

**CITY OF LAUREL, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2020**

CITY OF LAUREL
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Independent Auditor's Report

Honorable Mayor and members of the City Council
City of Laurel, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Maryland (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Laurel, Maryland, as of June 30, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

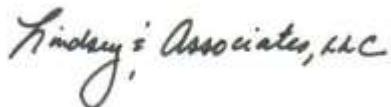
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of contributions and investment returns, other post-employment benefits plan – schedule of changes in the total liability and related ratios, and the schedule of revenues and expenditures – budget and actual (budgetary Basis) – general funds - unaudited comparison information on pages 4 through 12 and 58 through 61 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laurel, Maryland's financial statements as a whole. The schedule of revenues – budget non-GAAP and actual – general fund and the schedule of expenditures – budget non-GAAP and actual – general fund on pages 62 through 66 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of revenues – budget non-GAAP and actual general fund and the schedule of expenditures – budget non-GAAP and actual general fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2021, on our consideration of the City of Laurel, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Laurel, Maryland's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Finolay & Associates, LLC". The signature is cursive and fluid, with "Finolay & Associates" on the top line and "LLC" on the bottom line.

February 19, 2021

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Financial Highlights

- FY2020 was the twelfth year in a row with a real estate tax rate of \$0.71. All City services were maintained from previous years
- The Capital Improvement Program was approved with funding for new projects totaling \$2,995,500 and reauthorized funds from the previous year including \$9,242,414. Projects included infrastructure improvements, information technology purchases; vehicle purchases and park improvements.
- Ordinance No.'s 1956, 1957, and 1959 adjusted the FY2020 General Operating Budget and Capital Improvement Program to allocate savings in certain department budgets to provide additional funding to the Information Technology Project for the purchase of hardware to broadcast from computer systems such as Zoom to Laurel TV and to provide additional funding for the acquisition of police vehicles; address revenue shortfalls due to the pandemic; allocate grant funding for pandemic expenditures of PPE and sanitizing equipment and; and provide an additional contribution to the Pension Fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets plus deferred outflows and liabilities plus deferred inflows, 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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the event causing the change occurs, regardless of the timing of related cash flows. Revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused compensated absences).

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: general government, public safety, public works, and parks and recreation. Business-like activities are conducted by parks and recreation, public works, economic and community development (planning/zoning within general government), and Fire Marshal and permit services (permits and code enforcement within public safety) by charging user and processing fees for various programs, sanitation fees and zoning applications, respectively.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City uses governmental funds (general, capital improvement program, long-term debt, and fixed assets) and the fiduciary fund for the retirement plans' financial records.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to allow readers to compare government funds and governmental activities.

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Government-wide Financial Analysis

The City's total net position as of June 30, 2020 was \$46,944,145. The largest portion of net position, 77% is the net investment in capital assets, in the amount of \$36,100,416. The unrestricted portion, 15%, of net position can be used to meet the needs of serving the citizens and obligations to creditors.

The following is a condensed statement of net position:

City of Laurel, Maryland
Schedule of Net Position

	Governmental Activities	
	2020	2019
Current and other assets	\$ 44,594,783	\$ 43,611,046
Capital assets	41,081,156	41,990,394
Total Assets	85,675,939	85,601,440
Deferred outflows	4,473,222	5,559,167
Long-term liabilities	28,399,115	30,242,923
Other liabilities	13,206,066	13,422,465
Total Liabilities	41,605,181	43,665,388
Deferred inflows	1,599,835	2,499,189
Net position		
Net investment in capital assets	36,100,416	36,113,474
Restricted	3,635,447	3,511,557
Unrestricted	7,208,282	5,370,999
Total Net Position	\$ 46,944,145	\$ 44,996,030

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Governmental Activities

Governmental activities increased the City's net position by \$2,028,169 or 4.5% over June 30, 2019. Property taxes comprised 62% of the total revenue, while the next highest source of revenue, charges for service, is 17% of the total revenue. Income taxes make up 10% of total revenue. The remaining 11% of revenue is received from licenses, permits, interest, operating grants, fines and forfeitures, and miscellaneous items.

	Governmental Activities	
	2020	2019
Revenue		
Program Revenue		
Charges for services	\$ 6,132,309	\$ 6,953,864
Operating grants/contributions	1,673,890	1,530,202
Capital grants/contributions	-	-
General Revenue		
Property taxes	22,694,646	21,968,115
Income taxes	3,539,924	4,100,861
Other taxes	697,843	881,060
Interest	150,022	150,518
Miscellaneous	1,574,541	1,756,214
Total Revenue	36,463,175	37,340,834
Expenses		
General government	7,438,524	7,629,507
Public safety	12,342,032	11,674,052
Parks & recreation	2,501,861	2,702,994
Public works	5,179,323	4,917,012
Miscellaneous	6,925,903	7,022,193
Debt service	127,417	150,151
Total Expenses	34,515,060	34,095,909
Increase in net position	1,948,115	3,244,925
Net position, beginning of year	44,996,030	41,751,105
Net position, ending	\$ 46,944,145	\$ 44,996,030

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Financial Analysis of the Government's Funds

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources.

The general fund is the chief operating fund of the City of Laurel. At the end of the current fiscal year, the total general fund balance is \$23,382,564. A portion of fund balance in the amount of \$126,628 is nonspendable. \$3,479,827 is limited in its use by internal restrictions. Unassigned fund balance represents 60% of total general fund expenditures including transfers, while total fund balance represents 69% of that same amount.

The fund balance of the general fund has increased by 7% from \$21,713,823 at June 30, 2019 to \$23,382,564 at June 30, 2020 due to greater revenue than anticipated in real estate tax, local income tax, inter-governmental revenue charges, permit fees, parks and recreation fees and sanitation service charges.

The capital projects fund balance increased by \$1,649,292 from the prior fiscal year. This is due to additional transfers from the General Fund at the end of the year.

The Speed Camera fund ended the year with a restricted fund balance of \$3,635,447.

The Community Redevelopment Authority fund balance has a committed fund balance of \$1,450,999.

Fiduciary funds. The retirement plans of the City of Laurel employees are held in trust to provide future retirement benefits and death and disability benefits to participating employees and their beneficiaries. The net position for the pension fund increased by 4.6% from June 30, 2019 to June 30, 2020. The City's contribution met the actuarial recommendation of \$2,432,926 as well as an additional contribution of \$250,000 and the employee payroll deductions increased due to maintenance of the pay plan and promotions. Net investment gain was \$1,519,945 from June 2019. This is an overall increase of \$2,071,791 from the balance as of June 30, 2019.

Budgetary Highlights

There was great concern regarding the budgetary impact by the business shutdowns caused by the pandemic; however, savings from canceled programs were able to be used to offset revenue shortfalls of Admissions and Amusement Tax. Additionally, unanticipated real estate revenue was used to increase previously established designated reserves of City facility utilities, street improvements, fleet acquisitions; create an economic impact reserve; and provide an additional contribution of \$250,000 to the Pension Fund above and beyond the actuary's recommended contribution of \$2,349,134. The City is well aware the impacts from the pandemic will be felt in FY2021, and possibly through FY2023.

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets of \$36,100,416 (net of accumulated depreciation) includes land and land improvements, infrastructure, buildings, machinery, equipment and tools. This is a 2.2% decrease from the prior fiscal year. The decrease is the net of the additions and the additional depreciation, and disposals.

In FY2020, \$1,134,107 in equipment purchases were made with funding from the general fund, speed camera fund and the capital improvement program. Purchases were made of computers for teleworking and to create kiosks in the lobby of the Municipal Center to minimize staff exposure to the public; replacement AED's; thermal temperature scanners for City building entrances; message boards; public safety equipment; a leaf collection machine; a 10-ton dump truck and new police vehicles. and other electronic equipment. All existing mobile data terminals were replaced for compatibility with the conversion in public safety software. Vehicle replacements, per the replacement schedule, included police vehicles, a backhoe, box truck, 10-ton dump truck, and refuse packer. Four streets were reconstructed during the year, and the Passport Office was renovated to limit staff exposure to customers and provide safety to the Passport Agents.

The following table displays the City's capital assets:

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

Description	Governmental Activities
Land	\$ 7,006,556
Construction-in-progress	962,119
Buildings and improvements	14,543,946
Machinery, tools, equipment	5,313,167
Land improvements	2,186,058
Infrastructure	11,069,310
TOTAL	<u>\$ 41,081,156</u>

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Long-term debt. At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$31,735,668. This amount is comprised of the \$4,980,740 notes payable; \$14,935,489 in OPEB liability and \$1,592,145 in accrued vacation leave. This is a decrease of \$318,102 from the FY2019 balance. In FY2020 the total of the scheduled debt service payments were greater than the draws on the Local Government Infrastructure Financing proceeds; accrued vacation leave increased; and the OPEB liability increased by 13%.

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

City of Laurel, Maryland
Long-term Debt

	Governmental Activities
Notes payable	\$ 4,980,740
Accrued leave liability	1,592,145
Net pension liability	10,227,294
OPEB Liability	14,935,489
Total	<u>\$ 31,735,668</u>

Economic Factors and Activities

The City of Laurel continues to surge with residential development, with several projects either approved and in either the pre-construction or construction phase. The re-development of Patuxent Greens golf course into a 389-unit residential community has begun construction. The site will include single-family homes and townhouses as well as several amenities such as community clubhouse, pool, generational playground, tot lots and extensive trail network system.

The Westside mixed-use development, which currently includes a 469-unit apartment complex, a 56-unit townhouse subdivision, land designated for commercial uses and a hotel site, is located in the far southwest portion of the City adjacent to the proposed Konterra Town Center East. The Westside project was approved for an additional 81 townhomes, four (4) commercial pad sites, a new pavilion, and open space areas. Developers of the site are currently in negotiation stages with businesses to locate to the commercial portion of the site.

The Walkable Laurel project, which is the development of six (6) mixed use buildings that include 73 multifamily rental units, commercial storefronts, parking, and open space areas located right off of Main Street, was approved for concept. The project will utilize buildable land on B and C Streets.

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Laurel's Main Street continues to be a priority for the City's economic development strategy. The area continues to attract new small and unique businesses, which bring character to the downtown and provide additional shopping opportunities to residents. In order to support these new businesses, the City funds the Main Street Relocation Grant Program that provides funding for business startup costs and property improvements. The Department has also been working on updating the Main Street Façade Grant Program, after securing additional funding for this Program through the State. This new Façade Grant Program will allow both commercial and residential property owners to apply for funding to improve the exteriors of their property. The goal of this Program is to improve the streetscape and preserve the historic nature of the downtown. Grants to provide marketing assistance to business owners and updates to the Historic District Guidelines have also been awarded to Laurel's Main Street. The funding provided through various State grants in 2020, have been critical to moving the goals of Laurel's Main Street forward and revitalizing the area. Thanks to the CARES Act funding, Laurel was able to establish the Laurel Strong COVID-19 Small Business Grant Program which was able to supply funds to those businesses in need. In all, Laurel Strong provided funding to 17 businesses throughout the city.

In FY 2020, the Department of Economic and Community Development continued to have events for business owners throughout the year, however due to the pandemic the Department had to shift from hosting in-person events to a virtual platform. These events provided important technical assistance to businesses during the pandemic. They also served as a way for the City to communicate with the business community safely and efficiently.

The City Administrator and Department of Economic and Community Development remain active in the Maryland Military Installation Council, the Fort George G. Meade Regional Growth Management Committee, and the Fort Meade Community Covenant Council in order to plan and prepare the City for the impacts of the continuing development occurring at Ft. George G. Meade and the National Security Agency, which is within a five-mile radius of the City of Laurel. Furthermore, the City of Laurel currently attends several Washington Council of the Government (WCOG) committee meetings to stay abreast of economic development, housing and other trends in the region.

The Department of Economic and Community Development maintains and oversees the built environment for the City of Laurel. The Department is responsible for economic development, zoning compliance, development review, historic preservation and affordable housing. The Department is also responsible for implementation and update of the City's Master Plan. A long-range planning tool that helps to create and maintain a well-balanced, as well as cohesive community.

The City continues to invest in improvements to existing infrastructure, including streets and sidewalks, park improvements, information technology as well as converting lighting fixtures to LED lights. The City requires developers to conduct infrastructure improvements or pay impact fees to reduce the impact of new development, including but not limited to providing funding for improved intersections; provide funding for

CITY OF LAUREL, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

additional public safety officers; and providing parkland dedication or fees in lieu of parkland.

These activities as well as the geographic location of the City of Laurel, located exactly 21 miles between Washington, DC and Baltimore City. Outstanding services are provided by the Laurel Police Department, Department of Public Works and the Department of Parks and Recreation. The responsiveness of elected officials and City staff continue to have a positive influence on new residents and businesses to further improve the City's economy.

Despite the on-going pandemic, development within the City remains steady which has created interest from developers to seek approval for other construction projects. It is anticipated that these efforts will continue to allow other investments and opportunities for the City.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Budget & Personnel Services at 8103 Sandy Spring Road, Laurel, MD 20707.

CITY OF LAUREL, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Total
ASSETS		
Current Assets		
Equity in pooled cash and cash equivalents	\$ 30,713,345	\$ 30,713,345
Restricted cash	11,298,137	11,298,137
Taxes receivable, net of allowances	1,050,529	1,050,529
Other receivables	447,386	447,386
Accounts receivable - speed camera fines	80,015	80,015
Accounts receivable - income taxes	584,764	584,764
Due from other governments	259,493	259,493
Due from other funds	34,486	34,486
Inventory	126,628	126,628
Total Current Assets	<u>44,594,783</u>	<u>44,594,783</u>
Noncurrent Assets		
Net capital assets	41,081,156	41,081,156
Total Noncurrent Assets	<u>41,081,156</u>	<u>41,081,156</u>
TOTAL ASSETS	<u>85,675,939</u>	<u>85,675,939</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>4,473,222</u>	<u>4,473,222</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 90,149,161</u></u>	<u><u>\$ 90,149,161</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,516,593	\$ 2,516,593
Accrued interest	5,343	5,343
Deposits	6,173,415	6,173,415
Unearned revenue	1,169,857	1,169,857
Current portion of long-term debt	3,340,858	3,340,858
Total Current Liabilities	<u>13,206,066</u>	<u>13,206,066</u>
Noncurrent Liabilities		
Net OPEB liability	14,935,489	14,935,489
Compensated absences	1,592,145	1,592,145
Due to State (Note 13)	4,305	4,305
Net pension liability	10,227,294	10,227,294
Loan payable - long-term	1,639,882	1,639,882
Total Noncurrent Liabilities	<u>28,399,115</u>	<u>28,399,115</u>
TOTAL LIABILITIES	<u>41,605,181</u>	<u>41,605,181</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,599,835</u>	<u>1,599,835</u>
NET POSITION		
Net investment in capital assets	36,100,416	36,100,416
Restricted		
Speed cameras	3,635,447	3,635,447
Unrestricted	7,208,282	7,208,282
TOTAL NET POSITION	<u>46,944,145</u>	<u>46,944,145</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 90,149,161</u></u>	<u><u>\$ 90,149,161</u></u>

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

CITY OF LAUREL, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
						Governmental Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 7,438,524	\$ 6,925,903	\$ 1,349,115	\$ 67,725	\$ -	\$ (12,947,587)	\$ (12,947,587)
Public safety	12,342,032	23,850	4,141,987	564,737	-	(7,659,158)	(7,659,158)
Parks and recreation	2,501,861	-	442,339	114,014	-	(1,945,508)	(1,945,508)
Public works	5,179,323	103,567	198,868	927,414	-	(4,156,608)	(4,156,608)
Miscellaneous	6,925,903	(6,925,903)	-	-	-	-	-
Interest	127,417	(127,417)	-	-	-	-	-
Total Governmental Activities	34,515,060	-	6,132,309	1,673,890	-	(26,708,861)	(26,708,861)
Total Primary Government	\$ 34,515,060	\$ -	\$ 6,132,309	\$ 1,673,890	\$ -	\$ (26,708,861)	\$ (26,708,861)
General revenues:							
Taxes							
Income taxes					3,539,924	3,539,924	
Property taxes					22,694,646	22,694,646	
Other taxes					697,843	697,843	
Interest and investment earnings					150,022	150,022	
Miscellaneous					1,574,541	1,574,541	
Total General Revenues					28,656,976	28,656,976	
Change in Net Position							
Net Position, beginning of year					1,948,115	1,948,115	
Net Position, end of year					\$ 46,944,145	\$ 46,944,145	

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

CITY OF LAUREL, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Capital Projects Fund	Speed Camera Fund	Community Redevelopment Authority	Non Major Fund Special Revenue Fund	Total Governmental Funds
ASSETS						
Equity in pooled cash and cash equivalents	\$ 28,475,170	\$ 962,797	\$ -	\$ 1,275,378	\$ -	\$ 30,713,345
Restricted cash	6,173,415	-	5,124,722	-	-	11,298,137
Taxes receivable, net of allowances	1,050,529	-	-	-	-	1,050,529
Other receivables	417,326	22,560	-	7,500	-	447,386
Accounts receivable - speed camera fines	-	-	80,015	-	-	80,015
Accounts receivable - income taxes	584,764	-	-	-	-	584,764
Due from other governments	242,431	17,062	-	-	-	259,493
Due from other funds	1,922,952	3,959,880	337,027	168,373	-	6,388,232
Inventory	126,628	-	-	-	-	126,628
TOTAL ASSETS	38,993,215	4,962,299	5,541,764	1,451,251	-	50,948,529
DEFERRED OUTFLOWS OF RESOURCES						
	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 38,993,215	\$ 4,962,299	\$ 5,541,764	\$ 1,451,251	\$ -	\$ 50,948,529
LIABILITIES						
Accounts payable and accrued expenses	\$ 2,496,571	\$ -	\$ 19,770	\$ 252	\$ -	\$ 2,516,593
Accrued interest	5,343	-	-	-	-	5,343
Deposits	6,173,415	-	-	-	-	6,173,415
Due to other funds	4,130,172	337,027	1,886,547	-	-	6,353,746
Unearned revenue	1,169,857	-	-	-	-	1,169,857
TOTAL LIABILITIES	13,975,358	337,027	1,906,317	252	-	16,218,954
DEFERRED INFLOWS OF RESOURCES						
	1,635,293	-	-	-	-	1,635,293
FUND BALANCES						
Nonspendable	126,628	-	-	-	-	126,628
Restricted	-	-	3,635,447	-	-	3,635,447
Committed	3,241,441	4,625,272	-	1,450,999	-	9,317,712
Assigned	238,386	-	-	-	-	238,386
Unassigned	19,776,109	-	-	-	-	19,776,109
TOTAL FUND BALANCES	23,382,564	4,625,272	3,635,447	1,450,999	-	33,094,282
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 38,993,215	\$ 4,962,299	\$ 5,541,764	\$ 1,451,251	\$ -	\$ 50,948,529

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

<i>Total Governmental Fund Balances</i>	\$ 33,094,282
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	41,081,156
Long-term liabilities, including bonds payable, OPEB and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(31,739,973)
Deferred inflows of resources related to pension liability are not reported in the fund financial statements.	(1,599,835)
Deferred outflows of resources related to pension liability are not reported in the fund financial statements.	4,473,222
Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	1,635,293
<i>Net Position of Governmental Activities</i>	\$ 46,944,145

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

CITY OF LAUREL, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Capital Projects Fund	Speed Camera Fund	Community Redevelopment Authority	Non Major Fund Special Revenue Fund	Total Governmental Funds
REVENUES						
Taxes	\$ 22,727,183	\$ -	\$ -	\$ -	\$ 302,285	\$ 23,029,468
Intergovernmental	5,793,268	219,028	-	-	-	6,012,296
Licenses and permits	1,074,233	-	-	-	-	1,074,233
Charges for services	934,919	-	-	-	-	934,919
Fines and forfeitures	2,971,890	-	1,151,267	-	-	4,123,157
Miscellaneous	502,606	1,060,559	57,479	11,549	-	1,632,193
Total Revenues	34,004,099	1,279,587	1,208,746	11,549	302,285	36,806,266
EXPENDITURES						
Current Operations						
General government	6,241,823	-	-	-	-	6,241,823
Public safety	10,544,243	-	1,084,856	-	-	11,629,099
Parks and recreation	1,982,532	-	-	-	-	1,982,532
Public works	3,793,318	-	-	-	-	3,793,318
Miscellaneous	6,504,388	145,668	-	346,515	75,000	7,071,571
Capital projects	-	1,957,369	-	-	-	1,957,369
Debt Service						
Principal	1,815,142	-	-	-	-	1,815,142
Interest	127,417	-	-	-	-	127,417
Total Expenditures	31,008,863	2,103,037	1,084,856	346,515	75,000	34,618,271
Excess of revenues over (under) expenditures before other financing sources (uses)	2,995,236	(823,450)	123,890	(334,966)	227,285	2,187,995
Other financing sources (uses)						
Loan proceeds	-	918,962	-	-	-	918,962
Operating transfers in (out)	(1,326,495)	1,553,780	-	-	(227,285)	-
Total other financing sources (uses)	(1,326,495)	2,472,742	-	-	(227,285)	918,962
Excess of revenue and other financing sources over (under) expenditures and other financing sources (uses)	1,668,741	1,649,292	123,890	(334,966)	-	3,106,957
Fund balance, beginning of year	21,713,823	2,975,980	3,511,557	1,785,965	-	29,987,325
Fund balance, end of year	\$ 23,382,564	\$ 4,625,272	\$ 3,635,447	\$ 1,450,999	\$ -	\$ 33,094,282

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 3,106,957
Pension expense pertaining to the net pension liability is not reported in the funds.	(479,787)
Repayment of debt principal is reported in governmental funds; however, in the statement of activities, it is recorded as a reduction in long-term debt.	
This is the amount of principal debt repayment.	1,815,142
Proceeds from new debt is considered an other financing source in the governmental funds, but is recorded as an increase in long-term debt in the statement of activities.	
This is the amount of the proceeds from new debt.	(918,962)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(871,214)
OPEB contributions are long-term liabilities and the related expense is not reported in the funds.	-
Changes in deferred inflows of resources pertaining to state income taxes do not use current financial resources and are not reported as revenues in the governmental funds.	(475,259)
Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability. This is the difference in revenue recorded under modified accrual and accrual basis per the Statement of Activities.	56,120
Difference in accounting for compensated absences between modified accrual and accrual accounting.	(284,882)
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 1,948,115</u>

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

CITY OF LAUREL, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND - PENSION TRUST FUND
JUNE 30, 2020

ASSETS

Cash and cash equivalents	\$ 48,479
Investments, at fair value	46,728,140
Contributions receivable	250,000
Other assets	2,353
TOTAL ASSETS	<u>47,028,972</u>

DEFERRED OUTFLOWS OF RESOURCES

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 47,028,972

LIABILITIES

Accounts payable	\$ 556
Due to general fund	34,486
Total liabilities	<u>35,042</u>

DEFERRED INFLOWS OF RESOURCES

NET POSITION

Held in trust for pension benefits	<u>46,993,930</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS OF

RESOURCES AND NET POSITION

\$ 47,028,972

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

CITY OF LAUREL, MARYLAND
STATEMENT OF CHANGES IN NET POSITION
AGENCY FUND - PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2020

ADDITIONS

Contributions	
Employer	\$ 2,682,926
Plan member	709,509
Total contributions	<u>3,392,435</u>
Investment Income	
Interest income	40,459
Dividends	1,748,545
Net change in fair value of investments	<u>(269,059)</u>
Net investment income (loss)	<u>1,519,945</u>
Total additions	<u>4,912,380</u>

DEDUCTIONS

Distributions	2,714,124
Administrative expenses	<u>126,465</u>
	<u>2,840,589</u>
Change in net position	2,071,791
Net position held in trust for pension benefits, beginning of year	<u>44,922,139</u>
Net position held in trust for pension benefits, end of year	<u>\$ 46,993,930</u>

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

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Laurel, Maryland, was incorporated on April 4, 1870, under the provisions of the laws of the State of Maryland. The City operates under a Mayor and City Council-Strong Mayor form of government and provides the following services: general government, public safety, public works, and parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Mayor and City Council exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the City) and activities for which the primary government is financially accountable. Financial accountability exists if a primary government appoints a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, the City's basic financial statements include the City of Laurel Police Retirement Plan, the City of Laurel Employees (Administrative and Maintenance) Retirement Plan, and all departments, funds and account groups operated by the City. The activity of the City's retirement plans is reported in the Pension Trust Fund in the accompanying basic financial statements.

The City of Laurel Community Redevelopment Authority (the "Authority"), is reported as a blended component unit since the governing body of the Authority is substantially the same as the City's governing body and the City manages the activities in essentially the same manner as its own departments.

The financial activities of the Laurel Volunteer Fire Department and the Laurel Volunteer Rescue Squad are not considered part of the City's reporting entity. These are separate entities for which the City is not financially accountable.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to government units.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The City's governmental funds include the General Fund, the Capital Projects Fund, the Special Revenue Fund, the Speed Camera Fund and the Community Redevelopment Authority.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities.

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

The Speed Camera Fund is a special revenue fund used to account for amounts received from speed camera citations and the related administrative and public safety costs.

The Community Redevelopment Authority accounts for revitalization projects in designated areas of the City and is a blended component unit of the City. The Authority is reported as a special revenue fund of the City.

The City has one fiduciary fund. It is used to account for pension assets held by the City in a trustee capacity.

Basis of Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The City has no business-type activities.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, including the reclassification or elimination of internal activity (between funds). This is the same approach used in the preparation of the proprietary fund financial statements, if any, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the City, if any, and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect costs are allocated to programs. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Separate financial statements are provided for governmental funds, proprietary funds, if any, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column.

Governmental Funds

City activities pertaining to general government, public safety, public works, parks and recreation, and debt service are reported in the governmental funds. All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within two months of year-end and available to pay obligations of the current period). These include property taxes, franchise taxes, investment earnings, charges for services and, intergovernmental revenues.

Some revenues, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, some revenues are recorded as receivables and deferred inflows of resources.

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

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which has not matured, are recognized when paid.

Allocations of costs, such as depreciation and amortization, are not recognized in the governmental activities.

The major governmental funds are:

- The General Fund is the City's primary operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund.
- The Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities.
- The Speed Camera Fund is a special revenue fund used to account for amounts received from speed camera citations and the related administrative and public safety costs.
- The Community Redevelopment Authority accounts for revitalization projects in designated areas of the City and is a blended component unit of the City.

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

Fiduciary Fund

The City has one fiduciary fund. The Pension Trust Fund is used to account for pension assets held by the City in a trustee capacity. This fund is accounted for and reported in a manner similar to proprietary funds, since capital maintenance is critical.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Budgetary Accounting and Control

The City follows these procedures in establishing the budgetary data reflected on page 62:

1. On or by May 1 of each year, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimates of anticipated revenue and uses of fund balance, which shall equal or exceed the total proposed expenditures.
2. Before adopting a budget, the City Council holds a public hearing to obtain taxpayer comments. Time and location of this hearing are advertised at least two weeks in advance. The Council has historically held two public hearings.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. From the date of budget enactment, proposed expenditures become appropriations authorized by the City Council. Any transfer of funds between major appropriations, by the Mayor, requires approval of the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund. The policy established by the Mayor and City Council of Laurel, with respect to the City budget (budgetary basis), does not conform to generally accepted accounting principles (GAAP basis). The differences between budgetary and GAAP basis are shown in Note 19.

Budget amounts are as adopted by the Mayor and City Council. Individual amendments were not material in relation to the original budgeted amounts. The department level is the level of control which may not be legally exceeded.

Unencumbered appropriations of the operating budget lapse at the end of each fiscal year. Appropriations in the capital budget continue as authority for subsequent period expenditures, and lapse in the year of completion of the capital project.

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

Investments held at June 30, 2020 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Receivables

Receivables at June 30, 2020 consist of real estate taxes, personal property taxes, and other receivables. Receivables are deemed collectible in full.

Inventory of Supplies

Inventories, if any, are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds, if any, when used. Inventory at June 30, 2020 is \$126,628 for the general fund.

Capital Assets and Depreciation

Capital assets consist of infrastructure, land, buildings and equipment with an initial individual cost of more than \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at an estimated fair value at the date of donation. Intangible assets are recognized if they are identifiable, and are amortized over their useful lives if they do not have indefinite useful lives.

Major outlays for capital assets and improvements are capitalized as projects are constructed, and costs of uncompleted projects are accumulated in construction-in-progress, which is carried at the lower of cost or market.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Infrastructure	20 years
Land improvements	15 years
Buildings and improvements	40 years
Equipment	5 – 15 years

Restricted Reserves

The City uses restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred Outflows and Inflows of Resources

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

As of June 30, 2020, the balance of deferred inflows of resources consisted of:

Income taxes, General Fund	\$ 584,764
Property taxes, General Fund	<u>1,050,529</u>
	<u><u>\$ 1,635,293</u></u>

Local Tax Reserve Fund

At June 30, 2020, the City was advised by the State of Maryland that \$1,521,394 of the Local Tax Reserve Fund was allocable to the City. The City recorded receivable and deferred inflows of resources in the amount of \$1,521,394 in the fund financial statements. Changes in this amount have been reflected as current year income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

Interest Expense

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

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compensated Absences

Unused annual leave is adjusted to current salary cost at June 30. Annual leave in excess of 40 days is converted to sick leave on July 1. There is no limit on annual leave payable upon termination or retirement. The City classifies as a current liability the portion expected to be paid from expendable financial resources within the next fiscal year.

City employees are permitted to accumulate compensatory time, limited to five days, in accordance with the Fair Labor Standards Act of 1985 based on employment status. Unused compensatory time is paid to employees upon separation from service.

Personal leave is accrued and unused hours in excess of 10 hours are forfeited on July 1. The City does not reimburse employees for the accumulated personal leave upon termination or retirement. It is not practicable to estimate the portion of such amount which will ultimately be paid because payment is contingent upon future employment.

Management expects the City's commitment to provide personal leave to be met during the normal course of activities over the working lives of its employees.

Sick leave is accrued based on varying factors per employee group. The City does not reimburse employees for the unused accumulated sick leave upon termination or retirement, but it may be factored into an employee's retirement benefit.

Net Position

The government-wide statement of net position reports \$3,635,447 of restricted net position which is either restricted by enabling legislation or restrictions determined to be legally enforceable.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that were used.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Equity Classifications

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

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

Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation and are reduced by liabilities and deferred inflows of resources related to those constraints.

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

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

Governmental Fund Balances

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

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

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

Annual budgets are adopted for all City funds. The City Council may subsequently amend the budget and the budget was amended during fiscal year 2020. For day-to-day management control, expenditures may not exceed budget at the department level. The City prepares an annual operating budget on a basis not consistent with generally accepted accounting principles. Refer to Note 19 for a reconciliation to a GAAP basis.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Policies

Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptance, and other available bank investments provided that approved securities are pledged to secure those funds deposited in an amount equal to the amount of those funds. In addition, the City can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law and can invest in the State of Maryland Local Government Investment Pool.

The City's deposits are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City.

Pooling of Cash

The City pools all individual fund cash balances. Income is distributed to the funds based on contribution to the pool.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

Deposits

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

At year-end, the carrying amounts of the City's deposits were \$9,224,940 and the bank balances totaled \$9,538,335. Of the bank balances, the entire amount was insured by Federal Depository Insurance Corporation (FDIC) or secured by collateral valued at 102 percent of principal and accrued interest. At year end, the City's bank balances were not exposed to any custodial credit risk because all deposits were fully collateralized. Restricted cash consisted of the following at June 30, 2020:

Escrow deposits	\$ 6,173,415
Public safety - speed camera	<u>5,124,722</u>
	<u><u>\$ 11,298,137</u></u>

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in bankers' acceptances and commercial paper to the highest letter and numerical rating by at least one nationally recognized statistical rating organization. The Maryland Local Government Investment Pool (the Pool) is duly chartered, administered and subject to regulatory oversight by the State of Maryland. The Pool is managed in a "Rule 2(a)-7 like" manner and has an S&P rating of AAAm. The Pool was created under Maryland State Law and is regulated by the Maryland State Treasurer's Office. It is maintained exclusively to assist eligible participants, as defined by Articles 95 and 22 of the Annotated Code of Maryland. The Pool may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established by Section 6-222 of the State Finance and Procurement Article. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the Pool are valued daily on an amortized cost basis, which approximates market value, and are held to maturity under normal circumstances.

Investments in money market funds are valued at the closing net asset value per share on the day of valuation. The fair value of the position in the Pool is the same as the value of the pool net position (shares).

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy is to limit its interest rate risk by primarily investing in securities with maturity dates under one year.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is to diversify its investments by security type and institution. With the exception of direct purchases of U.S. Treasury instruments, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution unless the portfolio value is less than \$100,000.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's investment policy requires that deposits must have, at all times, collateral with a market value that meets or exceeds the City's deposits with the financial institution that are not covered by deposit insurance.

Investments

Generally, the City's investing activities are managed by the Controller and the City Council. The City has adopted an investment policy which will provide the highest reasonable investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all State and local statutes governing the investment of public funds. Permissible investments include any obligation for which the United States has pledged its full faith and credit for the payment of principal and interest; any obligation that a federal agency issues in accordance with an act of Congress; bankers' acceptance; repurchase agreements; certificates of deposit; certain money market mutual funds; the Maryland Local Government Investment Pool (MLGIP); and commercial paper. The City's policy and State law require that the underlying repurchase agreements and certificates of deposit's collateral must have a market value of at least 102 percent of the cost plus accrued interest of the investments. Investment with financial institutions chartered in a foreign country is prohibited.

The City's policy further limits the percentage of the total portfolio that can be invested in certain investment types at the date of purchase. These investment types and the maximum percentage of the portfolio that can be invested in each are: investment in the debt of other federal agencies and/or instrumentalities, 25%; bankers' acceptance, 25%; certain money market mutual funds, 25%; and MLGIP, 50%. State law places no limits on these types of investments. The City also limits its investment in commercial paper to 5%, which matches State law.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

As of June 30, 2020, the City had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings
MLGIP	\$ 3,144,081	\$ 3,144,081	AAAm
Repurchase agreements	24,991,856	24,991,856	N/A
Money market funds	1,687,834	1,687,834	AAAm
Certificates of Deposit:			
Fleet reserve	532,975	532,975	N/A
Street maintenance reserve	1,065,685	1,065,685	N/A
Public safety reserve	<u>1,356,790</u>	<u>1,356,790</u>	N/A
	<u><u>\$ 32,779,221</u></u>	<u><u>\$ 32,779,221</u></u>	
Agency Fund -			
Repurchase agreements	1,146,056	1,146,056	N/A
Mutual funds	<u>45,582,084</u>	<u>45,582,084</u>	N/A
	<u><u>\$ 46,728,140</u></u>	<u><u>\$ 46,728,140</u></u>	

Note: Ratings are provided where applicable to indicate associated Credit Risk.

N/A indicates not applicable.

A reconciliation of cash and cash equivalents per the Statement of Net Position totaling \$42,011,482 (\$30,713,345 unrestricted and \$11,298,137 restricted) to investments, deposits and petty cash follows.

Investments	\$ 32,779,221
Deposits	9,224,940
Petty cash	7,321
	<u><u>\$ 42,011,482</u></u>

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – TAXES RECEIVABLE

Taxes receivable are comprised of the following as of June 30, 2020.

Personal property	\$ 91,017
Real estate	959,512
	<u><u>\$ 1,050,529</u></u>

NOTE 5 – OTHER ACCOUNTS RECEIVABLE

Other accounts receivable are comprised of the following as of June 30, 2020.

Cable franchise fee	\$ 181,233
Grass cutting receivable	11,722
Refuse - residential	45,575
Parks & recreation receivable	53,961
Various	154,895
	<u><u>\$ 447,386</u></u>

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – UNEARNED REVENUES

Governmental funds delay revenue recognition in connection with resources that have been received but not earned.

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

Impact fees, General Fund	\$ 1,169,077
Other unearned revenues	780
	<u><u>\$ 1,169,857</u></u>

NOTE 7 – INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at June 30, 2020 are as follows:

Fund	Interfund receivables	Interfund payables
General fund	\$ 1,922,952	\$ 4,130,172
Capital projects fund	3,959,880	337,027
Speed camera fund	337,027	1,886,547
Community redevelopment authority	168,373	-
Pension trust fund	<u>1,919</u>	<u>36,405</u>
	<u><u>\$ 6,390,151</u></u>	<u><u>\$ 6,390,151</u></u>

Interfund receivables and payables are utilized when payments are made on behalf of another fund. All amounts are expected to be paid within one year. The interfund receivable and payable between the General Fund, the Capital Projects Fund, the Speed Camera Fund, and the Community Redevelopment Authority are eliminated in the Statement of Net Position.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – PROPERTY TAX

The City's real property tax is levied each July 1, on the assessed value for all property located within City boundaries. Real property tax revenue is recognized when received. Assessed values are established by the Maryland State Department of Assessments and Taxation based on estimates of fair market value, multiplied by that year's assessment rate. The rate per \$100 of assessed value was \$.71 in 2020.

Taxes are due on July 1; however, they do not become delinquent until after September 30. Property on which taxes are not paid by the following March 1, may be sold at tax sale. Current tax collections for the year ended June 30, 2020, were 99% of the levy.

The City's real property rate for the special taxing district was \$.03 per \$100 assessed value in 2020.

The City's personal property taxes are levied monthly by the City on a rotating basis. Assessed values are established by the Maryland State Department of Assessments and Taxation based on estimates of fair market value multiplied by that year's assessment rate. The rate per \$100 of assessed value was \$1.69 in 2020. Personal property tax revenue is recognized when received.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 7,006,556	\$ -	\$ -	\$ 7,006,556
Construction in progress	306,696	655,423	-	962,119
Subtotal	<u>7,313,252</u>	<u>655,423</u>	-	<u>7,968,675</u>
Depreciable capital assets:				
Infrastructure	24,834,569	412,216	385,078	24,861,707
Land improvements	5,305,614	71,591	-	5,377,205
Buildings and improvements	25,528,889	43,828	-	25,572,717
Machinery, tools and equipment	16,686,508	1,134,107	51,957	17,768,658
Subtotal	<u>72,355,580</u>	<u>1,661,742</u>	<u>437,035</u>	<u>73,580,287</u>
Total capital assets	<u>79,668,832</u>	<u>2,317,165</u>	<u>437,035</u>	<u>81,548,962</u>
Accumulated depreciation:				
Infrastructure	13,083,804	1,056,723	348,130	13,792,397
Land improvements	2,899,834	291,313	-	3,191,147
Buildings and improvements	10,248,081	780,690	-	11,028,771
Machinery, tools and equipment	11,446,719	1,059,653	50,881	12,455,491
Subtotal, accumulated depreciation	<u>37,678,438</u>	<u>3,188,379</u>	<u>399,011</u>	<u>40,467,806</u>
Net capital assets	<u><u>\$ 41,990,394</u></u>	<u><u>\$ (871,214)</u></u>	<u><u>\$ 38,024</u></u>	<u><u>\$ 41,081,156</u></u>

Depreciation was charged to functions as follows:

General government	\$ 501,694
Public safety	773,540
Parks and recreation	527,140
Public works	1,386,005
	<u><u>\$ 3,188,379</u></u>

The City has construction commitments of approximately \$366,710 as of June 30, 2020.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 – LONG-TERM DEBT

General obligation bonds consist of the following at June 30, 2020:

\$5,134,344 – Public Improvement bonds, 2016 series A; due in annual installments of \$419,220 to \$579,507 through April 1, 2026; interest varies from 1.76% to 2.91%. The semiannual interest payments are offset by interest on the undrawn proceeds held in an escrow account by and in the name of the CDA. Interest paid on the bond for the year ended June 30, 2020 was \$61,602 less interest income of \$52,010. The outstanding principal balance and balance of undrawn proceeds on June 30, 2020 were \$1,105,370 and \$2,139,630 respectively.

\$2,860,000 – Public Improvement bonds, 2012 series A; due in annual installments of \$263,500 to \$316,500 through May 1, 2022; interest varies from 1.41% to 2.91%. The semiannual interest payments are offset by interest on the undrawn proceeds held in an escrow account by and in the name of the CDA. Interest paid on the bond for the year ended June 30, 2020 was \$28,927 less interest income of \$2,514. The outstanding principal balance and balance of undrawn proceeds on June 30, 2020 were \$622,700 and \$0 respectively.

\$8,406,000 - Public improvement bonds, 2007 Series B was refinanced in August 2017; due in annual installments of \$599,561 to \$759,105 through May 1, 2022; interest varies from 1.88% to 2.07%. The semiannual interest payments are offset by interest on the undrawn proceeds held in an escrow account by and in the name of the CDA. Interest paid on the bond for the year ended June 30, 2020 was \$45,197 less interest income of \$0. The outstanding principal balance and balance of undrawn proceeds on June 30, 2020 were \$1,461,500 and \$0 respectively.

Notes payable consists of the following at June 30, 2020:

Note payable to PNC Bank in the amount of \$1,747,267 to finance the purchase of a building to be used by the Laurel Police Department, and Note payable to PNC Bank in the amount of \$1,396,518 to finance the purchase of a building to be used by the Laurel Parks and Recreation Department were consolidated as of February 22, 2016 with a principal balance of \$1,610,402. Through the February 2016 debt service payments on the original two loans, \$12,710 and \$13,967 in interest payments had been made. The consolidated note is payable in monthly installments of \$15,022 until February 24, 2021 with interest at 2.25%. As of June 30, 2020, the outstanding principal balance on the note is \$957,357. Interest paid on the note for the year ended June 30, 2020 was \$23,850.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 – LONG-TERM DEBT – continued

Also on February 22, 2016, the Mayor and City Council executed loan documents for a loan in the amount of \$1,402,584. The loan proceeds funded the purchase of a refuse truck as well as the construction project for Cherry Lane and Ashford Boulevard. The note is payable in monthly installments of \$13,084 until February 24, 2021 with interest at 2.25%. As of June 30, 2020, the outstanding principal balance on the note is \$833,813. Interest paid on the note for the year ended June 30, 2020 was \$20,772.

The changes in governmental long-term debt for the year ended June 30, 2020 are summarized below.

	Beginning Balance	Additions	Retirements	Ending Balance	Amount due in one year
Bank loans	\$ 2,083,810	\$ -	\$ (292,642)	\$ 1,791,168	\$ 1,791,158
CDA loans	3,793,110	918,962	(1,522,500)	3,189,572	1,549,700
Total	<u>\$ 5,876,920</u>	<u>\$ 918,962</u>	<u>\$ (1,815,142)</u>	<u>\$ 4,980,740</u>	<u>\$ 3,340,858</u>
Compensated absences	<u>\$ 1,307,263</u>	<u>\$ 284,882</u>	<u>\$ -</u>	<u>\$ 1,592,145</u>	<u>\$ -</u>
OPEB liability	<u>\$ 13,183,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,183,606</u>	<u>\$ -</u>

The following is a schedule by years of future principal and estimated interest payments required to amortize all debt outstanding as of June 30, 2020. Estimated interest payments were based on rates in effect at June 30, 2020 and do not include the effect of interest earned on undrawn proceeds of the note payable, if any.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 – LONG-TERM DEBT – continued

Year ended June 30,	Bank Loans		CDA Loans (A)	
	Principal	Interest	Principal	Interest
2021	\$ 1,791,158	\$ 26,094	\$ 1,549,700	\$ 103,971
2022	-	-	1,579,500	74,084
2023	-	-	535,000	41,765
2024	-	-	545,000	32,831
2025	-	-	555,000	22,912
2026	-	-	565,000	11,978
Total	<u>\$ 1,791,158</u>	<u>\$ 26,094</u>	<u>\$ 5,329,200</u>	<u>\$ 287,541</u>

Year ended June 30,	Total	
	Principal	Interest
2021	\$ 3,340,858	\$ 130,065
2022	1,579,500	74,084
2023	535,000	41,765
2024	545,000	32,831
2025	555,000	22,912
2026	565,000	11,978
Total	<u>\$ 7,120,358</u>	<u>\$ 313,635</u>

(A) This payout schedule assumes the remaining \$ 2,139,630 of undrawn proceeds are drawn down.

NOTE 11 – CONCENTRATIONS

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

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 – RISK MANAGEMENT AND SAFETY COMPLIANCE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and related disasters. The City is a capital member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML), and the Maryland Association of Counties.

LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability, environmental liability, cyber and property coverage.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessments. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members. Annual premiums are assessed for the various policy coverages. During fiscal year 2020, the City paid premiums of \$257,601 to the trust. The agreement for the formation of LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of annual premiums. Settled claims, if any resulting from these risks, have not exceeded commercial insurance coverage in the past fiscal year.

Premiums are charged to the City's General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments for the last three fiscal years.

The City employs a full-time Risk Management Officer and a Safety Compliance Officer, both of which are funded in the City Administrator's Office. This has allowed the City to place all of its property and workers compensation insurance, safety (both public and employee), and risk management responsibilities within one department. The Risk Management Officer is responsible for processing all vehicle accident and workers compensation claims and is responsible for the Employee Wellness Program. The Risk Management Officer oversees the City's general liability insurance policies and workers compensation insurance. The Safety Compliance Officer is responsible for accident investigation; safety inspections at all City properties, parks, and facilities; and employee awareness for job safety. The Safety Compliance Officer is the Chair of the City's Safety Committee.

The City continues to receive LGIT Program Grants, recognition and inclusion from other Maryland municipal Risk Management Officers, and invited to serve on the LGIT Risk Management Committee and Law Enforcement Task Force.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – COMPTROLLER OF THE TREASURY OF MARYLAND V. WYNNE

In 2015, in *Comptroller of the Treasury of Maryland v. Wynne*, the Supreme Court invalidated a portion of Maryland's personal income tax scheme after determining that it inherently burdened the earnings of individuals who resided in one state but earned income in another.

In response, Maryland has enacted corrective legislation allowing a credit for Maryland residents against personal income tax for income taxed by other states. The Court had ruled that the failure of Maryland law to allow such a credit rendered Maryland's personal income tax scheme unconstitutional.

As of June 2020, the Comptroller's Office states that the fiscal impact of the ruling on the City will be \$4,305 of refunds for prior years' taxes, and a minimal estimated reduction in income tax revenue each year going forward.

The City will be required to start reimbursing the State during the fourth quarter of fiscal year 2021, and the debt will be repaid over a period of five years as a reduction in income tax distribution.

	Balance June 30, 2019	Retired During Year	Balance June 30, 2020	Amount Due Within 1 Year
State of Maryland	\$ 4,305	\$ -	\$ 4,305	\$ 215

The annual deductions will be as follows:

<u>FY</u>	<u>Amount</u>
2021	\$ 215
2022	860
2023	860
2024	860
2025	860
Thereafter	<u>650</u>
	<u><u>\$ 4,305</u></u>

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – DEFERRED COMPENSATION PLAN

The City Council established two deferred compensation plans in accordance with Internal Revenue Code Section 457. These plans, available to all full-time and part-time employees, elected officials and auxiliary employees, permit them to defer any portion of their salary until future years. The City does not contribute to these plans.

All amounts of compensation deferred under the plans, and all related income are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose.

In compliance with the Internal Revenue Code Section 457(g), all assets and income of the plans are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the investments designated for compensation benefits are not reflected in the City's financial statements.

Mass Mutual (formerly ITT Hartford) is the plan administrator and the trustee for one plan, and Pacific Life is the plan administrator and the trustee for the other plan.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 – RETIREMENT PLAN

Plan Description

The City contributes to the City of Laurel Police Retirement Plan and the City of Laurel Employee (Administrative and Maintenance) Retirement Plan (Plans). Both Plans contain virtually the same provisions and the valuation of each of the Plans uses virtually the same assumptions. Accordingly, for ease of disclosure and understanding, they are presented here as one plan, except as indicated. The Plans are single-employer defined benefit plans which provide retirement benefits and death and disability benefits to participating employees and their beneficiaries. The City's municipal code and section 23A of the Annotated Code of Maryland grants the authority to provide and amend retirement benefits.

The Plan is administered by the Retirement Plan Board of Trustees. The Board is comprised of seven members including a participant of the Police Plan and a participant of the Employee Plan. The remaining members are appointed by the Mayor and confirmed by the Council. At least two members must have experience in banking, investing or accounting. The City Administrator and Director of Finance, or their designees, serve as ex officio, non-voting members. There are no separately issued financial statements for these plans.

The City has also adopted GASB No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68. GASB No. 71 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The City's fiscal 2020 contribution of \$2,682,926 is therefore recognized as a pension-related deferred outflow of resources.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 – RETIREMENT PLAN - continued

Benefits provided

Administrative and Maintenance employees are eligible to receive retirement benefits as of the participant's 65th birthday and the completion of 5 years of credited service or upon the completion of 30 years of credited service regardless of age. Police employees are eligible to receive retirement benefits the earlier of the participant's 65th birthday and the completion of 5 years of credited service or upon completion of 20 years of credited service regardless of age. All participants under the Plans as of June 30, 2007, are entitled to a minimum benefit as of such date determined under the provisions of the plan then in effect.

Employees may elect to receive their pension benefits in the form of a single life annuity, a period certain and continuous annuity, a joint and survivor annuity or a Social Security annuity. Administrative and Maintenance employee's normal retirement allowance consists of 1.67% of final average compensation multiplied by credited service not greater than 30 years. Police employee's normal retirement allowance consists of 2.5% of final average compensation for each of the first 20 years of credited service plus 1.5% of final average compensation for each of the next 5 years of credited service.

The Plans allow the City to grant a cost of living increase to participants or beneficiaries annually. The most recent cost of living adjustment was an increase of 2.5% effective July 1, 1998.

Plan Membership

All full-time and part-time employees of the City must participate in the applicable Plan. A participant becomes fully vested in his or her accrued benefit after 5 years of credited service. Credited service is determined for any participant as the years and completed months during which the participant shall have been in the employment of the City. Additionally, credited service includes credited service transferred from other government employers in the State of Maryland or purchased for military service or government service anywhere in the United States, not to exceed 5 years.

The number of employees covered and current membership classifications as of June 30, 2020 are as follows:

Active participants	174
Inactive plan members entitled to but not yet receiving benefits	11
Inactive plan members or beneficiaries currently receiving benefits	<u>95</u>
Total participants	<u><u>280</u></u>

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 – RETIREMENT PLAN - continued

Deferred Retirement Option Program

The Plans may be amended by the City Council, and the Plans were amended as of January 1, 2005 to include provisions for a Deferred Retirement Option Plan (“DROP”). Under the DROP, participants eligible to participate may elect to defer the commencement of his or her retirement benefits from a minimum period of one year to a maximum period of seven years in the Employee Plan and five years in the Police Plan. The period of participation automatically ends when a participant terminates employment for any reason. Election to participate in the DROP was to end December 31, 2009, but was extended in 2009 and 2014 to December 31, 2019. The balance of amounts held by the Plans pursuant to the DROP was \$1,592,363 as of June 30, 2020.

Funding Policy

The City’s municipal code and section 23A of the Annotated Code of Maryland grants the authority to establish and amend contribution rates. As a condition of employment, employees must contribute 4.5% (Administrative and Maintenance) and 8.8% (Police) of base earnings, excluding bonuses, commissions, overtime payments and other additional compensation. The City’s funding policy is to make annual contributions to the Plans as calculated by the actuary in amounts sufficient to provide the benefits of the Plans. The City does not calculate a net pension obligation, but develops an annual required contribution as a percent of payroll. The annual pension cost is equal to the annual required contribution. The contribution rate applied to actual payroll is actuarially determined and consists of a normal cost component and an unfunded actuarial component. The contributions made to the Plan for fiscal year 2020 were made in accordance with the actuarial valuation for the plan year ending June 30, 2018. The contributions consisted of amounts contributed by the employees of \$709,509 and amounts contributed by the City of \$2,682,926, which includes an additional contribution of \$250,000.

The required and actual contributions for the fiscal years ending June 30th were as follows:

	<u>Fiscal Year Ending June 30</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Retirement plan contributions	<u>\$ 2,682,926</u>	<u>\$ 2,999,134</u>	<u>\$ 2,526,383</u>

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 – RETIREMENT PLAN - continued

The City contributed \$2,682,926 to the System for fiscal year 2020 which was 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.

Required disclosures aggregate for the plan:

	Laurel Pension System
Total pension liability	\$ 56,980,420
Total fiduciary net position	46,753,126
City's proportionate share of total pension liabilities	10,227,294
City's proportionate share of net pension liabilities	100.00%
Total pension assets	46,753,126
Measurement date of collective net pension liability	June 30, 2019
Date of actuarial valuation	June 30, 2019
Deferred outflows related to pensions	4,473,222
Deferred inflows related to pensions	1,599,835
Pension expense/expenditures for the period	(1,272,096)

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 – RETIREMENT PLAN - continued

Actuarial assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2018 rolled forward to June 30, 2019. The key assumptions used to perform the June 30, 2019 pension liability calculation for the System are as follows:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset valuation method	5-year smoothed market
Inflation (b)	3.0%
Salary Increases	5%, including inflation
Discount Rate (a)	7.00%
Investment Rate of Return (b)	7.00%
Retirement age	Participants are assumed to retire or join DROP upon eligibility for Normal Retirement
Mortality	RP-2014 Total Dataset table with generational projection by scale MP-2016. For Police plan members use blue collar adjustment; for disabled participants set forward 10 years

- (a) Discount rate at prior measurement date was 7.00%.
- (b) There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2019 valuation:
 - a. Investment return assumption did not change.
 - b. Inflation assumption did not change.

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

Years of Service	Percentage Retiring
20	20.00%
21	12.50%
22	28.50%
23	40.00%
24	33.30%
25	100.00%

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 – RETIREMENT PLAN - continued

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 (3%). The target allocation and best estimates of geometric real rates of return for each major asset class are summarized below.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Equity	23%	7.53%
Small/Mid Cap Equity	26%	7.91%
Foreign Equity	15%	7.56%
Fixed Income	15%	3.02%
Defensive	15%	2.75%
Real Estate	6%	6.21%
	<u><u>100%</u></u>	

The above was the Plan's Board of Trustee's adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2019.

The components of the net pension liability for the System as of June 30, 2019, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total pension liability	\$ 56,980,420
Plan Fiduciary Net Position	46,753,126
Net Pension Liability	<u><u>\$ 10,227,294</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>82.05%</u></u>

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 – RETIREMENT PLAN - continued

Discount Rate

A single discount rate of 7.00% 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 7.00%. 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, calculated using a single discount rate of 7.00%, a single discount rate that is 1-percentage point lower (i.e., 6.00%), and a single discount rate that is 1-percentage point higher (i.e., 8.00%).

	Current		
	1% Decrease	Discount Rate	1% Increase
	6.00%	7.00%	8.00%
City's net pension liability	\$ 17,337,019	\$ 10,227,294	\$ 4,354,835

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 – RETIREMENT PLAN - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the City reported a liability of \$10,227,294 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an 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 participating governmental units, actuarially determined. At June 30, 2019, the City's proportion was 100 percent.

For the year ended June 30, 2020, the City recognized pension expense of (\$1,272,096). At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 97,837	\$ -
Changes of assumptions	652,961	-
Net difference between project and actual earnings on pension plan investments	-	594,795
Contributions subsequent to the measurement date	2,682,926	
Total	<u>\$ 3,433,724</u>	<u>\$ 594,795</u>

The deferred inflows and outflows of resources relating to differences between expected and actual experience and differences in projected and actual investment earnings represent the City's proportionate share of the unamortized portions of the Plan's original amounts, which are being amortized over a five-year period beginning in fiscal 2020. These unamortized amounts will be ratably recognized in pension expense over the next four years. The deferred outflow of resources relating to contributions subsequent to the measurement date will be recognized as a reduction of the City's net pension liability in the year ended June 30, 2021.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description and Benefits Provided

The City pays up to \$500 per month for life for each retiree's health insurance. The retiree may use this money to obtain health insurance coverage from other carriers, or use the City's insurance provider. The City reimburses the costs for coverage for the retiree only, not dependents, for \$500 of premiums per month.

Funding Policy

The City has not established an OPEB trust as of June 30, 2020 and has not made a contribution for the year ended June 30, 2020. The City will pay benefits on a pay-as-you-go basis.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	39
Inactive employees entitled to but not yet receiving benefit payments	53
Active employees	199
	<hr/> <hr/>
	291

Total OPEB Liability

The City's total OPEB liability of \$14,935,489 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019 and rolled forward to June 30, 2020.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – continued

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Salary increases	3.5% per annum
Discount rate	2.45%
Healthcare cost trend rates	4.0%

The discount rate was based on the 20-year bond rate.

Mortality rates were based on the RP2014 Total Dataset adjusted to the 2006 table with fully generational projection using scale MP2016.

The trend rate selected is based on an economic model developed by a health care economist for the Society of Actuaries.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2019 for FY2019	\$ 13,183,606	\$ -	\$ 13,183,606
Changes for the year			
Service cost	645,158	-	645,158
Interest	407,656	-	407,656
Changes in benefit terms	-	-	-
Experience losses/(gains)	(88,174)	-	(88,174)
Trust contribution - employer	-	230,746	(230,746)
Net investment income	-	-	-
Changes in assumptions	1,017,989	-	1,017,989
Benefit payments (net of retiree contributions)	(230,746)	(230,746)	-
Administrative expense	-	-	-
Net changes	1,751,883	-	1,751,883
Balance as of June 30, 2020 for FY2020	<u><u>\$ 14,935,489</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,935,489</u></u>

Changes of assumptions reflects a change in the discount rate from 3.13% to 2.45%.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – continued

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

The following presents the total OPEB liability to the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.45%) or 1-percentage-point higher (3.45%) than the current discount rate:

Discount Rate	Current		
	1% Decrease	Discount Rate	1% Increase
1.45%	2.45%	3.45%	
Total OPEB Liability	\$ 17,376,876	\$ 14,935,489	\$ 12,977,541
Net OPEB Liability/(Asset)	\$ 17,376,876	\$ 14,935,489	\$ 12,977,541

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB liability to the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.00%) or 1-percentage-point higher (5.00%) than the current discount rate:

Ultimate Trend	1% Decrease	Current Medical	1% Increase
	3.00%	Trend 4.00%	5.00%
Total OPEB Liability	\$ 12,519,977	\$ 14,935,489	\$ 18,029,429
Net OPEB Liability/(Asset)	\$ 12,519,977	\$ 14,935,489	\$ 18,029,429

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$792,309. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 972,314
Changes of assumptions	1,039,498	32,726
Net difference between project and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	-	-
Total	\$ 1,039,498	\$ 1,005,040

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – continued

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

Fiscal Year ended June 30:	
2021	\$ (36,701)
2022	(36,701)
2023	(36,701)
2024	(10,409)
2025	154,970
Thereafter	-

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

In the normal course of business the City is a defendant in several lawsuits which management is vigorously defending. No contingency has been established because neither the outcome of the cases nor the amount of an award, if any, can be determined. The City's attorney and the insurance carrier are defending these matters.

NOTE 18 – RISKS AND UNCERTAINTIES

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

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 19 – RECONCILIATION OF NON-GAAP BUDGET TO GAAP BUDGET

The financial statements and notes conform to GAAP. The budget is prepared on a basis not consistent with GAAP. The reconciliation between the non-GAAP budget and GAAP follows:

Excess (deficiency) of revenue over expenditures, encumbrances and other financing sources (uses) - non-GAAP budgetary basis - general fund	\$	-
Use of designated reserves		(776,378)
Increase (decrease) due to:		
Expenditures of amounts encumbered during prior year		(154,115)
Reserved encumbrances (GAAP basis) at June 30, 2018, but recognized as expenditures for budgetary purposes		<u>238,386</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses) - GAAP	\$	<u>(692,107)</u>

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20 – FUND BALANCE REPORTING

Fund balances for the City's governmental funds consisted of the following as of June 30, 2020:

Non-Spendable Fund Balance

The non-spendable fund balance in the general fund in the amount of \$126,268 is made up of inventory that is not in spendable form.

Restricted Fund Balance

The restricted fund balance in the speed camera fund is comprised of \$3,635,447 for public safety expenditures.

Committed Fund Balance

The committed fund balance in the general fund in the amount of \$3,241,441 is made up of \$598,737 for fleet equipment and \$1,542,704 for street maintenance; \$50,000 for public safety; \$600,000 for employee insurance; \$300,000 for City vehicle fuel; \$200,000 for a City facility utility expense; \$250,000 economic impact reserve; and a recruitment and retention reserve was created with the balance of \$150,000. The committed fund balance in the capital projects fund is \$4,625,272 for future capital projects. The committed fund balance in the community redevelopment authority is \$1,450,999 for redevelopment projects.

Assigned Fund Balance

The assigned fund balance in the general fund is made up of \$238,386 for encumbrances outstanding.

Unassigned Fund Balance

The unassigned fund balance in the general fund is \$19,776,109.

CITY OF LAUREL, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 21 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 87, *Leases*, issued June 2018, effective for financial statements for fiscal years beginning after June 15, 2021.

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

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, issued August 2018, effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, issued May 2019, effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, issued January 2020, effective for reporting periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, effective for reporting periods beginning after June 15, 2020.

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

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

Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, effective for reporting periods 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 reporting periods beginning after June 15, 2021.

The City will implement these statements as necessary as of their effective dates. The City is still in the process of determining the effect of implementing these GASB statements.

CITY OF LAUREL, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEES RETIREMENT PLAN AND POLICE RETIREMENT PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS
(Dollar amounts in thousands)

Total Pension Liability	2019	2018	2017	2016	2015	2014
Service cost	\$ 1,619	\$ 1,560	\$ 1,501	\$ 1,339	\$ 1,289	\$ 1,210
Interest	3,689	3,570	3,335	3,020	2,936	2,850
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	158	(10)	19	(152)	(215)	-
Changes of assumptions	-	-	1,366	532	-	-
Benefit payments	(3,909)	(1,916)	(2,152)	(2,750)	(1,676)	(1,737)
Net change in total pension liability	1,557	3,204	4,069	1,989	2,334	2,323
Total pension liability - beginning	55,423	52,219	48,150	46,161	43,827	41,504
Total pension liability - end (a)	\$ 56,980	\$ 55,423	\$ 52,219	\$ 48,150	\$ 46,161	\$ 43,827
Plan fiduciary net position						
Contributions - employer	\$ 2,999	\$ 2,526	\$ 2,247	\$ 2,402	\$ 2,159	\$ 2,285
Contributions - member	700	703	674	615	604	579
Net investment income	3,370	3,226	3,921	(391)	1,321	4,435
Benefit payments	(3,909)	(1,916)	(2,152)	(2,749)	(1,676)	(1,737)
Administrative expenses	(144)	(123)	(111)	(102)	(123)	(94)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	3,016	4,417	4,579	(225)	2,285	5,468
Plan fiduciary net position - beginning	43,737	39,320	34,741	34,966	32,681	27,213
Plan fiduciary net position - end (b)	\$ 46,753	\$ 43,737	\$ 39,320	\$ 34,741	\$ 34,966	\$ 32,681
Net pension liability (a - b)	\$ 10,227	\$ 11,686	\$ 12,899	\$ 13,409	\$ 11,195	\$ 11,146
Plan fiduciary net position as a percentage of total pension liability	82.05%	78.91%	75.30%	72.15%	75.75%	74.57%
Covered-employee payroll	\$ 11,740	\$ 11,316	\$ 10,721	\$ 9,953	\$ 9,985	\$ 9,410
Net pension liability as a percentage of covered employee payroll	87.11%	103.27%	120.32%	134.72%	112.12%	118.45%
Expected average remaining service years of all participants	5	5	5	5	5	5

The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is presented for those years for which information is available. Information for FY2013 and earlier years is not available.

CITY OF LAUREL, MARYLAND**REQUIRED SUPPLEMENTARY INFORMATION****EMPLOYEES RETIREMENT PLAN AND POLICE RETIREMENT PLAN****SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS****LAST 10 FISCAL YEARS**

(Dollar amounts in thousands)

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,683	\$ 2,256	\$ 2,027	\$ 1,966	\$ 1,978	\$ 1,985
Contributions made	2,683	2,256	2,247	2,402	2,159	2,285
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (220)</u>	<u>\$ (436)</u>	<u>\$ (181)</u>	<u>\$ (300)</u>
Covered-employee payroll	\$ 11,740	\$ 11,316	\$ 10,721	\$ 9,953	\$ 9,510	\$ 12,005
Contributions as a percentage of covered payroll	22.32%	22.32%	20.96%	24.13%	22.70%	19.03%

Notes to Schedule**Valuation date:**

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Remaining amortization period	28/23 years (closed) for Employees/Police
Asset valuation method	3-year smoothed market
Inflation	3.00%
Salary increases	5.0%, including inflation
Investment rate of return	7.0%, net of pension plan investment expense
Retirement age	Participants are assumed to retire or join DROP upon eligibility for Normal Retirement
Mortality	RP-2014 Total Dataset table with generational projection by scale MP-2016. For Police plan members use blue collar adjustment; for disabled participants set forward 10 years.

Information for FY2013 and prior is not available.

CITY OF LAUREL, MARYLAND
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN THE TOTAL LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Disclosure for fiscal year ending:	2020	2019	2018
Measurement date:	6/30/2020	6/30/2019	6/30/2018
Total OPEB Liability			
Service Cost	\$ 645,158	\$ 583,988	\$ 567,582
Interest Cost	407,656	422,879	398,471
Changes in Benefit Terms	-	1,561,610	-
Differences Between Expected and Actual Experience	(88,174)	(1,279,035)	(92,296)
Changes of Assumptions	1,017,989	286,762	(65,450)
Benefit Payments	(230,746)	(256,333)	(242,400)
Net Change in Total OPEB Liability	1,751,883	1,319,871	565,907
Total OPEB Liability - Beginning of Year	13,183,606	11,863,735	11,297,828
Total OPEB Liability - End of Year	14,935,489	13,183,606	11,863,735
 Disclosure for fiscal year ending:	 2020	 2019	 2018
Measurement date:	6/30/2020	6/30/2019	6/30/2018
 Contributions - Employer	 \$ 230,746	 \$ 256,333	 \$ 242,400
Net Investment Income	-	-	-
Benefit Payments (net of retiree contributions)	(230,746)	(256,333)	(242,400)
Administrative Expense	-	-	-
Net Change in Fiduciary Position	-	-	-
Fiduciary Net Position - Beginning of Year	-	-	-
Fiduciary Net Position - End of Year	 14,935,489	 13,183,606	 11,863,735
 Net OPEB Liability	 14,935,489	 13,183,606	 11,863,735
Fiduciary Net Position as a % of Total OPEB Liability	 0%	 0%	 0%
 Covered-Employee Payroll (thousands)	 11,740	 12,702	 11,316
Net OPEB Liability as a % of Payroll	 127%	 104%	 105%
 Expected Average Remaining Service Years of All Participants	 6	 6	 6

Notes to Schedule:

Changes of assumptions: The mortality, termination, DROP, and salary scale updated assumption were updated

Information for FY2017 and earlier not available.

The discount rate was changed as follows:

6/30/2018 3.62%

6/30/2019 3.13%

CITY OF LAUREL, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	\$ 22,780,702	\$ 22,584,273	\$ 22,727,183	\$ 142,910
Intergovernmental	5,599,206	6,197,865	5,793,268	(404,597)
Licenses and permits	1,172,033	1,172,033	1,074,233	(97,800)
Charges for services	1,092,641	1,095,141	934,919	(160,222)
Fines and forfeitures	3,176,700	3,026,700	2,971,890	(54,810)
Miscellaneous	439,072	513,132	502,606	(10,526)
Loan repayments	178,516	229,316	-	(229,316)
Unassigned fund balance	-	-	-	-
Total Revenues	<u>\$ 34,438,870</u>	<u>\$ 34,818,460</u>	<u>\$ 34,004,099</u>	<u>\$ (814,361)</u>
Expenditures				
General government	\$ 6,739,329	\$ 6,730,294	\$ 6,241,823	\$ 488,471
Public safety	11,827,083	11,358,048	10,544,243	813,805
Parks and recreation	2,311,381	2,323,881	1,982,532	341,349
Public works	4,651,617	4,351,617	3,793,318	558,299
Miscellaneous	6,960,036	8,105,196	6,504,388	1,600,808
Debt service	1,949,424	1,949,424	1,942,559	6,865
Total Expenditures	<u>\$ 34,438,870</u>	<u>\$ 34,818,460</u>	<u>\$ 31,008,863</u>	<u>\$ 3,809,597</u>

SUPPLEMENTAL SCHEDULES

CITY OF LAUREL, MARYLAND
SCHEDULE OF REVENUES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Taxes				
Real and personal property	\$ 22,040,702	\$ 22,140,702	\$ 22,298,217	\$ 157,515
Local - admissions	675,000	378,571	376,843	(1,728)
Penalties and interest	65,000	65,000	52,123	(12,877)
Total Taxes	22,780,702	22,584,273	22,727,183	142,910
Intergovernmental				
State and Federal Grants				
Other federal and state grants	125,302	348,802	41,363	(307,439)
Police protection	512,104	512,104	499,337	(12,767)
Police aid supplement	64,765	64,765	65,400	635
Total state and federal grants	702,171	925,671	606,100	(319,571)
State Shared Taxes				
Local income tax	3,300,000	3,775,000	4,015,183	240,183
Race track impact fees	53,571	-	-	-
Developer impact fees	220,000	220,000	2,223	(217,777)
Highway user	850,735	794,465	702,084	(92,381)
Hotel/motel taxes	330,000	330,000	321,000	(9,000)
Total state shared taxes	4,754,306	5,119,465	5,040,490	(78,975)
County Grants				
Financial corporations	6,362	16,362	16,362	-
M-NCPPC grants	112,367	112,367	114,014	1,647
Highway safety grant	18,000	18,000	6,302	(11,698)
Other grants	6,000	6,000	10,000	4,000
Total county grants	142,729	152,729	146,678	(6,051)
Total Intergovernmental	5,599,206	6,197,865	5,793,268	(404,597)

CITY OF LAUREL, MARYLAND
SCHEDULE OF REVENUES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Licenses and permits				
Liquor	\$ 20,000	\$ 20,000	\$ 6,812	\$ (13,188)
Amusement permits	13,000	13,000	7,100	(5,900)
Building permits	234,092	234,092	144,581	(89,511)
Cable TV	480,000	480,000	467,117	(12,883)
Traders licenses	55,000	55,000	15,932	(39,068)
Rental licenses	183,000	183,000	159,325	(23,675)
Other permits and licenses	186,941	186,941	273,366	86,425
Total licenses and permits	1,172,033	1,172,033	1,074,233	(97,800)
Charges for services				
Passport execution fees	150,000	150,000	92,245	(57,755)
Zoning fees	10,000	10,000	49,380	39,380
Refuse collection	187,000	187,000	198,868	11,868
Recreation fees	548,491	550,991	442,339	(108,652)
Facility rentals	87,700	87,700	76,061	(11,639)
Safety inspections	24,800	24,800	18,830	(5,970)
Other	84,650	84,650	57,196	(27,454)
Total charges for services	1,092,641	1,095,141	934,919	(160,222)
Fines and forfeitures				
Red light camera tickets	3,000,000	2,850,000	2,841,942	(8,058)
Parking tickets	140,000	140,000	107,073	(32,927)
False alarm fines	19,000	19,000	10,200	(8,800)
Release fee - impound	17,500	17,500	10,975	(6,525)
Other	200	200	1,700	1,500
Total fines and forfeitures	3,176,700	3,026,700	2,971,890	(54,810)

CITY OF LAUREL, MARYLAND
SCHEDULE OF REVENUES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Miscellaneous				
Interest on investments	\$ 53,500	\$ 53,500	\$ 92,543	\$ 39,043
Disposal rebate	68,780	68,780	68,780	-
Other	316,792	390,852	341,283	(49,569)
Total miscellaneous	439,072	513,132	502,606	(10,526)
Loan repayments				
Designated funds	178,516	229,316	-	(229,316)
Total loan repayments	178,516	229,316	-	(229,316)
Total Revenue	\$ 34,438,870	\$ 34,818,460	\$ 34,004,099	\$ (814,361)

CITY OF LAUREL, MARYLAND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
General Government				
City council	\$ 109,122	\$ 109,122	\$ 74,909	\$ 34,213
Clerk to the council	188,828	188,828	175,612	13,216
Mayor	631,153	581,153	523,386	57,767
City administrator	618,096	618,096	576,557	41,539
Registration and elections	41,684	41,684	24,650	17,034
Budget and personnel services	798,107	798,107	768,117	29,990
Communications	653,057	653,057	593,654	59,403
Economic and community development	522,427	586,727	538,506	48,221
Information technology and community services	1,845,320	1,780,320	1,761,619	18,701
Municipal center maintenance	164,946	166,746	165,966	780
Other facilities maintenance	1,060,164	1,053,664	887,556	166,108
Community promotion	106,425	152,790	151,291	1,499
Total general government	6,739,329	6,730,294	6,241,823	488,471
Public Safety				
Police department	10,345,597	9,696,862	8,935,226	761,636
Office of emergency management	507,883	682,883	644,385	38,498
Office of the fire marshall/permit svcs	723,755	723,755	711,463	12,292
Police department facility	249,848	254,548	253,169	1,379
Total public safety	11,827,083	11,358,048	10,544,243	813,805
Parks and recreation				
Greenvue Drive complex	36,130	36,130	27,753	8,377
Parks and recreation administration	743,454	743,454	722,946	20,508
Recreation	344,692	344,692	250,082	94,610
Laurel municipal pool	225,794	225,519	169,999	55,520
Laurel community center programs	257,597	257,597	193,777	63,820
Greenvue Drive programs	95,571	95,571	57,728	37,843
Armory programs	206,095	206,095	165,432	40,663
Gude lakehouse programs	20,096	20,371	8,469	11,902
Youth services bureau	167,530	167,530	160,823	6,707
Senior services programs	214,422	226,922	225,523	1,399
Total parks and recreation	2,311,381	2,323,881	1,982,532	341,349

CITY OF LAUREL, MARYLAND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Public Works				
Public works administration	\$ 339,161	\$ 339,161	\$ 332,582	\$ 6,579
Automotive maintenance	1,112,051	987,051	835,793	151,258
Waste collection and disposal	1,205,473	1,205,473	1,142,273	63,200
Recycling	333,945	333,945	262,608	71,337
Highways and streets	733,645	733,645	711,779	21,866
Snow and ice removal	128,342	28,342	17,799	10,543
Street lighting	357,000	282,000	233,652	48,348
Engineering and technical services	90,221	90,221	4,262	85,959
Traffic engineering	219,007	219,007	131,697	87,310
Tree management	132,772	132,772	120,873	11,899
Total public works	4,651,617	4,351,617	3,793,318	558,299
Miscellaneous				
Retirement pension	2,452,926	2,702,926	2,688,926	14,000
Employee training	119,265	119,265	64,596	54,669
Employee tuition	14,650	14,650	7,335	7,315
Insurance	3,941,860	3,941,860	3,744,265	197,595
Other*	431,335	1,326,495	(734)	1,327,229
Total miscellaneous	6,960,036	8,105,196	6,504,388	1,600,808
Debt Service				
Principal	1,815,153	1,815,153	1,815,142	11
Interest	134,271	134,271	127,417	6,854
Total debt service	1,949,424	1,949,424	1,942,559	6,865
Total Expenditures	\$ 34,438,870	\$ 34,818,460	\$ 31,008,863	\$ 3,809,597

*Non-GAAP basis budget includes transfers to the Capital Projects Fund.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Members of the City Council
City of Laurel, Maryland

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Laurel, Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Laurel, Maryland's basic financial statements, and have issued our report thereon dated February 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

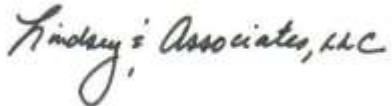
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Finolay & Associates, LLC". The signature is fluid and cursive, with "Finolay" and "Associates" on the first line and "LLC" on the second line.

February 19, 2021

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February 19, 2021

To the Mayor, City Council and City Manager
City of Laurel, Maryland

We audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Maryland (the “City”) for the year ended June 30, 2020, and have issued our report thereon dated February 19, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated April 13, 2020, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City’s financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City’s compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020 except as may be explained in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

Completion of the audit was delayed until actuarial information in accordance with GASB 75 could be provided.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representation from management that is included in the management representation letter dated February 19, 2021.

Management Consultations with Other Independent Accountants

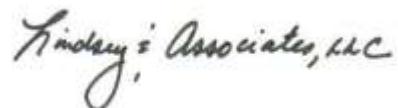
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationships and our responses were not a condition to our retention.

This information is intended solely for the use of the Mayor, City Council, and City Manager and City management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive ink that reads "Lindsay & Associates, LLC".