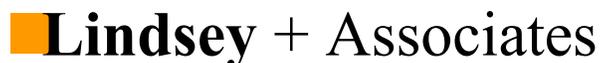


**CITY OF LAUREL, MARYLAND  
FINANCIAL STATEMENTS  
JUNE 30, 2014**

**CITY OF LAUREL  
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JUNE 30, 2014**

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2014, 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, pension trust fund – schedule of changes in net pension liability, pension trust fund – schedule of net pension liability, pension trust fund – schedule of contributions and investment returns, other post-employment benefits plan-schedule of funding progress, other post-employment benefits plan- schedule of employer contributions, and the budgetary comparison information on pages 4 through 12 and 51 through 55 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 and actual – general fund and the schedule of expenditures – budget and actual – general fund on pages 56 through 60 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of revenues – budget and actual general fund and the schedule of expenditures – budget 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 November 20, 2014, 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.

*Hindley & Associates, LLC*

November 20, 2014

**CITY OF LAUREL, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

**Financial Highlights**

- Fiscal Year 2014 was the third year of the current triennial assessment period. The assessments increased by about 18% over the FY2013 assessable base.
- The sale of 350 Municipal Square was finalized. The property was sold to a private concern which puts it back on the tax roll.
- Proceeds from the sale of 350 Municipal Square and savings in expenditure budgets from vehicle maintenance, disposal fees, outside services, and insurance premiums were used to provide funding to the Capital Improvement Program. Cash funding alleviates the need to acquire additional debt; therefore saving debt service expense on future operating budgets.
- The May 2014 payment of the 10-year portion of the 2004 Local Government Infrastructure Financing Program Note Payable was the final payment. The Mayor and City Council authorized use funds from the Unassigned Fund Balance to pay off the 15-year portion of the Note Payable to reallocate those debt service funds in the FY2015 General Operating Budget.

**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 the future fiscal periods (i.e. uncollected taxes and earned but unused compensated absences).

**CITY OF LAUREL, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

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 and community planning and business services (permits, code enforcement, and planning/zoning within general government) 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, 2014**

**Government-wide Financial Analysis**

The City's total net position as of June 30, 2014 was \$44,132,578. The largest portion of net position, 62%, is the net investment in capital assets, in the amount of \$27,424,341. The unrestricted portion, 34%, 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	
	2014	2013
Current and other assets	\$ 24,320,056	\$ 22,204,011
Capital assets	36,386,567	35,481,281
<b>Total Assets</b>	60,706,623	57,685,292
Deferred outflows	-	-
Long-term liabilities	11,664,964	12,928,805
Other liabilities	4,909,081	4,613,146
<b>Total Liabilities</b>	16,574,045	17,541,951
Deferred inflows	-	-
Net position		
Net investment in capital assets	27,424,341	24,822,318
Restricted	1,684,804	1,301,886
Unrestricted	15,023,433	14,019,137
<b>Total Net Position</b>	\$ 44,132,578	\$ 40,143,341

**CITY OF LAUREL, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Governmental Activities**

Governmental activities increased the City's net position by \$3,989,237 or 9.93% over June 30, 2013. Property taxes comprised 60.40% of the total revenue, while the next highest source of revenue, charges for service, is 16.09% of the total revenue. Income taxes make up 9.27% of total revenue. The remaining 14.24% of revenue is received from licenses, permits, interest, operating grants, fines and forfeitures, and miscellaneous items.

	Governmental Activities	
	2014	2013
<b>Revenue</b>		
Program Revenue		
Charges for services	\$ 5,122,372	\$ 4,765,845
Operating grants/contributions	1,462,186	1,401,110
Capital grants/contributions	-	-
General Revenue		
Property taxes	19,233,809	18,995,720
Income taxes	2,951,766	2,623,659
Other taxes	248,904	335,543
Interest	13,544	29,798
Miscellaneous	2,817,611	1,127,129
<b>Total Revenue</b>	<b>31,850,192</b>	<b>29,278,804</b>
<b>Expenses</b>		
General government	5,459,674	5,219,751
Public safety	9,910,933	9,437,762
Parks & recreation	2,029,856	2,005,121
Public works	4,469,717	4,541,699
Miscellaneous	5,586,740	5,319,957
Debt service	404,035	451,346
<b>Total Expenses</b>	<b>27,860,955</b>	<b>26,975,636</b>
Increase in net position	3,989,237	2,303,168
Net position, beginning of year	40,143,341	37,840,173
<b>Net position, ending</b>	<b>\$ 44,132,578</b>	<b>\$ 40,143,341</b>

**CITY OF LAUREL, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**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 \$12,113,996. A portion of fund balance in the amount of \$586,262 is determined to be nonspendable. \$1,873,047 is limited in its use by internal restrictions. Unassigned fund balance represents 32% of total general fund expenditures including transfers, while total fund balance represents 41% of that same amount.

The fund balance of the general fund has increased by 4.16% from \$11,630,062 at June 30, 2013 to \$12,113,996 at June 30, 2014 due to greater revenue than anticipated in local income tax, general service charges, sanitation service charges, and red light camera citations.

The capital projects fund balance increased by \$1,029,450 from the prior fiscal year. This is due to additional transfers due from the General Fund for expenditures.

The Speed Camera fund ended the year with a restricted fund balance of \$1,684,804.

The Community Redevelopment Authority fund balance has a committed fund balance of \$2,457,289.

**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 20.09% from June 30, 2013 to June 30, 2014. The City's contribution met the actuarial recommendation of \$1,985,494 as well as an additional contribution of \$300,000 and the employee payroll deductions increased due to promotions and additional personnel. Net investment income was \$4,310,314. This is greater than the FY2013 Net investment income by \$1,572,419.

**Budgetary Highlights.**

The General Operating Budget of FY2014 was amended six times. Budget amendments were necessary to include the proceeds from the sale of 350 Municipal Square from which an additional contribution was made to the Pension Fund as well as safety and security improvements to City parks. Funds from the Unassigned Fund Balance were used to pay off the 2004 Local Government Infrastructure Financing Program Note Payable to save \$135,000 per year in debt service between FY2015 and FY2019. Increased Red Light Camera revenues were used to offset Permit revenues that did not meet projections and an excess in Highway User revenues was used to offset excessive snow removal expenditures. Additionally, expenditure savings were re-allocated to maintenance budgets for utility and staffing increases due to weather events in the Summer of 2013 and Winter of 2014.

**CITY OF LAUREL, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

Funding was also provided for the Capital Improvement Program. Projects include operational and security improvements at the Laurel Municipal Center; an Energy Efficiency Improvement project for City facilities; and the purchase of a radio tester for the City radio system. Such transfers to the CIP have been the practice to provide cash funding of projects; therefore, not requiring additional loans and debt service obligations for future operating budgets.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets of \$36,386,567 (net of accumulated depreciation) includes land and land improvements, infrastructure, buildings, and machinery, equipment and tools. This is a 2.55% increase from the prior fiscal year. The \$905,286 increase is the net of the additions and the additional depreciation compared to the decrease in value between equipment disposals and construction in progress.

In FY2014, \$917,873 in equipment was purchased between the general fund, speed camera fund and the capital improvement program. This includes 100 AED's acquired through a promotional donation arrangement with the vendor Rescue One. Purchases were made of computers and other electronic equipment as well as office equipment, office furniture and vehicle replacements per the replacement schedule. Additions of \$514,092 were made to Infrastructure from the reconstruction of Concord Avenue and Mulberry Street.

The following table displays the City's capital assets:

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

<b>Description</b>	<b>Governmental Activities</b>
Land	\$ 6,664,556
Construction-in-progress	1,245,005
Buildings and improvements	14,497,577
Machinery, tools, equipment	4,116,044
Land improvements	1,909,325
Infrastructure	7,954,060
<b>TOTAL</b>	<b>\$ 36,386,567</b>

**CITY OF LAUREL, MARYLAND  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Long-term debt.** At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$12,951,465. This amount is comprised of the \$8,962,226 notes payable; \$2,927,000 in OPEB liability and \$1,062,239 in accrued vacation leave. This is a decrease of \$1,263,971 from the FY2013 balance. In FY2014 the 2004 Local Government Infrastructure Note Payable was paid off. The total of the scheduled debt service payments were greater than the draws on the Local Government Infrastructure Financing proceeds; additions in the OPEB liability; and accrued vacation leave decreased.

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

**City of Laurel, Maryland  
Long-term Debt**

	<b>Governmental Activities</b>
Notes payable	\$ 8,962,226
Accrued leave liability	1,062,239
OPEB Liability	<u>2,927,000</u>
<b>Total</b>	<u><u>\$ 12,951,465</u></u>

**Economic Factors and Activities**

The redevelopment of the Laurel Mall site to be called The Towne Centre at Laurel began with the issuance of demolition permits last spring. Construction has moved rapidly in the first section. The new Burlington Coat Factory opened in March 2014, Party City and Panera Bread opened in May 2014. Construction progressed through the summer with several restaurants opening by September as well as Old Navy and Sports Authority. November is the grand opening and will include a 12 plex Regal Cinema, and a Harris Teeter supermarket. The residential portion of the project does not have a firm timeline at present, but there are several interested developers vying to complete this section.

Additionally, the City has sold the former City Police Department site located between “B” Street and “C” Street (20 “C” Street) for a mixed-use residential/commercial building called the C Street Flats. Construction began on C Street Flats in November 2013. Plans and permitting are underway for projects on two annexed tracts, which are located in the far southwest portion of the City adjacent to Konterra Town Center East. The first, called Anderson’s Corner will contain a large Avalon Bay Community with limited commercial uses. WestSide is a large mixed use community containing a large gated apartment community, a small town house area, a mid-rise hotel, and a 200,000 square foot retail and restaurant complex. Both plan to begin by mid-2014. These are key developments for the City’s commercial area and economic growth providing permanent, sustained employment opportunities.

**CITY OF LAUREL, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

The mixed use development known as Hawthorne Place (9007 Marshall Avenue) of the Patriot Realty Group is now moving forward as the credit market is more active to provide large funding packages. Construction of the first phase is expected in the next ninety days. The Patriot Realty Group, Inc. is also the lead developer of the Laurel MARC Station development, a joint project with the Maryland Department of Transportation, to be located at the corner of Main Street and U.S. Route 1 North. The transit-oriented development project has been proposed but plans have not been submitted for final approval by the City.

The City also has a strong Main Street commercial area with only 3 rental vacancies; 4 pending occupancies and 3 buildings for sale. During 2014, 9 new businesses have moved to Main Street including Olive on Main restaurant, Tranzitionz Spa, Emerald's Fashions, Ghodfrii Graphic Design and Apparel, Grace Boutique, Patuxent Financial, Chosen Books, Empire Dynasty Travel. An old favorite in Oliver's Old Towne Tavern has been completely renovated and reopened under new ownership. Main Street staple Minuteman Press has expanded into an adjacent storefront.

Additionally, the City Administrator and Director of Community Planning and Business Services 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 five miles outside the City of Laurel.

The Department of Community Planning & Business Services is responsible for Zoning, Construction Permitting (building, mechanical, electrical, and green construction), Fire and Life Safety review, Property Maintenance and Residential Housing Standards in the City of Laurel. This operation has proven to be highly successful in the vastly reduced amount of time to review proposed projects for Fire Code compliance.

The City has invested in improvements to existing infrastructure, including streets and sidewalks, park improvements and information technology. The City also requires developers to construct infrastructure improvements or pay impact fees to reduce the impact of new development on the City, including but not limited to providing funding for improved intersections; provide funding for 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, outstanding services provided by the Nationally Accredited Laurel Police Department, Department of Public Works, Department of Parks & Recreation, and the responsiveness of elected officials and City Hall staff continue to attract new residents and businesses further improving the City's economy.

**CITY OF LAUREL, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

Development within the City, which slowed during the recessionary period, has now begun to accelerate, which should also create spin-offs of other investments near these projects. Budgetary concerns regarding energy costs for City facility utilities and vehicle fuel has the full attention of elected officials and staff. Also of great concern are health insurance and workers compensation insurance costs and the impact of escalating economic issues on income tax and real estate tax revenues.

**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, 2014**

	Governmental Activities	Total
<b>ASSETS</b>		
Current Assets		
Equity in pooled cash and cash equivalents	\$ 17,518,201	\$ 17,518,201
Restricted cash	4,213,039	4,213,039
Taxes receivable, net of allowances	982,223	982,223
Notes receivable	129,428	129,428
Other receivables	326,645	326,645
Accounts receivable - speed camera fines	93,680	93,680
Accounts receivable - income taxes	395,016	395,016
Due from other governments	171,940	171,940
Due from other funds	33,050	33,050
Inventory	274,133	274,133
Total Current Assets	24,137,355	24,137,355
Noncurrent Assets		
Notes receivable	182,701	182,701
Net capital assets	36,386,567	36,386,567
Total Noncurrent Assets	36,569,268	36,569,268
<b>TOTAL ASSETS</b>	<b>60,706,623</b>	<b>60,706,623</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 60,706,623</b>	<b>\$ 60,706,623</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,130,050	\$ 1,130,050
Accrued interest	5,343	5,343
Deposits	2,236,210	2,236,210
Unearned revenue	250,977	250,977
Current portion of long-term debt	1,286,501	1,286,501
Total Current Liabilities	4,909,081	4,909,081
Noncurrent Liabilities		
OPEB liability	2,927,000	2,927,000
Compensated absences	1,062,239	1,062,239
Loan payable - long-term	7,675,725	7,675,725
Total Noncurrent Liabilities	11,664,964	11,664,964
<b>TOTAL LIABILITIES</b>	<b>16,574,045</b>	<b>16,574,045</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>		
Net investment in capital assets	27,424,341	27,424,341
Restricted		
Speed cameras	1,684,804	1,684,804
Unrestricted	15,023,433	15,023,433
<b>TOTAL NET POSITION</b>	<b>44,132,578</b>	<b>44,132,578</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 60,706,623</b>	<b>\$ 60,706,623</b>

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, 2014**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 5,459,674	\$ 1,297,532	\$ 1,634,736	\$ 75,708	\$ -	\$ (5,046,762)	\$ (5,046,762)
Public safety	9,910,933	2,931,122	2,922,070	518,235	-	(9,401,750)	(9,401,750)
Parks and recreation	2,029,856	641,927	386,341	97,706	-	(2,187,736)	(2,187,736)
Public works	4,469,717	1,120,194	179,225	770,537	-	(4,640,149)	(4,640,149)
Miscellaneous	5,586,740	(5,586,740)	-	-	-	-	-
Interest	404,035	(404,035)	-	-	-	-	-
Total Governmental Activities	<u>27,860,955</u>	<u>-</u>	<u>5,122,372</u>	<u>1,462,186</u>	<u>-</u>	<u>(21,276,397)</u>	<u>(21,276,397)</u>
Total Primary Government	<u>\$ 27,860,955</u>	<u>\$ -</u>	<u>\$ 5,122,372</u>	<u>\$ 1,462,186</u>	<u>\$ -</u>	<u>\$ (21,276,397)</u>	<u>\$ (21,276,397)</u>
General revenues:							
Taxes							
Income taxes						2,951,766	2,951,766
Property taxes						19,233,809	19,233,809
Other taxes						248,904	248,904
Interest and investment earnings						13,544	13,544
Miscellaneous						<u>2,817,611</u>	<u>2,817,611</u>
Total General Revenues						<u>25,265,634</u>	<u>25,265,634</u>
Transfers in (out)						-	-
Change in Net Position						3,989,237	3,989,237
Net Position, beginning of year						<u>40,143,341</u>	<u>40,143,341</u>
Net Position, end of year						<u>\$ 44,132,578</u>	<u>\$ 44,132,578</u>

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

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

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

	General Fund	Capital Projects Fund	Speed Camera Fund	Community Redevelopment Authority	Non Major Fund Special Revenue Fund	Total Governmental Funds		
<b>ASSETS</b>								
Equity in pooled cash and cash equivalents	\$ 14,413,668	\$ 907,897	\$ -	\$ 2,196,636	\$ -	\$ 17,518,201	<i>Total Governmental Fund Balances</i>	\$ 19,008,109
Restricted cash	2,236,210	-	1,976,829	-	-	4,213,039		
Taxes receivable, net of allowances	982,223	-	-	-	-	982,223	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	36,386,567
Notes receivable	312,129	-	-	-	-	312,129		
Other receivables	319,135	10	-	7,500	-	326,645		
Accounts receivable - speed camera fines	-	-	93,680	-	-	93,680		
Accounts receivable - income taxes	395,016	-	-	-	-	395,016	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.	(12,951,465)
Due from other governments	108,908	63,032	-	-	-	171,940		
Due from other funds	33,050	1,781,081	-	253,153	-	2,067,284		
Inventory	274,133	-	-	-	-	274,133	Receivables pertaining to revenue that is not available in accordance with modified accrual accounting are reported as deferred inflows of resources in the funds.	1,689,367
<b>TOTAL ASSETS</b>	<u>19,074,472</u>	<u>2,752,020</u>	<u>2,070,509</u>	<u>2,457,289</u>	<u>-</u>	<u>26,354,290</u>		
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 19,074,472</u>	<u>\$ 2,752,020</u>	<u>\$ 2,070,509</u>	<u>\$ 2,457,289</u>	<u>\$ -</u>	<u>\$ 26,354,290</u>	<i>Net Position of Governmental Activities</i>	<u>\$ 44,132,578</u>
<b>LIABILITIES</b>								
Accounts payable and accrued expenses	\$ 1,130,050	\$ -	\$ -	\$ -	\$ -	\$ 1,130,050		
Accrued interest	5,343	-	-	-	-	5,343		
Deposits	2,236,210	-	-	-	-	2,236,210		
Due to other funds	1,648,529	-	385,705	-	-	2,034,234		
Unearned revenue	250,977	-	-	-	-	250,977		
<b>TOTAL LIABILITIES</b>	<u>5,271,109</u>	<u>-</u>	<u>385,705</u>	<u>-</u>	<u>-</u>	<u>5,656,814</u>		
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,689,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,689,367</u>		
<b>FUND BALANCES</b>								
Nonspendable	586,262	-	-	-	-	586,262		
Restricted	-	-	1,684,804	-	-	1,684,804		
Committed	1,589,914	2,752,020	-	2,457,289	-	6,799,223		
Assigned	283,133	-	-	-	-	283,133		
Unassigned	9,654,687	-	-	-	-	9,654,687		
<b>TOTAL FUND BALANCES</b>	<u>12,113,996</u>	<u>2,752,020</u>	<u>1,684,804</u>	<u>2,457,289</u>	<u>-</u>	<u>19,008,109</u>		
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 19,074,472</u>	<u>\$ 2,752,020</u>	<u>\$ 2,070,509</u>	<u>\$ 2,457,289</u>	<u>\$ -</u>	<u>\$ 26,354,290</u>		

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, 2014**

	General Fund	Capital Projects Fund	Speed Camera Fund	Community Redevelopment Authority	Non Major Fund Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 19,149,005	\$ -	\$ -	\$ -	\$ 219,389	\$ 19,368,394
Intergovernmental	4,237,911	281,328	-	-	-	4,519,239
Licenses and permits	1,382,260	-	-	-	-	1,382,260
Charges for services	818,042	-	-	-	-	818,042
Fines and forfeitures	1,858,659	-	1,063,411	-	-	2,922,070
Miscellaneous	2,772,939	99,398	7,104	14,132	-	2,893,573
<b>Total Revenues</b>	<u>30,218,816</u>	<u>380,726</u>	<u>1,070,515</u>	<u>14,132</u>	<u>219,389</u>	<u>31,903,578</u>
<b>EXPENDITURES</b>						
Current Operations						
General government	5,330,462	-	-	-	-	5,330,462
Public safety	8,528,999	-	686,846	-	-	9,215,845
Parks and recreation	1,707,146	-	-	-	-	1,707,146
Public works	3,877,281	-	-	-	-	3,877,281
Miscellaneous	4,867,484	148,188	-	37,068	75,000	5,127,740
Capital projects	-	2,670,966	-	-	-	2,670,966
Debt Service						
Principal	2,742,716	-	-	-	-	2,742,716
Interest	404,035	-	-	-	-	404,035
<b>Total Expenditures</b>	<u>27,458,123</u>	<u>2,819,154</u>	<u>686,846</u>	<u>37,068</u>	<u>75,000</u>	<u>31,076,191</u>
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<u>2,760,693</u>	<u>(2,438,428)</u>	<u>383,669</u>	<u>(22,936)</u>	<u>144,389</u>	<u>827,387</u>
<b>Other financing sources (uses)</b>						
Loan proceeds	170,400	875,579	-	-	-	1,045,979
Operating transfers in (out)	(2,447,159)	2,592,299	(751)	-	(144,389)	-
<b>Total other financing sources (uses)</b>	<u>(2,276,759)</u>	<u>3,467,878</u>	<u>(751)</u>	<u>-</u>	<u>(144,389)</u>	<u>1,045,979</u>
<b>Excess of revenue and other financing sources over (under) expenditures and other financing sources (uses)</b>	<u>483,934</u>	<u>1,029,450</u>	<u>382,918</u>	<u>(22,936)</u>	<u>-</u>	<u>1,873,366</u>
<b>Fund balance, beginning of year</b>	<u>11,630,062</u>	<u>1,722,570</u>	<u>1,301,886</u>	<u>2,480,225</u>	<u>-</u>	<u>17,134,743</u>
<b>Fund balance, end of year</b>	<u>\$ 12,113,996</u>	<u>\$ 2,752,020</u>	<u>\$ 1,684,804</u>	<u>\$ 2,457,289</u>	<u>\$ -</u>	<u>\$ 19,008,109</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 1,873,366
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.	2,742,716
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.	(1,045,979)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	921,850
OPEB contributions are long-term liabilities and the related expense is not reported in the funds.	(459,000)
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.	38,057
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.	(91,443)
Loss on disposal of fixed asset	(16,564)
Difference in accounting for compensated absences between modified accrual and accrual accounting.	26,234
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 3,989,237</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  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 72,704
Investments, at fair value	30,717,852
Other assets	<u>2,353</u>
<b>TOTAL ASSETS</b>	<u><u>30,792,909</u></u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	<u>-</u>
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
	<u><u>\$ 30,792,909</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 212
Due to general fund	<u>33,050</u>
Total liabilities	<u><u>33,262</u></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
	<u>-</u>
 <b>NET POSITION</b>	
Held in trust for pension benefits	<u><u>30,759,647</u></u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	
	<u><u>\$ 30,792,909</u></u>

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, 2014**

**ADDITIONS**

Contributions	
Employer	\$ 2,285,494
Plan member	787,855
Total contributions	<u>3,073,349</u>
Investment Income	
Interest income	273
Dividends	996,141
Net change in fair value of investments	<u>3,313,900</u>
Net investment income (loss)	<u>4,310,314</u>
Total additions	7,383,663

**DEDUCTIONS**

Distributions	2,143,326
Administrative expenses	94,038
	<u>2,237,364</u>
<b>Change in net position</b>	5,146,299
<b>Net position held in trust for pension benefits, beginning of year</b>	<u>25,613,348</u>
<b>Net position held in trust for pension benefits, end of year</b>	<u><u>\$ 30,759,647</u></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, 2014**

**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/Council form of government and provides the following services: general government, public safety, public works, 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. Complete financial statements of the Authority can be obtained from their administrative office at 8103 Sandy Spring Road, Laurel, MD 20707.

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 applicable to government units.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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, 2014**

**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.

**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. Nonmajor funds, if any, are aggregated and presented in a single column.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**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.

**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:

- 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.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

- 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 nonmajor 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.

**Budgetary Accounting and Control**

The City follows these procedures in establishing the budgetary data reflected on page 55:

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 footnote 19.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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.

**Investments**

Investments held at June 30, 2014 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**Receivables**

Receivables at June 30, 2014 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.

**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.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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.

**Deferred Outflows and Inflows of Resources**

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

As of June 30, 2014 the balance of deferred inflows of resources consisted of:

Income taxes, General Fund	\$ 395,016
Property taxes, General Fund	982,222
Loan receivable, General Fund	312,129
	<u>\$ 1,689,367</u>

**Local Tax Reserve Fund**

At June 30, 2014, the City was advised by the State of Maryland that \$395,016 of the Local Tax Reserve Fund was allocable to the City. The City recorded receivable and deferred inflows of resources in the amount of \$395,016 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, 2014**

**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 \$1,684,804 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, 2014**

**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.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Governmental Fund Balances**

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

1. Non-Spendable Fund Balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the 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.

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 2014. 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.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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.

**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 \$4,383,995 and the bank balances totaled \$4,476,099. 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, 2014:

Escrow deposits	\$ 2,236,210
Public safety - speed camera	<u>1,976,829</u>
	<u><u>\$ 4,213,039</u></u>

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 3 – DEPOSITS AND INVESTMENTS - continued**

**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).

**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.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 3 – DEPOSITS AND INVESTMENTS - continued**

**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, 2014**

**NOTE 3 – DEPOSITS AND INVESTMENTS - continued**

As of June 30, 2014 the City had the following investments:

<u>Types of Investments</u>	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings
MLGIP	\$ 2,964,803	\$ 2,964,803	AAAm
Repurchase agreements	10,429,265	10,429,265	N/A
Money market funds	1,600,937	1,600,937	AAAm
Certificates of Deposit:			
Fleet reserve	564,163	564,163	N/A
Street maintenance reserve	1,025,751	1,025,751	N/A
Public safety reserve	<u>755,605</u>	<u>755,605</u>	N/A
	<u>\$ 17,340,524</u>	<u>\$ 17,340,524</u>	
Agency Fund -			
Repurchase agreements	2,872,520	2,872,520	N/A
Mutual funds	<u>27,845,332</u>	<u>27,845,332</u>	N/A
	<u>\$ 30,717,852</u>	<u>\$ 30,717,852</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 \$21,731,240 (\$17,518,201 unrestricted and \$4,213,039 restricted) to investments, deposits and petty cash follows.

Investments	\$ 17,340,524
Deposits	4,383,995
Petty cash	<u>6,721</u>
	<u>\$ 21,731,240</u>

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 4 – TAXES RECEIVABLE**

Taxes receivable are comprised of the following as of June 30, 2014.

Personal property	\$	131,001
Real estate		851,222
		982,223
	\$	982,223

**NOTE 5 – NOTES RECEIVABLE**

The City has made advances to the volunteer fire department and volunteer rescue squad for purchases of equipment owned and used by the volunteer fire department and volunteer rescue squad. These advances are evidenced by signed note agreements. Detail of notes receivable at June 30, 2014 are as follows:

Entity	Interest rate at June 30, 2014	Maturity date	Repayment term	Amount due
Vol. Fire Dept.	4.21%	February, 2018	Monthly	\$ 104,113
Vol. Rescue Squad	2.65%	June, 2016	Monthly	208,016
				\$ 312,129

**NOTE 6 – OTHER ACCOUNTS RECEIVABLE**

Other accounts receivable are comprised of the following as of June 30, 2014.

Cable franchise fee	\$	171,565
Grass cutting receivable		19,991
Refuse - residential		27,429
Parks & recreation receivable		9,773
Various		90,387
		90,387
	\$	319,145

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 7 – 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	\$	191,116
Other unearned revenues		<u>59,861</u>
		<u><u>\$ 250,977</u></u>

**NOTE 8 – INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES**

Interfund receivable and payable balances at June 30, 2014 are as follows:

Fund	Interfund receivables	Interfund payables
General fund	\$ 33,050	\$ 1,648,529
Capital projects fund	1,781,081	-
Speed camera fund	-	385,705
Community redevelopment authority	253,153	-
Pension trust fund	<u>-</u>	<u>33,050</u>
	<u><u>\$ 2,067,284</u></u>	<u><u>\$ 2,067,284</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, 2014**

**NOTE 9 – 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 2014.

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, 2014, were 99% of the levy.

The City's real property rate for the special taxing district was \$.03 per \$100 assessed value in 2014.

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 2014. Personal property tax revenue is recognized when received.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 10 – CAPITAL ASSETS AND DEPRECIATION**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 6,664,556	\$ -	\$ -	\$ 6,664,556
Construction in progress	253,401	991,604		1,245,005
Subtotal	<u>6,917,957</u>	<u>991,604</u>	<u>-</u>	<u>7,909,561</u>
Depreciable capital assets:				
Infrastructure	20,986,240	514,092	106,887	21,393,445
Land improvements	3,381,293	265,024	-	3,646,317
Buildings and improvements	22,903,693	207,578	1,083,922	22,027,349
Machinery, tools and equipment	11,828,431	917,873	339,036	12,407,268
Subtotal	<u>59,099,657</u>	<u>1,904,567</u>	<u>1,529,845</u>	<u>59,474,379</u>
Total capital assets	<u>66,017,614</u>	<u>2,896,171</u>	<u>1,529,845</u>	<u>67,383,940</u>
Accumulated depreciation:				
Infrastructure	13,175,445	370,827	106,887	13,439,385
Land improvements	1,589,647	147,345	-	1,736,992
Buildings and improvements	7,982,643	617,605	1,070,476	7,529,772
Machinery, tools and equipment	7,788,598	838,544	335,918	8,291,224
Subtotal, accumulated depreciation	<u>30,536,333</u>	<u>1,974,321</u>	<u>1,513,281</u>	<u>30,997,373</u>
Net capital assets	<u>\$ 35,481,281</u>	<u>\$ 921,850</u>	<u>\$ 16,564</u>	<u>\$ 36,386,567</u>

Depreciation was charged to functions as follows:

General government	\$ 180,113
Public safety	839,078
Parks and recreation	345,775
Public works	609,355
	<u>\$ 1,974,321</u>

The City has construction commitments of approximately \$1,708,033 as of June 30, 2014.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 11 – LONG-TERM DEBT**

General obligation bonds consist of the following at June 30, 2014:

\$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, 2014 was \$57,412 less interest income of \$101. The outstanding principal balance and balance of undrawn proceeds on June 30, 2014 were \$1,394,374 and \$934,126 respectively.

\$8,406,000 - Public improvement bonds, 2007 Series B; 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, 2014 was \$217,738 less interest income of \$10. The outstanding principal balance and balance of undrawn proceeds on June 30, 2014 were \$5,083,000 and \$0 respectively.

\$4,043,500 – Public Improvement bonds, 2004 Series A; due in annual installments of \$260,400 to \$331,900 through May 1 2019; interest varies from 2.00% to 4.375%. The semiannual interest payments are offset by interest earned 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, 2014 was \$62,900. During the year ended June 30, 2014, the loan was repaid in full and the outstanding principal balance on June 30, 2014 was \$0.

Notes payable consists of the following at June 30, 2014:

Note payable to PNC Bank on behalf of the Laurel Volunteer Fire Department in the amount of \$350,000 for the purchase of a new fire truck. The note is payable to the Bank in monthly principal and interest payments of \$3,589 through February 12, 2018, with interest at 4.21%. Total interest paid on the note payable was \$5,530. As of June 30, 2014 the outstanding principal balance is \$104,113.

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. The note is payable in monthly installments of \$16,291 until December 2021 with interest at 2.24%. As of June 30, 2014, the outstanding principal balance on the note is \$1,053,098. Interest paid on the note for the year ended June 30, 2014 was \$26,017.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 11 – LONG-TERM DEBT – continued**

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. In December 2010 the City took out an additional principal advance of \$300,000. The note is payable in monthly installments of \$15,454 until December 2021 with interest at 2.24%. As of June 30, 2014, the outstanding principal balance on the note is \$1,119,625. Interest paid on the note for the year ended June 30, 2014 was \$27,386.

Note payable to PNC Bank on behalf of the Laurel Volunteer Rescue Squad in the amount of \$500,000 for the purchase of a new rescue truck. The note is payable to the Bank in monthly principal and interest payments of \$8,916 through June 14, 2016, with interest at 2.65%. As of June 30, 2014 the outstanding principal balance is \$208,016. Interest paid on the note for the year ended June 30, 2014 was \$7,052.

The changes in governmental long-term debt for the year ended June 30, 2014 are summarized below.

	Beginning Balance	Additions	Retirements	Ending Balance	Amount due in one year
Bank loans	\$ 2,959,868	\$ -	\$ (475,016)	\$ 2,484,852	\$ 464,501
CDA loans	7,699,095	1,045,979	(2,267,700)	6,477,374	822,000
Total	<u>\$ 10,658,963</u>	<u>\$ 1,045,979</u>	<u>\$ (2,742,716)</u>	<u>\$ 8,962,226</u>	<u>\$ 1,286,501</u>
Compensated absences	<u>\$ 1,088,473</u>	<u>\$ (26,234)</u>	<u>\$ -</u>	<u>\$ 1,062,239</u>	<u>\$ -</u>
OPEB liability	<u>\$ 2,468,000</u>	<u>\$ 459,000</u>	<u>\$ -</u>	<u>\$ 2,927,000</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, 2014. Estimated interest payments were based on rates in effect at June 30, 2014 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, 2014**

**NOTE 11 – LONG-TERM DEBT – continued**

<u>Year ended June 30,</u>	<u>Bank Loans</u>		<u>CDA Loans (A)</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 464,501	\$ 54,146	\$ 822,000	\$ 249,982
2016	476,013	42,555	848,500	226,897
2017	379,815	31,843	875,500	201,904
2018	378,834	22,589	906,000	174,711
2019	366,904	14,047	937,800	144,363
2020-2024	418,785	6,367	3,021,700	226,993
Total	<u>\$ 2,484,852</u>	<u>\$ 171,547</u>	<u>\$ 7,411,500</u>	<u>\$ 1,224,850</u>

<u>Year ended June 30,</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,286,501	\$ 304,128
2016	1,324,513	269,452
2017	1,255,315	233,747
2018	1,284,834	197,300
2019	1,304,704	158,410
2020-2024	3,440,485	233,360
Total	<u>\$ 9,896,352</u>	<u>\$ 1,396,397</u>

(A) This payout schedule assumes the remaining \$934,126 of undrawn proceeds are drawn down.

**NOTE 12 – CONCENTRATIONS**

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

**NOTE 13 – RISK MANAGEMENT**

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, and property coverage.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 13 – RISK MANAGEMENT - continued**

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 2014, the City paid premiums of \$202,724 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, funded in the City Administrator's Office. This has allowed the City to place all of its insurance, safety (both public and employee), and risk management responsibilities within one full-time position. This position is also responsible for the City's Employee Wellness Program. Key responsibilities include vehicle accident investigation; safety inspections at all City properties, parks, and facilities; and employee awareness for job safety and personal health, and Chair of the City's Risk Management Committee. The Risk Management Officer oversees the City's general liability insurance policies and workers compensation insurance.

In the second year of having a City Risk Management Officer, 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. The Risk Management Officer works very closely with the City's Insurance Consultant, Insurance Buyers' Council, which has resulted in lower premiums in several of the lines of insurance coverage. The Risk Management Officer is the Chair of the City's Accident Review Board, Public Employees Safety Association Board Member, and a member of the Public Risk Management Association. It is expected that the City's Risk Management Program will continue to bring positive results as a result of the efforts of the Risk Management Officer.

**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.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 14 – DEFERRED COMPENSATION PLAN - continued**

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.

ITT Hartford is the plan administrator and the trustee for one plan, and ING (formerly Aetna Life Insurance and Annuity Company) is the plan administrator and the trustee for the other plan.

**NOTE 15 – PENSION PLAN**

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The City has implemented this statement as of July 1, 2013.

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 Plans are 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.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 15 – PENSION PLAN – continued**

Basis of Accounting

The Plan’s financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated values.

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, 2014 are as follows:

Active participants	172
Inactive plan members entitled to but not yet receiving benefits	11
Inactive plan members or beneficiaries currently receiving benefits	<u>85</u>
Total participants	<u><u>268</u></u>

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.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 15 – PENSION PLAN – continued**

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.

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 Plans for fiscal year 2014 were made in accordance with the actuarial valuation for the plan year ending June 30, 2013. The contributions consisted of amounts contributed by the employees of \$787,855 and amounts contributed by the City of \$2,285,494.

Investment Policy

The Plan's investment policy in regard to the allocation of investment assets is established and may be amended by the City Council. The Plan's investment policy is to construct a diversified portfolio to balance the risks and rewards of market behavior.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 15 – PENSION PLAN – continued**

The Plan’s target asset allocation and long-term expected real rate of return was the following as of June 30, 2014:

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%
	100%	

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension investments, net of pension plan expense was 8.84%. The money-weighted rate of return express investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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. 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 to December 31, 2014. The balance of amounts held by the Plans pursuant to the DROP was \$1,921,593 as of June 30, 2014.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 15 – PENSION PLAN – continued**

Net Pension Liability

The components of the net pension liability of the City at June 30, 2014 were as follows:

Total pension liability	\$ 43,827,077
Plan fiduciary net position	<u>(32,681,240)</u>
Net pension liability	<u><u>\$ 11,145,837</u></u>

Plan fiduciary net position as a percentage of total pension liability	74.57%
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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2013 rolled forward to June 30, 2014. The following assumptions applied to all periods included in the measurement (a) 7.0% investment rate of return, net of investment expense (b) projected salary increases of 5.0% including inflation of 3.0%. The amortization period for the year ended June 30, 2014 was closed. Mortality rates are based on the RP-2000 Combined Healthy Table, projected seven years beyond the year of the valuation by scale AA. For Police members use blue collar adjustment; for disabled participants set forward 10 years. Administrative and Maintenance employees are assumed to retire following the earlier of (i) attainment of age 65, or (ii) the completion of 30 years of service. Police employees are assumed to retire based on years of service as follows:

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

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 on page 44.

**CITY OF LAUREL, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 15 – PENSION PLAN – continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made equal to the actuarially determined contribution. 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 total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City calculated using a discount rate of 7.0%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's net pension liability	\$ 16,273,706	\$ 11,145,837	\$ 6,861,059

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

*Plan Description*

The City pays up to \$300 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 \$300 of premiums per month.

*Funding Policy*

The City has not established an OPEB trust as of June 30, 2014 and has not made a contribution for the year ended June 30, 2014. The City will pay benefits on a pay-as-you-go basis.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

*Annual OPEB Cost and Net OPEB Obligation*

The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City’s annual OPEB cost, the amount actually contributed to the Plan and the City’s net OPEB obligation as of June 30, 2014.

Annual required contribution (ARC)	\$ 713,000
Less: Contributions made	(238,000)
Less: NOO Amortization	(101,000)
Plus: Interest on NOO	<u>85,000</u>
Increase in net OPEB obligation (NOO)	459,000
Net OPEB obligation - beginning of year	2,468,000
Net OPEB obligation - end of year	<u>\$ 2,927,000</u>
Percentage of annual OPEB cost contributed	33.38%

*Funded Status*

As of July 1, 2013, there was not an OPEB trust. The actuarial accrued liability for benefits was \$7,222,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,222,000. The ratio of the actuarial value of assets to the actuarial accrued liability was 0%. The covered payroll (annual payroll of active employees covered under the Plan) was \$12,005,479 and the ratio of the UAAL to the covered payroll was 60.16%.

*Actuarial Methods and Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

The accompanying schedules of funding progress and employer contributions following the footnotes present trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of July 1, 2013.

Actuarial cost method	Projected unit credit
Asset valuation method	Market value of assets
Rate of return on investments	3.50%
Aggregate salary growth	3.50%
Healthcare cost trend rate	Medical and prescription: 8.00% for FY 2013 trending down to 4.60%
Amortization method	Level percentage of projected payroll
Amortization period	30 years
Status of period	Closed

**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, 2014**

**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 undesignated reserves	(1,138,300)
Increase (decrease) due to:	
Expenditures of amounts encumbered during prior year	(183,600)
Reserved encumbrances (GAAP basis) at June 30, 2014, but recognized as expenditures for budgetary purposes	<u>283,133</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses) - GAAP	<u><u>\$ (1,038,767)</u></u>

**NOTE 20 – FUND BALANCE REPORTING**

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

**Non-Spendable Fund Balance**

The non-spendable fund balance in the general fund in the amount of \$586,262 is made up of \$274,133 of inventory and \$312,129 of notes receivable that are not in spendable form.

**Restricted Fund Balance**

The restricted fund balance in the speed camera fund is comprised of \$1,684,804 for public safety expenditures.

**CITY OF LAUREL, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 20 – FUND BALANCE REPORTING – continued**

**Committed Fund Balance**

The committed fund balance in the general fund in the amount of \$1,589,914 is made up of \$564,163 for fleet equipment and \$1,025,751 for street maintenance. The committed fund balance in the capital projects fund is \$2,752,020 for future capital projects. The committed fund balance in the community redevelopment authority is \$2,457,289 for redevelopment projects.

**Assigned Fund Balance**

The assigned fund balance in the general fund is made up of \$283,133 for encumbrances outstanding.

**Unassigned Fund Balance**

The unassigned fund balance in the general fund is \$9,654,687.

**NOTE 21 – NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued the following statements:

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

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

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

The 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)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Total Pension Liability</b>										
Service cost	\$ 1,210									
Interest	2,850	Information for FY 2013 and earlier years is not available.								
Changes of benefit terms	-									
Difference between expected and actual experience	-									
Changes of assumptions	-									
Benefit payments	<u>(1,737)</u>									
<b>Net change in total pension liability</b>	<b>2,323</b>									
<b>Total pension liability - beginning</b>	<u>41,504</u>									
<b>Total pension liability - end (a)</b>	<u><u>\$ 43,827</u></u>									
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 2,285									
Contributions - member	579									
Net investment income	4,435									
Benefit payments	(1,737)									
Administrative expenses	(94)									
Other	<u>-</u>									
<b>Net change in plan fiduciary net position</b>	<b>5,468</b>									
<b>Plan fiduciary net position - beginning</b>	<u>27,213</u>									
<b>Plan fiduciary net position - end (b)</b>	<u><u>\$ 32,681</u></u>									
<b>Net pension liability (a - b)</b>	<u><u>\$ 11,146</u></u>									
Plan fiduciary net position as a percentage of total pension liability	74.57%									
Covered employee payroll	\$ 12,005									
Net pension liability as a percentage of covered employee payroll	92.84%									
Expected average remaining service years of all participants	5									

**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)**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	
Actuarially determined contribution	\$ 1,985										
Contributions made	<u>2,285</u>	Information for FY 2013 and earlier years is not available.									
Contributions deficiency (excess)	<u>\$ (300)</u>										
Covered employee payroll	\$ 12,005										
Contributions as a percentage of covered payroll	19.03%										
Annual money weighted rate of return, net of investment expense	8.84%										

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   30/25 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-2000 Combined Healthy Table, projected seven years beyond the year of the valuation by scale AA. For Police members use blue collar adjustment; for disabled participants set forward 10 years.

**CITY OF LAUREL, MARYLAND  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date July 1,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2013	\$ -	\$ 7,222,000	\$ 7,222,000	0.00%	\$ 12,005,479	60.16%
2012	-	6,451,000	6,451,000	0.00%	10,295,640	62.66%
2011	-	5,619,000	5,619,000	0.00%	10,479,118	53.62%
2010	-	5,229,000	5,229,000	0.00%	10,145,089	51.54%
2009	-	6,502,000	6,502,000	0.00%	10,053,543	64.67%
2008	-	6,119,000	6,119,000	0.00%	9,178,525	66.67%

**CITY OF LAUREL, MARYLAND  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

Year Ended June 30,	Annual Required Contribution (ARC)	Actual Contribution <sup>1</sup>	Percentage Contributed	
			Employer Contribution	Total
2014	\$ 713,000	\$ 238,000	33.38%	33.38%
2013	630,000	119,000	18.89%	18.89%
2012	578,000	151,000	26.12%	26.12%
2011	540,000	131,000	24.26%	24.26%
2010	584,000	-	0.00%	0.00%
2009	546,000	-	0.00%	0.00%

<sup>1</sup> Sum of estimated retiree medical payments plus scheduled trust contributions.

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

	<b>General Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
Revenues				
Taxes	\$ 19,366,903	\$ 19,229,213	\$ 19,149,005	\$ (80,208)
Intergovernmental	4,052,778	4,053,678	4,237,911	184,233
Licenses and permits	1,755,692	1,260,692	1,382,260	121,568
Charges for services	727,200	734,285	818,042	83,757
Fines and forfeitures	797,586	1,588,586	1,858,659	270,073
Miscellaneous	230,882	2,875,224	2,612,887	(262,337)
Loan repayments	150,053	160,053	160,052	(1)
Unassigned fund balance	-	1,138,300	-	(1,138,300)
Total Revenues	<u>\$ 27,081,094</u>	<u>\$ 31,040,031</u>	<u>\$ 30,218,816</u>	<u>\$ (821,215)</u>
Expenditures				
General government	\$ 5,793,458	\$ 5,875,418	\$ 5,330,462	\$ 544,956
Public safety	8,361,678	8,797,041	8,528,999	268,042
Parks and recreation	1,714,748	1,719,888	1,707,146	12,742
Public works	4,163,684	4,077,989	3,877,281	200,708
Miscellaneous	4,997,269	7,238,428	4,867,484	2,370,944
Debt service	2,050,257	3,331,267	3,146,751	184,516
Total Expenditures	<u>\$ 27,081,094</u>	<u>\$ 31,040,031</u>	<u>\$ 27,458,123</u>	<u>\$ 3,581,908</u>

**SUPPLEMENTAL SCHEDULES**

**CITY OF LAUREL, MARYLAND**  
**SCHEDULE OF REVENUES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES</b>				
<b>Taxes</b>				
Real and personal property	\$ 19,141,903	\$ 19,004,213	\$ 18,958,394	\$ (45,819)
Local - admissions	150,000	150,000	122,674	(27,326)
Penalties and interest	75,000	75,000	67,937	(7,063)
<b>Total Taxes</b>	<u>19,366,903</u>	<u>19,229,213</u>	<u>19,149,005</u>	<u>(80,208)</u>
<b>Intergovernmental</b>				
State and Federal Grants				
Other federal and state grants	15,240	28,140	58,532	30,392
Police protection	345,801	345,801	454,790	108,989
Police aid supplement	72,308	72,308	63,445	(8,863)
Total state and federal grants	<u>433,349</u>	<u>446,249</u>	<u>576,767</u>	<u>130,518</u>
State Shared Taxes				
Local income tax	2,550,000	2,550,000	2,913,709	363,709
Race track impact fees	15,000	15,000	-	(15,000)
Developer impact fees	584,724	479,724	17,114	(462,610)
Highway user	141,038	234,038	462,115	228,077
Hotel/motel taxes	175,000	175,000	126,230	(48,770)
Total state shared taxes	<u>3,465,762</u>	<u>3,453,762</u>	<u>3,519,168</u>	<u>65,406</u>
County Grants				
Financial corporations	6,362	6,362	6,362	-
M-NCPPC grants	111,305	111,305	97,706	(13,599)
Highway safety grant	21,000	21,000	27,094	6,094
Other grants	15,000	15,000	10,814	(4,186)
Total county grants	<u>153,667</u>	<u>153,667</u>	<u>141,976</u>	<u>(11,691)</u>
<b>Total Intergovernmental</b>	<u>4,052,778</u>	<u>4,053,678</u>	<u>4,237,911</u>	<u>184,233</u>

**CITY OF LAUREL, MARYLAND**  
**SCHEDULE OF REVENUES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
<b>Licenses and permits</b>				
Liquor	\$ 10,000	\$ 10,000	\$ 8,964	\$ (1,036)
Amusement permits	10,000	10,000	9,420	(580)
Building permits	842,262	462,262	418,199	(44,063)
Cable TV	290,000	290,000	415,674	125,674
Traders licenses	50,000	50,000	44,584	(5,416)
Rental licenses	110,000	110,000	148,615	38,615
Other permits and licenses	<u>443,430</u>	<u>328,430</u>	<u>336,804</u>	<u>8,374</u>
<b>Total licenses and permits</b>	<u>1,755,692</u>	<u>1,260,692</u>	<u>1,382,260</u>	<u>121,568</u>
<b>Charges for services</b>				
Passport execution fees	50,000	50,000	91,656	41,656
Zoning fees	10,000	10,000	29,734	19,734
Refuse collection	138,600	138,600	179,225	40,625
Recreation fees	419,250	426,335	386,341	(39,994)
Facility rentals	52,300	52,300	65,075	12,775
Other	<u>57,050</u>	<u>57,050</u>	<u>66,011</u>	<u>8,961</u>
<b>Total charges for services</b>	<u>727,200</u>	<u>734,285</u>	<u>818,042</u>	<u>83,757</u>
<b>Fines and forfeitures</b>				
Red light camera tickets	656,370	1,447,370	1,723,481	276,111
Parking tickets	73,450	73,450	91,948	18,498
False alarm fines	22,360	22,360	12,959	(9,401)
Release fee - impound	35,406	35,406	27,455	(7,951)
Other	<u>10,000</u>	<u>10,000</u>	<u>2,816</u>	<u>(7,184)</u>
<b>Total fines and forfeitures</b>	<u>797,586</u>	<u>1,588,586</u>	<u>1,858,659</u>	<u>270,073</u>

**CITY OF LAUREL, MARYLAND**  
**SCHEDULE OF REVENUES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Miscellaneous</b>				
Interest on investments	\$ 35,300	\$ 35,300	\$ 6,440	\$ (28,860)
Disposal rebate	60,856	60,856	51,585	(9,271)
Other	134,726	2,779,068	2,554,862	(224,206)
Unassigned fund balance	-	1,138,300	-	(1,138,300)
<b>Total miscellaneous</b>	<u>230,882</u>	<u>4,013,524</u>	<u>2,612,887</u>	<u>(1,400,637)</u>
<b>Loan repayments</b>				
Fire department repayments	43,064	53,064	53,063	(1)
Rescue squad repayments	106,989	106,989	106,989	-
<b>Total loan repayments</b>	<u>150,053</u>	<u>160,053</u>	<u>160,052</u>	<u>(1)</u>
<b>Total Revenue</b>	<u>\$ 27,081,094</u>	<u>\$ 31,040,031</u>	<u>\$ 30,218,816</u>	<u>\$ (821,215)</u>

**CITY OF LAUREL, MARYLAND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>General Government</b>				
City council	\$ 88,884	\$ 88,884	\$ 80,971	\$ 7,913
Clerk to the council	152,381	152,381	151,366	1,015
Mayor	567,838	509,008	483,090	25,918
City administrator	445,490	449,105	441,632	7,473
Registration and elections	56,290	46,290	26,852	19,438
Budget and personnel services	840,616	826,801	636,931	189,870
Communications	452,330	469,545	306,592	162,953
Planning and zoning	924,158	939,158	904,789	34,369
Information technology and community services	1,203,881	1,214,610	1,152,766	61,844
Municipal center maintenance	549,941	578,256	561,665	16,591
Other facilities maintenance	461,319	486,426	474,447	11,979
Community promotion	50,330	114,954	109,361	5,593
<b>Total general government</b>	<u>5,793,458</u>	<u>5,875,418</u>	<u>5,330,462</u>	<u>544,956</u>
<b>Public Safety</b>				
Police department	7,735,296	8,172,661	7,923,597	249,064
Emergency services management	422,919	422,919	407,757	15,162
Police department facility	203,463	201,461	197,645	3,816
<b>Total public safety</b>	<u>8,361,678</u>	<u>8,797,041</u>	<u>8,528,999</u>	<u>268,042</u>
<b>Parks and recreation</b>				
Greenview Drive complex	32,250	32,250	32,010	240
Parks and recreation administration	602,674	590,099	590,051	48
Recreation	294,365	300,695	298,213	2,482
Laurel municipal pool	165,457	171,662	171,627	35
Laurel community center programs	256,350	244,735	240,376	4,359
Greenview Drive programs	42,524	59,019	58,464	555
Armory programs	139,572	139,684	136,935	2,749
Gude lakehouse programs	14,851	17,151	17,109	42
Senior services programs	166,705	164,593	162,361	2,232
<b>Total parks and recreation</b>	<u>1,714,748</u>	<u>1,719,888</u>	<u>1,707,146</u>	<u>12,742</u>

**CITY OF LAUREL, MARYLAND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
<b>Public Works</b>				
Public works administration	\$ 381,452	\$ 383,750	\$ 383,730	\$ 20
Automotive maintenance	1,002,949	897,854	849,309	48,545
Waste collection and disposal	1,154,074	1,039,781	1,004,158	35,623
Recycling	188,741	198,162	171,915	26,247
Highways and streets	495,442	561,616	553,493	8,123
Snow and ice removal	103,805	197,605	194,957	2,648
Street lighting	352,000	352,000	297,932	54,068
Engineering and technical services	202,478	202,478	198,566	3,912
Traffic engineering	190,763	180,763	170,295	10,468
Tree management	91,980	63,980	52,926	11,054
<b>Total public works</b>	<u>4,163,684</u>	<u>4,077,989</u>	<u>3,877,281</u>	<u>200,708</u>
<b>Miscellaneous</b>				
Retirement pension	2,005,494	2,305,494	2,298,816	6,678
Employee training	69,612	69,612	48,617	20,995
Insurance	2,544,963	2,414,963	2,351,200	63,763
Other*	377,200	2,448,359	168,851	2,279,508
<b>Total miscellaneous</b>	<u>4,997,269</u>	<u>7,238,428</u>	<u>4,867,484</u>	<u>2,370,944</u>
<b>Debt Service</b>				
Principal	1,578,588	2,915,299	2,742,716	172,583
Interest	471,669	415,968	404,035	11,933
<b>Total debt service</b>	<u>2,050,257</u>	<u>3,331,267</u>	<u>3,146,751</u>	<u>184,516</u>
<b>Total Expenditures</b>	<u>\$ 27,081,094</u>	<u>\$ 31,040,031</u>	<u>\$ 27,458,123</u>	<u>\$ 3,581,908</u>

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