sources over expenditures	3,050	3,050	(4,628,211)	(4,631,261)
Fund balances - beginning of the year	(5,042,927)	(5,042,927)	(5,042,927)	- 0 -
Fund balances - end of the year	\$ (5,039,877)	\$ (5,039,877)	(9,671,138)	\$ (4,631,261)

See Independent Auditor's Report and Notes to Required Supplementary Information.

City of Hyattsville, Maryland

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
Debt Service Fund
Year Ended June 30, 2019**

	Debt Service Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Intergovernmental	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -
Total Revenues	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Other financing sources - transfers	1,818,952	1,818,952	1,700,005	(118,947)
Total revenues and other financing sources	<u>1,818,952</u>	<u>1,818,952</u>	<u>1,700,005</u>	<u>(118,947)</u>
Expenditures				
Debt service				
Principal	1,565,425	1,565,425	1,446,478	118,947
Interest	253,527	253,527	253,527	- 0 -
Total expenditures	<u>1,818,952</u>	<u>1,818,952</u>	<u>1,700,005</u>	<u>118,947</u>
Excess of revenue and other financing sources over expenditures	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

See Independent Auditor's Report and Notes to Required Supplementary Information.

City of Hyattsville, Maryland

**Notes to Required Supplementary Information
June 30, 2019**

Note 1 - 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 twenty one times during the year.

Note 2 - 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 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:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
Actual expenditures non-GAAP budgetary basis	\$ 16,215,116	\$ 1,224,000	\$ 4,918,352
Net adjustment for encumbrances	<u>(128,462)</u>	<u>12,990</u>	<u>(2,553,665)</u>
 Expenditures as reported on the statement of revenues, expenditures and changes in fund balances	 <u>\$ 16,086,654</u>	 <u>\$ 1,236,990</u>	 <u>\$ 2,364,687</u>

City of Hyattsville, Maryland

**Schedule of Changes in Total OPEB Liability
Year Ended June 30, 2019**

Total OPEB Liability	2019	2018
Beginning balance	\$ 18,208,280	\$ 17,271,346
Service cost	855,220	838,043
Interest	653,022	609,413
Differences between actual and expected experience		
Changes in assumptions	1,893,558	(204,522)
Benefit payments	(338,000)	(306,000)
Net change	3,063,800	936,934
Ending balance	\$ 21,272,080	\$ 18,208,280

The above schedules are required to be presented 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

Notes to schedule:

Benefit changes: None

Changes in assumptions:

The discount rate was changed as follows:

6/30/17 - 3.56%

6/30/18 - 3.62%

6/30/19 – 3.13%

See Independent Auditor's Report.

City of Hyattsville, Maryland

**Schedule of the City's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2019**

City Employees	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion (%) of collective net pension liability	0.01672%	0.01499%	0.01490%	0.01340%	0.01256%
City's proportionate share (\$) of collective net pension liability	\$ 3,508,884	\$ 3,242,373	\$ 3,511,106	\$ 2,908,393	\$ 2,228,964
City's covered-employee payroll(\$)	\$ 4,348,034	\$ 4,067,439	\$ 3,881,675	\$ 3,519,833	\$ 3,138,747
City's proportionate share of collective net pension liability as a percentage of its covered-employee payroll	80.70%	79.72%	90.45%	82.63%	71.01%
Pension plan's fiduciary net position as a percentage of the total pension liability	71.18%	69.38%	65.79%	68.78%	71.87%
 LEOPS					
City's proportion (%) of collective net pension liability	0.03368%	0.02818%	0.03160%	0.02950%	0.02737%
City's proportionate share (\$) of collective net pension liability	\$ 7,066,653	\$ 6,093,570	\$ 7,467,052	\$ 6,131,341	\$ 4,857,967
City's covered-employee payroll(\$)	\$ 2,518,195	\$ 2,394,880	\$ 2,045,690	\$ 2,131,449	\$ 2,253,374
City's proportionate share of collective net pension liability as a percentage of its covered-employee payroll	280.62%	254.44%	365.01%	287.66%	215.59%
Pension plan's fiduciary net position as a percentage of the total pension liability	71.18%	69.38%	65.79%	68.78%	71.87%

This schedule is required to present information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

See Independent Auditor's Report.

City of Hyattsville, Maryland

**Schedule of the City's Pension Plan Contributions
Year Ended June 30, 2019**

	2019	2018	2017	2016	2015	2014
City Employees						
Contractually required contributions	\$ 377,455	\$ 333,482	\$ 305,190	\$ 289,901	\$ 294,976	\$ 292,690
Contributions in relation to the contractually required contribution	<u>377,455</u>	<u>333,482</u>	<u>305,190</u>	<u>289,901</u>	<u>294,976</u>	<u>292,690</u>
Contribution deficiency (excess)	<u>\$ - 0 -</u>					
City's covered-employee payroll(\$)	\$ 4,348,034	\$ 4,067,439	\$ 3,881,675	\$ 3,519,833	\$ 3,138,747	\$ 3,468,766
Contributions as a percentage of covered-employee payroll	8.68%	8.20%	7.86%	8.24%	9.40%	8.44%
 LEOPS						
Contractually required contributions	\$ 726,420	\$ 671,610	\$ 573,561	\$ 616,531	\$ 621,855	\$ 637,910
Contributions in relation to the contractually required contribution	<u>726,420</u>	<u>671,610</u>	<u>573,561</u>	<u>616,531</u>	<u>621,855</u>	<u>637,910</u>
Contribution deficiency (excess)	<u>\$ - 0 -</u>					
City's covered-employee payroll(\$)	\$ 2,518,195	\$ 2,394,880	\$ 2,045,690	\$ 2,131,449	\$ 2,253,374	\$ 2,490,302
Contributions as a percentage of covered-employee payroll	28.85%	28.04%	28.04%	28.93%	27.60%	25.62%

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