

City of Takoma Park Maryland



*Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2021*

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City of Takoma Park Maryland



Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021

Prepared by: City of Takoma Park, Maryland

*Jamal T. Fox
City Manager*

*Susan Cheung
Director of Finance*

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Introductory Section

City of Takoma Park, Maryland

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Jamal T. Fox, City Manager

October 28, 2021

The Honorable Mayor, Members of City Council and Residents:

The annual comprehensive financial report (ACFR) of the City of Takoma Park, Maryland for the fiscal year ending June 30, 2021, is submitted for your review. This report was prepared by the City's Finance Department and it is the comprehensive publication of the City's financial position and results of operations for the fiscal year ended June 30, 2021, for all funds and components units of the City.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To provide a reasonable basis for making these representations, we have established a comprehensive internal control framework designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal control should not exceed anticipated benefits, the City's internal controls are designed to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. We believe that the data, as presented, is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and changes in financial position of the City; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The City's Charter, Section 821, requires that the financial books and accounts of the City be audited annually in accordance with applicable State laws and the requirements of the City Council. The City Council has elected to have its financial statements prepared in accordance with GAAP and audited in accordance with auditing standards generally accepted in the United States of America, (U.S. GAAS) by a certified public accountant. The independent auditor's report is included with the City's financial statements in the Financial Section of this report. The audit was conducted in accordance with U.S. GAAS and, for the basic financial statements of the City, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. On the basis of this examination, the independent auditors have issued an unmodified opinion that the presentation of the basic financial statements conforms with GAAP. In conducting the audit, the auditors performed tests of the accounting records and such other procedures as were considered necessary in the circumstances to provide a reasonable basis for the opinion on the financial statements.

The auditors also assessed the accounting principles used and the significant estimates made by management, as well as evaluated the overall financial statement presentation. Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the Financial Section of this report.

PROFILE OF THE GOVERNMENT

The City of Takoma Park is approximately 2.4 square miles in size and is located in Montgomery County, Maryland on the border of Washington, D.C. The City was incorporated in 1890 and has a population of 17,629 (U.S. Census 2020 estimate).

The City of Takoma Park operates under a Council-Manager form of government. The City Council is the policy-making and legislative body of City government and includes a Mayor and six Council members. The City Council is elected on a non-partisan basis and all seven members of the governing body serve two-year terms. The Mayor is elected at large and the remaining six Councilmembers are elected by wards within the City. The City Council's responsibilities include setting City policy, passing ordinances and resolutions, adopting the City's annual budget, appointing members to committees, and hiring both the City Manager and the City Attorney. The City Manager is appointed by the Council as Chief Executive and Administrative Officer and responsible for implementing the policies and ordinances of the City Council, overseeing the day-to-day operations of the government, and appointing the department heads of various departments.

The City provides a range of municipal services to residents including, but not limited to, police, solid waste and recycling collection, storm drainage maintenance, street and park maintenance, snow removal, recreation, library services, housing and community development, code and parking enforcement, and general administration. The City's budget is the foundation of the City's financial planning and control. Annually the City Manager presents a recommended budget to the City Council for review, questions, and concerns. The City Council is required to adopt a balanced budget by July 1 of every year for all funds for which the funds are required.

CITY COUNCIL PRIORITIES

1. Mitigate the Impact of COVID-19 on the Community and City Operations.
 - a. Reopen City functions using a phased approach to ensure a safe, deliberate return to normal operations; prepare a reopening plan that supports long-term financial resiliency and employee well-being, and incorporates lessons learned from the health crisis response.
 - b. Ensure residents have access to the emergency assistance they need to recover from the impacts of the COVID-19 pandemic.
 - c. Support our small businesses in weathering the economic downturn due to the pandemic so that they recover and thrive in the future
2. A Livable Community for All
 - a. Ensure that a range of safe, high quality, affordable, and stable housing options are equitably available in neighborhoods throughout the community.
 - b. Identify the need for and explore the development of programs to address food insecurity in the community.
 - c. Identify programming needs in the community and develop approaches to meet those needs, emphasizing youth, families, seniors, and residents who tend to face barriers to opportunities such as Black, Indigenous, and people of color, those with unsustainable lower-paying jobs, immigrants, and people with developmental disabilities.
 - d. Defend our status as a Sanctuary City and maintain our commitment to being a welcoming and inclusive community for all residents.
 - e. Improve transportation planning and outreach to create a safer and more racially equitable community for all residents, including pedestrians, bicyclists, and vehicle occupants.
 - f. Further the City's racial equity work.
3. Fiscally Sustainable Government
 - a. Explore and advocate at county and state levels for expanded funding flexibility for municipalities beyond property taxes and continue to advocate for long-term solutions to tax duplication.

- b. Explore ways to provide property tax adjustments to residents in need, advocate at county and state levels for changes in property taxes to assist residents in need, and work for a more equitable property tax assessment system.
 - c. Continue to build on improvements in the budget process, presentation of budget information, and communication to residents.
 - d. Adopt sustainable investment and banking policy and practices.
 - e. Maintain adequate reserves in the various City reserve funds for long-term fiscal sustainability.
4. Environmentally Sustainable Community
- a. Climate Change Mitigation: Work towards net-zero greenhouse gas emissions by 2035.
 - b. Climate Change Resilience: Improve our ability to adapt and be resilient to climate change.
 - c. Manage Our Community's Natural Resources Sustainably: Protect, maintain, and improve the health of our urban forest, natural resources, and water quality, with an emphasis on equity.
5. Engaged, Responsive, Service-Oriented Government
- a. Hire and onboard a new City Manager.
 - b. Improve City communications with residents and adopt innovative, culturally appropriate initiatives to improve public engagement and collaboration with residents, particularly with residents who may face barriers to participating in municipal government activities and community affairs.
 - c. Improve policies and processes to enhance resident interaction with the City government, including requests for government services, complaint systems, and code enforcement.
 - d. Put in place improvements and review the overall structure and purpose of existing Council-appointed committees.
 - e. Review and reform the City's approach to public safety to ensure racial justice and work toward a safer, more livable community for all residents.
 - f. Improve service delivery and reduce administrative burden by updating internal policies, IT infrastructure, and software.
6. Community Development for an Improved & Equitable Quality of Life
- a. Plan and prepare for development in the City and region while maintaining the special character and economic and racial diversity of Takoma Park.
 - b. Redevelop the Takoma Park Recreation Center

ECONOMIC CONDITION AND OUTLOOK

The City is a residential community located in the southern part of Montgomery County in the inner suburbs of the Washington, D.C. metropolitan area. City residents benefit from the excellent Montgomery County public school system. The Takoma Park-Silver Spring campus of Montgomery College and the four-year Washington Adventist University are located in Takoma Park. The City has a large historic district, two major commercial districts, many parks, and attractive, walkable neighborhoods. The City is located along the Red Line of the region's Metrorail system and is well served by bus systems and bicycle trails. Offices, attractions, and entertainment are close by in adjacent Washington, D.C. and Silver Spring, Maryland.

According to the 2019 Census, the City had a total of 6,567 housing units. Of these, 3,465 were owner-occupied housing units. Forty-seven percent (47%) of Takoma Park's households live in multi-family residential structures. Because of its location and attractive environment, Takoma Park is a highly desirable place to live. Its economic health rests heavily on the value of its residential property. The net assessable real property base value for Takoma Park was estimated at \$2.58 billion during Fiscal Year 2021. Housing values have risen sharply since 2000, despite a stagnant period during the recession in the late 2000s followed by rather slow growth for several years. Housing values have been increasing at a moderately fast pace since that time. The median value of owner-occupied housing units in Takoma Park is \$555,000 according to the 2018 American Community Survey. There is no indication that the increase in housing value has slowed during the COVID-19 pandemic, but a final determination will need to be made at a later time.

Real property in the State of Maryland is reassessed on a triennial basis. The last triennial assessment occurred two years ago, effective for Fiscal Year 2019. The State's estimated increase in the net assessable base for the City for Fiscal Year 2020 was 2.0 percent. Current statistics for unemployment have been affected by the pandemic. The Bureau of Labor Statistics reported the unemployment rate in the Washington, D.C. region was 3.3 percent in June 2019 but 8.4 percent in June 2020. The Montgomery County, Maryland unemployment rate was 3.3 percent in June 2019 but 8.1 percent in June 2020. The Census Bureau's numbers for the median household income are averaged over time so do not likely reflect the impact of the pandemic. Their 2019 (1 year) American Community Surveys estimate median household income of the area as 105,659 and of Montgomery County as \$110,389. The 2018 (5 year) American Community Survey for Takoma Park provides a median household income of \$86,439. While real property taxes and intergovernmental payments are the largest sources of revenue for the City of Takoma Park, the community's long-term economic health depends on economic development of the City's commercial corridors, particularly along New Hampshire Avenue and University Boulevard.

The State of Maryland is constructing the Purple Line, a light rail transit system that will run along the northern border of Takoma Park, connecting transit lines and employment centers in Montgomery and Prince George's Counties. There will be a major station at Takoma Langleigh Crossroads, the intersection of University Boulevard and New Hampshire Boulevard. A dispute between the construction companies (the concessionaire) and the State of Maryland has caused a delay in construction, but the State intends on completing the work. The transit system was to begin service in 2022, but this date will change due to the dispute.

In order to take advantage of this major infrastructure improvement that affects our largest commercial district, the City of Takoma Park contracted with the Cloudburst Group in 2015 to have a housing and economic development strategic plan prepared. The draft plan was presented to the Takoma Park City Council in October 2017 and work and public and Council discussion continued, resulting in the adoption of the 2019-2030 Housing and Economic Development Strategic Plan in October 2019.

Major recommendations of the Housing and Economic Development Strategic Plan are: Preserve existing businesses and affordable housing in Takoma Park, including in revitalizing areas; Produce more housing and opportunities for businesses to start and grow across the income spectrum and in neighborhoods across the City to meet the diverse housing and economic needs; and Protect renters, homeowners, and local businesses from discrimination and displacement; and protect our environment from destruction. The Plan looks to take advantage of the economic benefits of the Purple Line and the newly designated Opportunity Zone along the New Hampshire Avenue Corridor, calls for a minor master plan process for the site of the former hospital and adjacent neighborhood to help meet the Plan's goals, promotes workforce development and entrepreneurship; and works to provide varied types of housing to meet the housing needs of residents and newcomers. The plan also takes into consideration climate change resiliency and the need to make all decisions using race equity as a guiding principle.

Because of the implementation steps adopted as part of the Housing and Economic Development Strategic Plan, City staff was able to react swiftly when the COVID-19 pandemic hit the area in March 2020. Small grants were provided quickly to local businesses, and housing staff helped renters with information and financial assistance. While the City's funds were and are limited, our quick work helped many survive the initial months of the pandemic. Staff gave a helping hand when the help was desperately needed, and while assistance from other levels of government was slow. The Takoma Park City Council redirected funding before and during the FY21 budgeting process, creating a COVID-19 fund of \$578,500 in order to provide this assistance.

Even with the economic hit from the pandemic, some new businesses have opened in Takoma Park and City staff are taking steps to facilitate future redevelopment in locations identified for such activity. The Takoma-Langleigh Crossroads area and the Long Branch business district are part of a Maryland Enterprise Zone that provides tax incentives to new and expanding businesses and, as noted, the New Hampshire Avenue Corridor is in an Opportunity Zone. Staff have moved forward on workforce development

partnerships and continue to pursue grants and State aid to promote long-term economic growth in Takoma Park.

Two exciting City development projects are moving forward. The City's public library building is in the final architectural and engineering design for redevelopment as a slightly larger facility meeting ADA and flood plain standards and reorganizing space to better serve patrons. There is also a community engagement process underway regarding plans to redevelopment the Takoma Park Recreation Center on New Hampshire Avenue. The site has great potential for mixed-use redevelopment, and is within walking distance of the transit hub at Takoma Langley Crossroads. We hope to leverage ownership of the property to create both a new, modern recreational space for the City as well as new development that could add housing and amenities to the community. This site is in the Opportunity Zone and may be able to take advantage of investment through that program.

The City will be coordinating with the Montgomery County Planning Department on a Minor Master Plan for the site of the former Washington Adventist Hospital, Washington Adventist University, and properties along Maple Avenue to ensure that the site of the former Washington Adventist Hospital is redeveloped to advance the interests of the community and to address other community needs. The hospital moved out of Takoma Park in August 2019, although there remains on the site an urgent care facility, a physical rehabilitation center, and some hospital space for COVID-19 patients at this time. To meet the needs of the community, there is interest in locating a public elementary school, housing and/or other health care facilities on the site.

LONG-TERM FINANCIAL PLANNING

The City of Takoma Park is committed to responsible long-term financial planning. Elements with long-range impacts include maintenance of infrastructure and retirement plan costs. In accordance with the City Charter, certain funds are set aside for the scheduled replacement of vehicles and equipment. These funds are accounted for in the Equipment Replacement Reserve. Substantial funds have been allocated to the Equipment Replacement Reserve over the last decade. This funding effort should be continued going forward to ensure that the City has sufficient funds on hand to maintain its vehicle fleet and other equipment in good working order.

The Facility Maintenance Reserve was established to have funds available for large facility maintenance expenses over time and a newer fund, the Housing Reserve, is to have funds available to advance affordable housing efforts such as those identified in the Housing and Economic Development Strategic Plan. The City of Takoma Park Police Employees' Retirement Plan, established in 2001, covers sworn police officers who are employed on a regular full-time basis. Plan provisions include retirement, disability, and death benefits to plan members and their beneficiaries. The plan does not include retiree health benefits, which has kept costs reasonable.

FINANCIAL POLICIES

During Fiscal Year 2018, the City Council adopted a Reserve Policy that sets the General Fund Unassigned Fund Balance to be no less than two months (17%) of the General Fund revenue amount, unless a special situation justifies a lower amount. The City will maintain adequate unassigned fund balance in its General Fund in order to address revenue fluctuations and to avoid any disruption in services caused by a future decline in significant revenue sources and rising costs.

Additionally, the City's use of unrestricted future fund balances and one-time revenue sources will be limited to specific non-recurring projects.

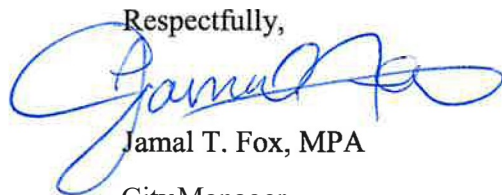
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Takoma Park for its ACFR for the fiscal year ended June 30, 2020. This was the fifteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA for consideration for another certificate.

The preparation of this annual report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all the personnel who assisted and contributed to the preparation of this report. We would also like to thank the members of the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and professional manner.

Respectfully submitted,

Respectfully,

Jamal T. Fox, MPA
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Takoma Park
Maryland**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

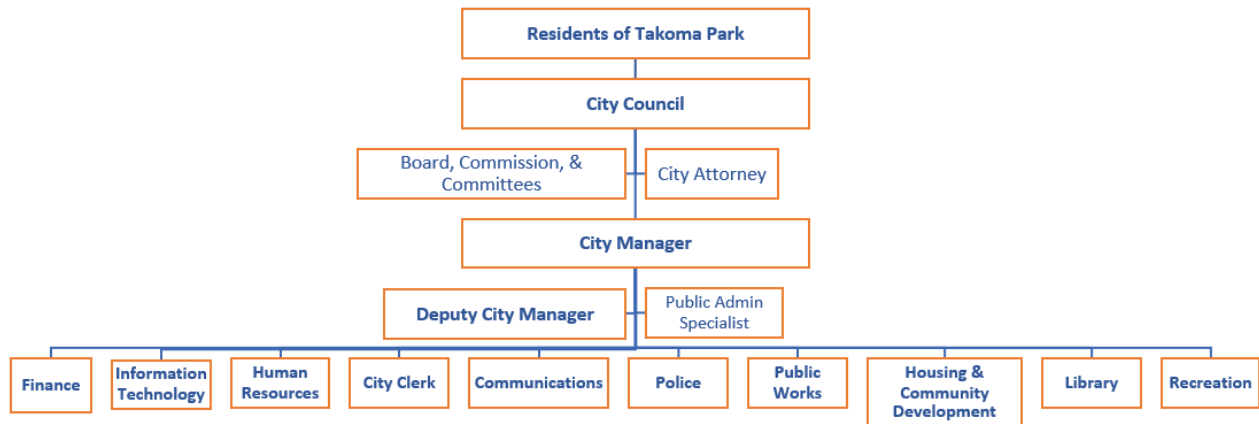
June 30, 2020

Christopher P. Morill

Executive Director/CEO

Organizational Chart

The City of Takoma Park, Maryland



CITY OF TAKOMA PARK, MARYLAND
LIST OF ELECTED AND APPOINTED OFFICIALS
Year Ended June 30, 2021

MAYOR
KATE STEWART

	<u>CITY COUNCIL</u>	
PETER KOVAR		TERRY J. SEAMENS
KACY KOSTIUK		JARRETT K. SMITH
CINDY DYBALLA		TALISHA SEARCY

CITY MANAGER
JAMAL T. FOX

DEPUTY CITY MANAGER
JESSICA CLARKE

DIRECTOR OF FINANCE
SUSAN CHEUNG

INDEPENDENT AUDITORS
CohnReznick LLP

Prepared by the Finance Department

Financial Section

Independent Auditor's Report

To the City Council
City of Takoma Park, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Takoma Park, Maryland, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Takoma Park, Maryland, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General, Speed Camera and Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 - 32 and the schedules of changes in the City's net pension liability and related ratios, contributions, the City's proportionate share of the net pension liability and the City's pension plan contributions on pages 78 - 81 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 Takoma Park, Maryland's basic financial statements. The introductory section, budgetary schedules, combining non-major fund schedules, combining fiduciary fund schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules, combining non-major fund schedules and combining fiduciary fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules, the combining non-major fund schedules and combining fiduciary fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021, on our consideration of the City of Takoma Park, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Takoma Park, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Takoma Park, Maryland's internal control over financial reporting and compliance.



Baltimore, Maryland
October 28, 2021

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2021

As management of the City of Takoma Park, we offer this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2021. The intent of this document is to provide discussion and analysis regarding the City's financial performance as a whole. Readers should also review the transmittal letter, the notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial position.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of Fiscal Year 2021 by \$43,954,497 (net position). This represents an increase of \$1,706,263 from the prior year. The change in the net position is the result of net surplus of revenues (\$27,754,536) over expenses (\$26,048,273). Under General revenues, approximately 6.2 percent or \$276,826 of the revenue variance from the prior year was due to increase in real property tax \$517,271 which was offset by (\$251,969) decrease in personal property tax. Due to the cancellation of inventory tax and refunds to the tax-payers, the personal property tax had a significant decrease. The City's revenue decreased \$4.4 million primarily due to the reduction of Operating Grants and Contribution. In Program revenues, almost 69% or \$3.06 million was due to decrease in Operating Grants which included the WSSC Flower Ave Green Street (\$2,279,727), CDBG ADA Sidewalk project (\$259,350), and Transportation TAP Grant (\$834,268) Flower Avenue-Montgomery (\$200,000) and the New Avenue Section A (\$145,245). The revenue reduction was offset by the increase of grant funds from CARES Act \$155,349, and the Library State Grant \$189,373.
- Of the City's total net position, the unrestricted net position increased from a deficit of \$3,800,802 in Fiscal Year 2020 to a deficit of \$1,643,080 in Fiscal Year 2021. The unrestricted net position is in deficit due primarily to the required reporting of the net pension liability of \$10,760,724 related to the City's two pension plans. Beginning in 2015, the City implemented GASB 68 and GASB 71 which require recognition of the City's participatory share of pension liability in the Maryland State Retirement and Pension System plan and the pension liability in the City's Police Employees' Retirement plan.
- As of June 30, 2021, the City of Takoma Park's governmental funds reported combined ending fund balances of \$24,183,576, a decrease of (\$615,350) or 2.5 percent, from the prior year. The decrease in fund balance was mainly due to the loss in operations in the General Fund of \$951,819 and in Speed Camera Fund \$5,730. The operating loss was offset by surpluses in Special Revenue Fund \$142,687 and other minor funds including the Stormwater Fund \$199,512. The ending fund balances of \$24,183,576 include \$7,109,661 that is available for spending at the City's discretion (unassigned fund balance). The decrease in the combined ending governmental fund balances was primarily due to the deficiency of revenues over expenses in the General Fund.
- At the end of Fiscal Year 2021, the unassigned fund balance for the General Fund was \$7,109,661 or 26.9 percent of total General Fund expenses.
- The City of Takoma Park's long-term debt decreased by (\$375,838) during the fiscal year. The decrease was primarily due to the annual principal payments on existing bond debts totaling \$442,000 and an increase of \$66,161 in Compensated Absences.

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2021

OVERVIEW OF FINANCIAL STATEMENTS

GASB Statement 34 requires the utilization of dual focus financial reporting. Information is presented on a government-wide basis and on a fund basis.

This discussion and analysis is intended to serve as an introduction to the City of Takoma Park's basic financial statements that were prepared using these reporting requirements. The City of Takoma Park's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. The government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, are designed to provide readers with a broad overview of the City of Takoma Park's finances. All City operations are categorized as and reported as either governmental or business-type activities. Governmental activities include basic services such as police, public works, recreation, community development, and government administration. The City currently does not have any business-type activities.

The government-wide financial statements can be found on pages 35 and 36 of this report.

Statement of Net Position. The Statement of Net Position presents information on all of the City of Takoma Park's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The residual amount is reported as net position. Net position is separated into those amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Takoma Park is improving or deteriorating. To assess the City's overall health, additional non-financial factors, such as changes in the City's property tax base and the condition of its facilities, must be taken into account.

Statement of Activities. The Statement of Activities presents information on how the government's net position changed during the fiscal year. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Transactions related to non-exchange transactions are reported as soon as there is an enforceable legal claim to the resources. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation).

Fund Financial Statements. The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Takoma Park, like other local governments, uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. All of the funds of the City of Takoma Park can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 financial requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better

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understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate the comparison between governmental funds and governmental activities.

The City of Takoma Park maintains six individual governmental funds. Information is presented separately in the governmental balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Speed Camera Fund, and the Special Revenue Fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for these non-major governmental funds (Stormwater Management Fund, Facility Construction Fund and Rehabilitation Loans and Grants Fund) is provided in the form of combining statements elsewhere in this report.

The City of Takoma Park adopts an annual appropriated budget for its three major funds: - the General Fund, Speed Camera Fund and Special Revenue Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 37 - 43 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Takoma Park's own programs. Fiduciary funds are accounted for using the economic resources measurement and accrual basis of accounting.

The basic fiduciary fund financial statements can be found on pages 44 and 45 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46 - 75 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information related to the City of Takoma Park's progress in funding its obligation to provide pension benefits to its Public Safety employees. Other supplementary information includes budgetary comparison schedules related to the General Fund and the non-major governmental funds and any combining statements related to non-major governmental funds and fiduciary funds. Supplemental information can be found on pages 83 - 90 of this report.

THE CITY AS A WHOLE

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Takoma Park's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$43,954,497 as of June 30, 2021. By far the largest portion of the City of Takoma Park's net position reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment, less any related debt used to acquire those assets that is still outstanding). This investment was \$33,599,748 or 76.4 percent of the City's net position as of June 30, 2021. Due to the nature of these assets, they are not available for future spending.

The unrestricted portion of the net position was a deficit of \$1,643,080. This category represents the amounts that the City may use to meet ongoing obligations to its residents and creditors. The unrestricted net position deficit resulted from the reporting of the net pension liability of \$10,760,724 related to the City's two pension

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plans. Before 2015, the liabilities were disclosed in the footnotes to the financial statements and were not reported as liabilities within the financial statements.

The remaining balance of net position \$11,997,829 or 27.3 percent reflects the City's restricted net position, primarily comprised of monies related to the Infra-Structure bond fund, Safe Speed Program, and franchise cable equipment grants, that can only be used for specifically designated purposes.

During the fiscal year, the City of Takoma Park's total net position increased by \$1,706,263. Factors contributing to this growth include the reduction of expenses. The City's overall revenue decreased \$4.4 million primarily due to the reduction of Operating Grants and Intergovernmental revenues. In General revenues, the only upward trend was the change of \$276,826 in property tax. In Program revenues, almost \$3.06 million was due to the decrease in Operating Grants.

In the Governmental activities, the reduction of expenses is a contributing factor to the growth of net position. The change includes (\$1.1 million) expense reduction from Public Safety, and (\$658,891) from the Recreation and Culture Departments.

The following table reflects the City's net position as of June 30, 2021 compared to June 30, 2020.

Governmental Activities Statement of Net Position		
	2021	2020
Assets		
Current and other assets	\$ 29,343,268	\$ 29,491,929
Capital assets, net	42,210,248	41,395,757
Total assets	71,553,516	70,887,686
Deferred outflows of resources	2,064,024	2,650,273
Liabilities		
Current and other liabilities	4,726,397	4,141,297
Long-term liabilities	19,491,666	24,128,944
Total liabilities	24,218,063	28,270,241
Deferred inflows of resources	5,444,980	3,019,484
Net position		
Net investment in capital assets	33,599,748	32,343,257
Restricted	11,997,829	13,705,779
Unrestricted	(1,643,080)	(3,800,802)
Total net position	\$ 43,954,497	\$ 42,248,234

City of Takoma Park, Maryland

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Governmental Activities

Governmental activities increased the City of Takoma Park's net position by \$1,706,263 during Fiscal Year 2021, thereby accounting for the total growth in the net position. The key elements of this increase are shown below. Information for the prior fiscal year is provided for comparative purposes.

**Governmental Activities
Change in Net Position**

Revenues	2021	2020
Program revenues:		
Charges for services	\$ 2,148,751	\$ 2,818,215
Operating grants and contributions	6,239,066	9,556,806
Capital grants and contributions	188,335	223,874
General revenues:		
Property taxes	13,877,603	13,600,777
Intergovernmental	5,173,570	5,399,612
Miscellaneous	101,059	216,147
Unrestricted investment earnings	26,152	381,114
Total revenues	27,754,536	32,196,545
Expenses		
General Government	5,835,772	4,682,369
Public Safety	8,162,933	9,261,998
Public Works	6,619,329	6,774,672
Housing and Community Development	1,883,620	1,788,399
Recreation and Culture	3,248,266	3,907,157
Interest on long-term debt	298,353	314,634
Total expenses	26,048,273	26,729,229
Change in net position	1,706,263	5,467,316
Net position, beginning of year	42,248,234	36,780,918
Net position, end of year	\$ 43,954,497	\$ 42,248,234

Overall revenues decreased (\$4,442,009) from Fiscal Year 2020 to Fiscal Year 2021. In program revenues, operating grants and contributions decreased (\$3,317,740), the charges for services decreased (\$669,464) and capital grants decreased (\$35,539). In general revenues, property tax revenue increased \$276,826, but intergovernmental revenues decreased (\$226,042). In addition, the investment earnings decreased (\$354,962) and miscellaneous revenues decreased (\$115,088).

Capital grants and contributions decreased (\$35,539), due to the decrease of (\$19,177) in State and County Memorandum of Understanding (MOU) project revenue and the decrease of cable equipment revenue (\$16,362). Operating grants and contributions decreased totaling (\$3,317,740), due to the significant decrease of WSSC-Flower Avenue Green Street grant revenue (\$2,279,727), and Police protection program (\$35,862). In addition, the decrease of Operating Grants also includes the CDBG ADA Sidewalk grant (\$259,350), the Flower Avenue Transportation and Montgomery County funding of (\$1,035,268) and the New Avenue Bikeway grants

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of (\$145,245). The decrease was offset by the revenue increase in the CARES Act program of \$155,349 and the State Grant Library Construction \$189,373.

Charges for services decreased \$669,464. This variance was primarily due to the (\$419,334) decrease in Recreation and Cultural revenues and the (\$69,413) decrease in Speed Camera fines in the Public Safety category. In addition, other charges for services decreases include Public Parking Facilities (\$52,200), and the Stormwater Utility fees (\$115,248).

Miscellaneous revenue decreased (\$115,088), primarily due to the decrease of Federal Emergency Management grant (\$15,350), the reduction in the Sales of City Properties (\$39,985), the decrease in Insurance Claims (\$20,004), and the decrease in Miscellaneous Other revenue (\$31,227). The Unrestricted Investment revenues decreased (\$354,962) due to the significant reduction in the interest income provided by the banks.

Total expenses decreased by (\$680,956) from Fiscal Year 2020 to Fiscal Year 2021. General Government expenses increased \$1,153,403 due to the \$65,472 increase in Election Expenses, the \$27,410 in Employee Award and Recognition, the \$105,517 increase in Reimagining Public Safety Task Force contract, the \$101,810 increase in City Attorney contract, and the \$33,320 increase in technology contract costs. The remaining variance was due to the increase of \$50,948 in salary expenses in Human Resources Division, the \$34,895 increase in City Manager recruitment costs, the \$380,763 increase in COVID Emergency Assistance and the increase of \$432,980 in the Housing Fund Expenditures in the Non-Departmental Section of the General Fund. The expenses increase was offset by the (\$102,986) reduction in Workers Compensation Insurance.

Public Safety expenses are \$1,099,065 lower than those for Fiscal Year 2020. The variance is primarily due to the (\$1,060,158) decrease in pension expenses in Fiscal Year 2021. In addition, the increase in salary and fringe benefits in Speed Camera Fund totaled \$57,872 but was offset by the reduction (\$94,588) in Contract costs.

Public Works expenses decreased (\$155,343) primarily due to the reduction of (\$265,649) contract costs in various divisions including the (\$124,132) cost of Street Light, the (\$72,850) Sub-contract Work from Urban Forest and the (\$66,298) Sub-contract Work of the City Engineer. The decrease is offset by a \$96,805 increase in pension expense.

Housing and Community Development expenses increased \$95,221 due primarily to the \$199,890 increase in compensated absences. The increase was offset by the (\$69,543) reduction of salary and fringe costs in the Housing and Community Development Administration division due to the hiring delay of the Housing Director and the (\$40,035) Contract reduction in Economic Development Division.

Recreation and Culture expenses decreased (\$658,891) from Fiscal Year 2020 to Fiscal Year 2021. The decrease was primarily due to decrease of (\$173,963) in compensated absences expenses, and overall decrease of (\$487,583) in recreation program and cultural activity costs due to the cancellation of programs during the COVID pandemic in the Recreation, Communications and Library Departments.

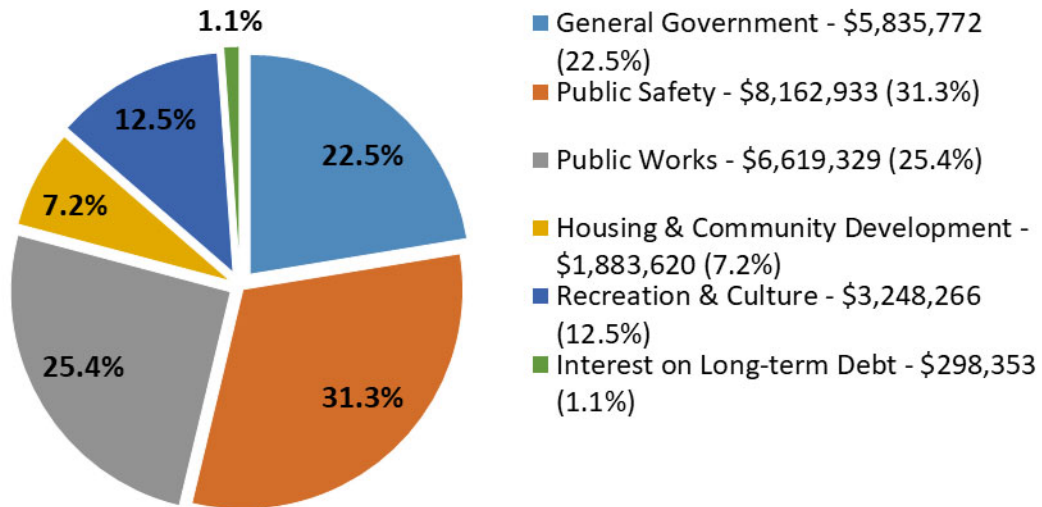
Interest on long term debt decreased (\$16,281) from Fiscal Year 2020 to Fiscal Year 2021, due to the principal paydown of the City's three outstanding bond funds including the Transportation and Library Bond Series 2017 and the Community Center Bond Series 2015.

As shown previously, the cost of all governmental activities was \$26,048,273. Those who directly benefited from the services paid \$2,148,751 of the activity costs. The City also received operating and capital grants and contributions from other governments and organizations of \$6,427,401 which reduced the amount paid by City residents for certain services. The net cost of the City's governmental activities totaled \$17,472,121 and was funded with general revenues, including property taxes and intergovernmental revenues.

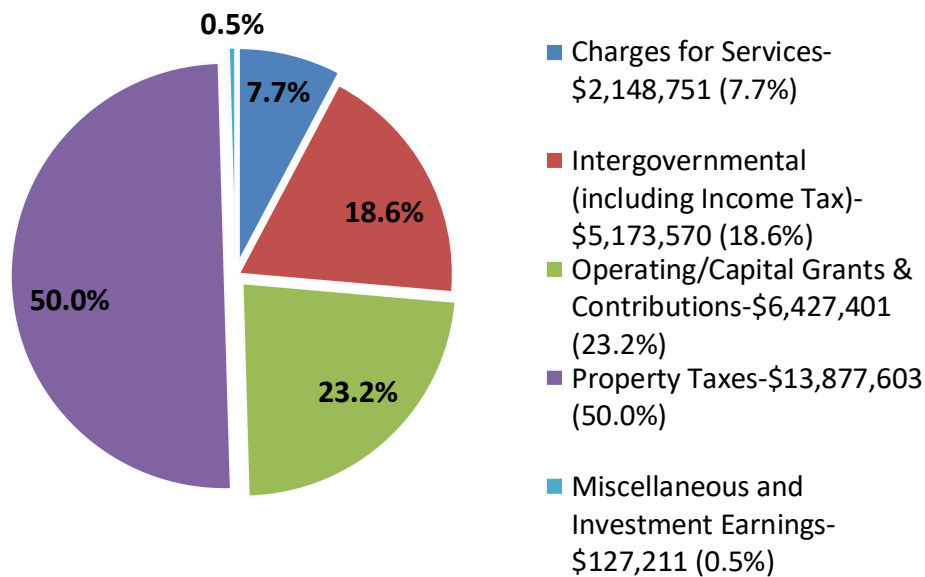
City of Takoma Park, Maryland
Management's Discussion and Analysis
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Governmental Activities
Fiscal Year Ended June 30, 2021

Expenses



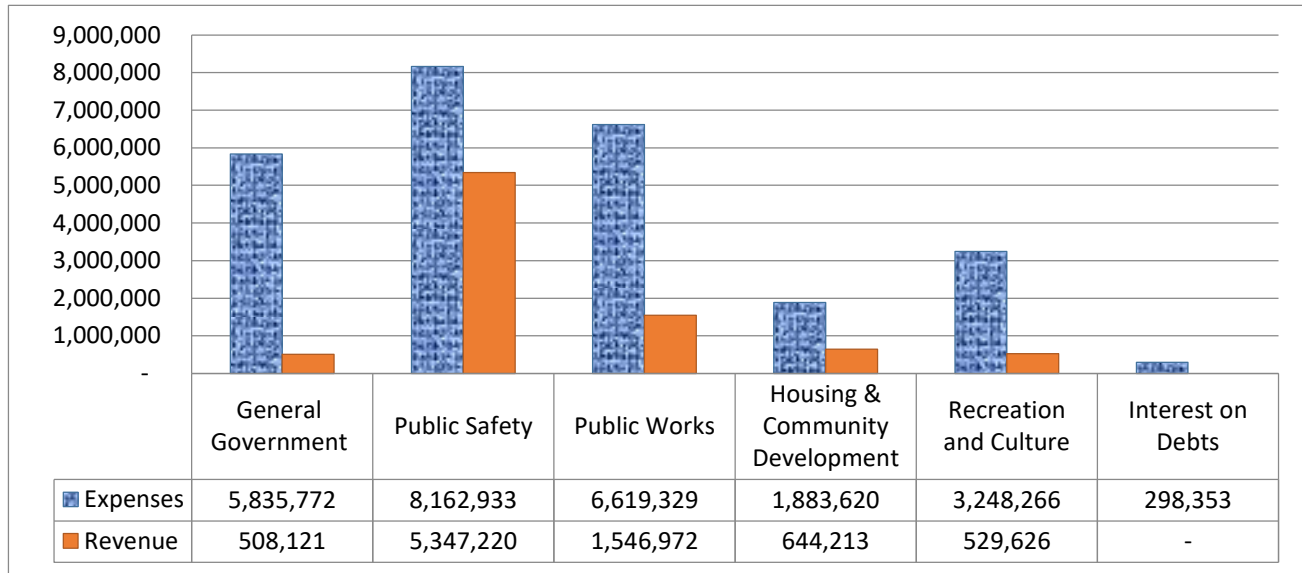
Revenues



City of Takoma Park, Maryland

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Governmental Activities Comparison of Program Revenues versus Expenses Fiscal Year Ended June 30, 2021



Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2021, the City's governmental funds had combined fund balances of \$24,183,576, a decrease of \$615,350 from the prior year. This decrease in fund balance is due primarily to the \$951,819 deficiency of revenue over expenditure in General Fund in Fiscal Year 2021. Approximately 44.7 percent of the fund balance amount is restricted or considered "nonspendable" and is not available for new spending. The portion of the fund balance that is restricted or not available for spending totals \$10,810,757. The use of these funds is restricted for expenditures primarily for street improvement, speed camera program, special revenue grants and library construction.

The General Fund is the chief operating fund of the City of Takoma Park. At the end of the fiscal year, it had a total fund balance of \$19,412,194, a decrease of (\$951,819) from Fiscal Year 2020. The decrease is due to the higher operating expenditures over operating revenues.

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The General Fund balance includes \$97,536 which is restricted for street improvements, \$6,535,194 which is designated for bond payment and \$242 which is nonspendable (e.g., deposits and prepaid expenditures). A portion of the General Fund balance, totaling \$5,669,561 or 29.2 percent, is committed for the following purposes:

• Equipment Replacement	\$4,054,455
• Emergency	541,646
• Facility Maintenance	427,792
• Housing Fund Reserve	645,668

The unassigned portion of the General Fund balance as of June 30, 2021 is \$7,109,661. The General Fund total fund balance is \$19,412,194.

Besides the General Fund, the City has two other major funds. The Speed Camera Fund was established to account for the activity related to the City's Safe Speed Program. Fines and fees collected during Fiscal Year 2021 totaled \$817,201. These fines and fees cover operational costs, including the contractual payments to the program vendor, other program administration costs including staffing, and ticket processing costs. Revenues not required for program administration costs are restricted by law and must be used for public safety purposes. The Speed Camera Fund had a fund balance of \$567,456 at June 30, 2021. The entire fund balance is restricted for public safety purposes.

The Special Revenue Fund is also a major fund. This Fund was established primarily to account for revenue and expenditure activity related to the City's grant activities. The Special Revenue Fund had a fund balance of \$3,603,510 as of June 30, 2021. Most of the fund balance is restricted for the acquisition of cable equipment. The amount that is restricted for cable equipment is \$3,575,817. The remaining fund balance of \$27,693 is restricted for police-related expenditures allowed by the Department of Justice Equitable Sharing Program. The increase in the fund balance of the Special Revenue Fund is due to the \$142,687 excess of Cable Grant revenues over expenditures.

The City has three non-major funds: the Stormwater Management Fund, the Rehabilitation Loans and Grants Fund, and the Facility Construction Fund.

The Stormwater Management Fund, which was established to account for revenue and expenditure activity related to the maintenance and construction of the City's stormwater systems, had a fund balance of \$593,597 as of June 30, 2021.

The Rehabilitation Loans and Grants Fund, which was established to account for activities related to loans and grants to assist low- and moderate-income City homeowners in rehabilitating their homes to conform to locally adopted codes, had a fund balance of \$6,819 as of June 30, 2021. The entire fund balance is restricted and related to outstanding notes receivable.

The Facility Construction Fund was established to account for construction activities related to the City's community and municipal center. During Fiscal Year 2021, there was no construction activity related to the community and municipal center that used this fund. The Facility Construction Fund did not have a fund balance at June 30, 2021.

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GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, there were net increases totaling \$2,928,055 in General Fund expenditure appropriations between the original and the final budget due to the appropriation of the prior year's unused funds. Conversely, there was a net decrease of (\$7.7) million between the final budget and the actual expenditures. The largest decrease in expenditure was related to capital outlay. The net decrease of actual from budget was \$4,703,877. These projects included Library construction (decreased \$3.2 million), the Flower Avenue Green Street project (decreased \$188,924), Equipment Reserve expenditure (decreased \$203,913), Building Maintenance expenditures (increased \$4,329) and Sidewalk projects (decreased \$15,279). The reduction in appropriations was due to project delays. In addition, there were budget decreases in various departments including General Government (decreased \$823,546), Public Works (decreased \$420,868) Housing and Community (decreased \$338,550) and Recreation and Culture (decreased \$587,499). The reduction in the expenditure appropriation was primarily due to the City Facility closing and cancellation of recreational and cultural activities during the COVID pandemic.

On a budgetary basis, actual revenues for the fiscal year were less than the final amended budget by \$139,928. The decreases were due to the personal property collection below the budgeted amounts by \$198,310; but in the highway user tax, the revenues were higher than the budgeted amount by \$44,234. Intergovernmental income was \$227,301 higher than the budgeted amount. Conversely, actual Miscellaneous revenues were lower than expected in the amount of (\$297,350), which included the (\$49,405) Passport fee, the (\$15,197) Sales of Property, the (\$32,495) interest income and Summons and Forfeiture (\$34,364). Recreation charges for service revenues were below the budgeted amount by (\$97,143) which included revenues decrease from summer camp (\$40,999), and facility rental (\$9,510) during COVID-19.

Actual General Fund expenditures were \$7.7 million less than the revised budget authorization. General Government expenditures were \$823,430 less than the final amended budget. The budget for General Government includes expenditures (e.g., insurance premiums, workers' compensation, contingencies, and provision for allowance) that relate to all City functions. Anticipated expenditures for general contingencies were \$129,971 less than budgeted. Housing Fund expenditures were \$167,029 less than budgeted and COVID Emergency Assistance grants were \$113,174 less than budgeted. Grants and Partnership Programs, General Liability and other fringe benefits expenditures were less than the budgeted totaling \$197,636.

Contractual services and personnel costs in Legislative Government, Legal Services and other General Government divisions were \$113,339 less than budgeted. Association Dues and employment legal service contract costs were \$27,769 less than budgeted. Overall division fringe benefit costs were \$72,050 less than budgeted.

Public Safety expenditures were \$475,386 less than budgeted due to lower than expected salary and fringe benefit costs of (\$196,821) in the Investigation and Administration Services divisions and the overall overtime reduction of (\$243,026) in the Operations Division.

Public Works expenditures were \$745,889 less than budgeted. The variance was due to staff vacancies, and lower than anticipated expenditures for contractor work. In the Sustainability division, lower than anticipated expenditures in sustainability programs and climate resiliency contracts totaled \$245,815. In the Urban Forest division, lower than anticipated expenditures included subcontractor costs totaling \$48,885 primarily due to the vacancy and hiring of the new arborist. In City Engineer division, the material cost and labor for subcontractor was \$87,141 less than budgeted.

Housing and Community Development expenditures were \$330,579 less than budgeted. Overall personnel costs were down \$100,998 due to the vacant positions. Contract and program services were down \$87,148 due to the delays in the implementation of projects that were deferred and lower than anticipated need for contracted

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services. In the Planning division, site improvement costs, including the streetscape improvements, were \$68,728 lower than budgeted.

Expenditures for Recreation and Culture were \$587,499 less than budgeted. Recreation and Culture activities include those of the Recreation, Library and Communications Departments. In the Recreation divisions, the actual contract and program expenditures were \$242,491 lower than budgeted. The variance of \$274,842 in personnel costs was attributed to the overall staffing cost reduction due to COVID-19 program cancellation. The Library's expenditures were \$64,736 under the budgeted amount mainly due to the reduction of personnel related salaries and fringe benefits and book purchases.

CAPITAL ASSET AND DEBT ADMINISTRATION

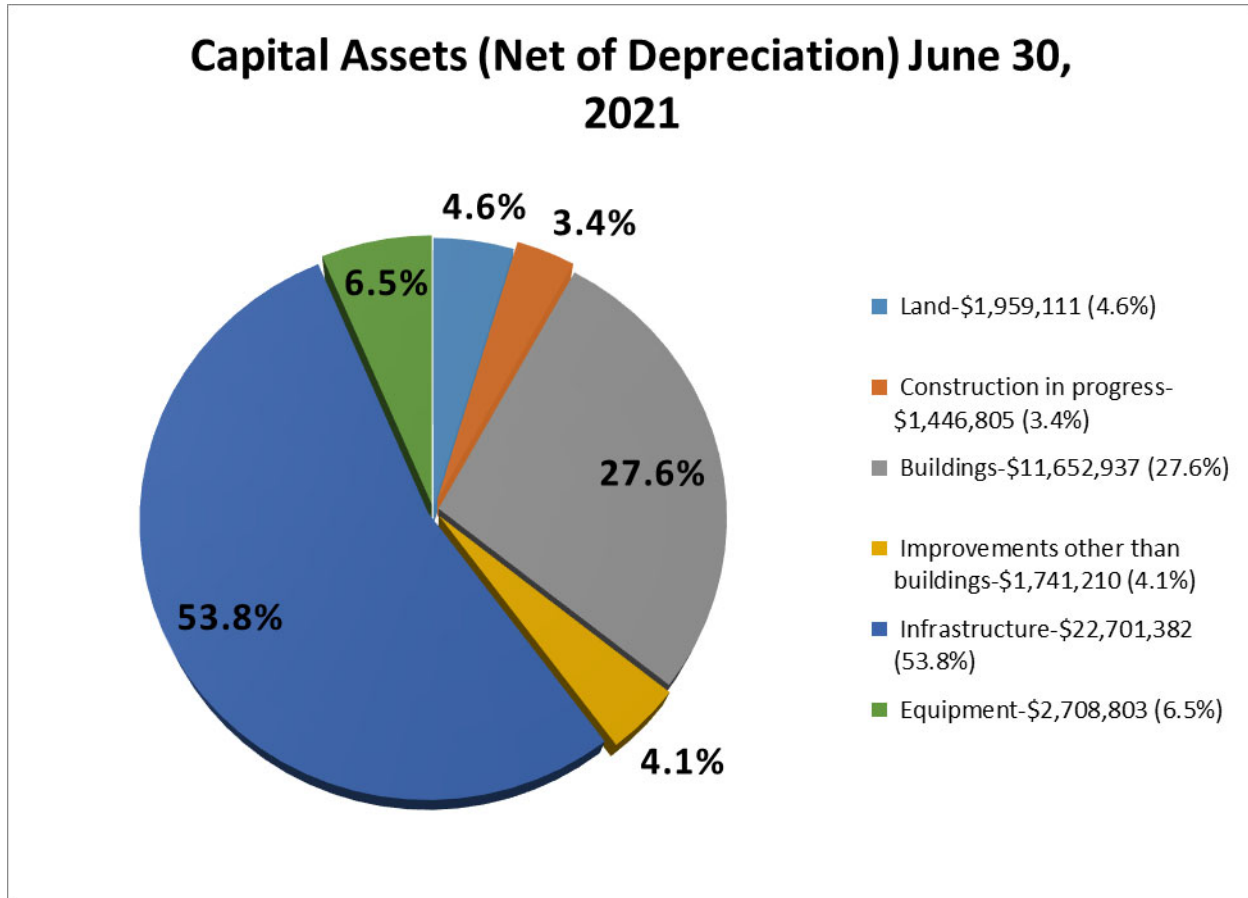
Capital Assets

As of June 30, 2021, the City of Takoma Park's investment in capital assets (buildings, roads and other infrastructure, vehicles, and equipment) for its governmental activities totaled \$42,210,248 (net of accumulated depreciation). This amount represents an increase of \$814,491 from the prior year's ending total capital assets of \$41,395,757. The increase was attributable to asset additions of \$624,904 in Construction in Progress, \$6,857,152 in Depreciable Capital Assets, and net of depreciation expense of \$2,377,146. There was no asset disposal during the year and \$4,290,419 has been transferred from Construction in Progress to Depreciable Capital Assets. Asset additions made during the fiscal year included vehicles for Public Safety and City Administration \$237,088, Housing and Library equipment \$174,357, and Media audio and video equipment \$18,625. Infrastructure improvements totaling \$6,279,437 included new sidewalks, the Ethan Allen Gateway project, New Avenue Bikeway, WSSC Flower Avenue construction and the Takoma Branch Stream restoration project. Further information on the City's capital assets is shown in following table:

Governmental Activities

Capital Assets (net of depreciation)	2021	2020
Land	\$ 1,959,111	\$ 1,959,111
Construction in progress	1,446,805	5,112,320
Buildings	11,652,937	11,603,751
Improvements other than buildings	1,741,210	1,797,320
Equipment	2,708,803	3,626,066
Infrastructure	22,701,382	17,297,189
Total	<u>\$ 42,210,248</u>	<u>\$ 41,395,757</u>

City of Takoma Park, Maryland
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Additional information on the City's capital assets can be found in Note 10 - Capital assets and other property on page 57 of this report.

Debt Administration

At year-end, the City had \$9,830,358 in outstanding debt, a decrease of (\$375,839) or about 3.7 percent from the prior year. The outstanding debt is comprised of long-term notes and bonds and accrued obligations for compensated absences. The decrease in outstanding debt was primarily due to the principal payments on existing debt totaling \$442,000, and net of the increase of \$66,161 in compensated absences.

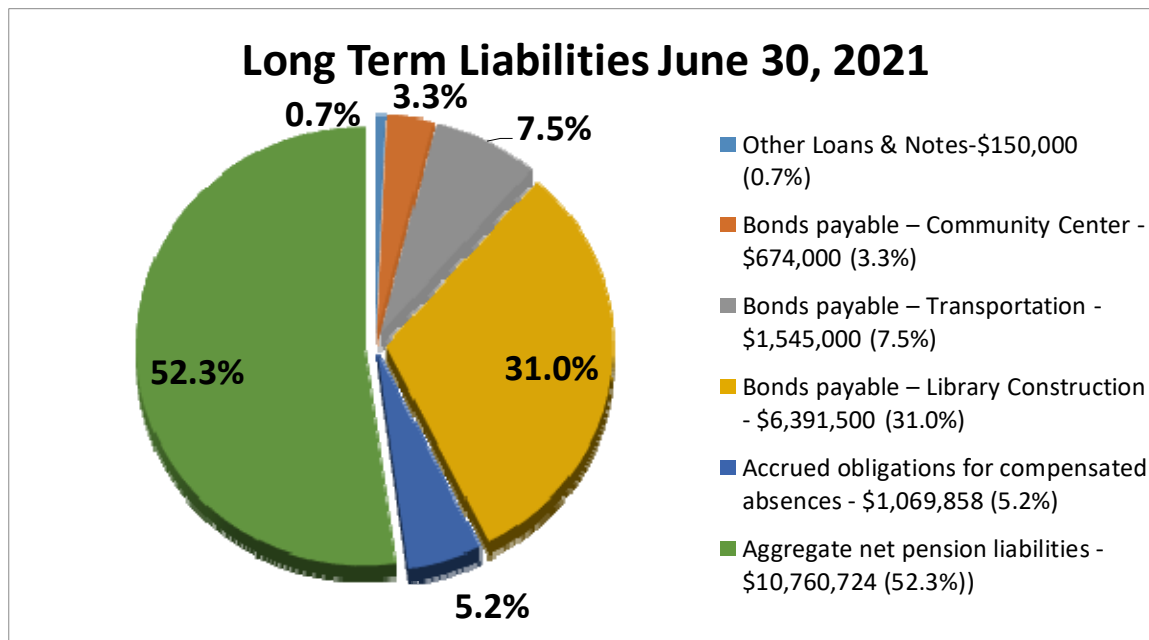
The City's aggregate net pension liability totaled \$10,760,724 at year-end, a decrease of (\$4,064,559) from the prior year. The decrease of (\$4,064,559) is the net between \$953,005 increase in the State Pension Plan liability and (\$5,017,564) decrease in Police Pension Plan liability. The significant decrease in the Police Pension liability was due to the change in investment value of pension assets. The changes in liabilities are based on the actuarial valuations. Further information on the City's outstanding debt is shown in the following table. Information for the prior fiscal year is shown for comparative purposes.

City of Takoma Park, Maryland

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Governmental Activities

Long-Term Liabilities	2021	2020
Loan payable - Maryland Department of Housing Community Development	\$ 150,000	\$ 150,000
Bond payable - Community Center (2015)	674,000	830,500
Bond payable - Library Construction (2017)	1,545,000	1,667,000
Bond payable - Transportation (2017)	6,391,500	6,555,000
Accrued obligations for compensated absences	1,069,858	1,003,697
Aggregate net pension liabilities	10,760,724	14,825,283
Total	\$ 20,591,082	\$ 25,031,480



Additional information on the City's long-term debt can be found in Note 11 - Non-current liabilities on pages 58 - 59 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATES

The following are some highlights of the adopted budget for the fiscal year beginning July 1, 2021:

- Real property tax revenues increase by \$368,705 compared to FY21 budgeted revenues.
- Tax duplication ("In Lieu Of") payments from Montgomery County decreases by \$15,863, compared to FY21, to \$3,598,373, with some offset in Police Rebate funds.

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- Staffing levels decrease by 0.24 full-time equivalents. The net decrease reflects the creation of a new Communication position, and adjustments in existing positions primarily part-time staff in the Recreation, Library and Communications Department.
- Anticipated General Fund expenditures of \$1.28 million for streets and sidewalks. Expenditures include ADA city sidewalks (\$200,000), ADA SHA sidewalks (\$300,000), new sidewalk design and traffic calming (\$250,000) and street rehabilitation (\$500,000). The FY22 cost of Library design and renovation is expected to be \$4.8 million and is funded by a \$7 million Library Bond and \$226,700 State Grant.
- Contribution of \$700,000 to replenish the Equipment Replacement Reserve. Funds from the Equipment Replacement Reserve will be used to replace vehicles and equipment, including five police cars (\$304,500), half of the cost of the electric street sweeper (\$273,000), mobile computers (\$150,000), field radio equipment (\$35,000) and license plate readers (\$13,400).
- No fund contribution will be made to the Facility Maintenance Reserve. Funds from the Facility Maintenance Reserve will be used to repair Recreation Center Gym Floor (\$10,000), begin to construct the Community Center Atrium Floor (\$200,000) and upgrade the HVAC control system (\$40,000) of the Community Center.
- Financial support for the Community Festival totals \$7,000, and \$200,000 is set aside for grant programs including the Emergency Tree Removal (\$25,000), STEAM Community Grants (\$80,000), Emergency Assistance Fund (\$50,000), Mini Grants (\$25,000) and Small Business Support (\$20,000).
- The City is expected to receive federal funding under the American Rescue Plan Act (ARPA) in the amount of \$14.8 million over two years, with the first half totaling \$7.4 million provided in Fiscal 2022. During the year, \$1.2 million of the \$7.4 million is budgeted to replenish the revenue losses in the General Fund during the COVID-19 pandemic compared to Fiscal 2019. The remaining amount of \$6.2 million is added to the Special Revenue Fund Reserve. \$100,000 is budgeted to fund the IT document storage and management project.
- Funding is provided for Council priority programs such as the Housing Reserve Fund (\$210,000) and Community Partnership Program (\$195,000).
- Funding in the amount of \$273,000 for half of the cost of electric street sweeper and expenditures of \$100,000 in Stormwater Funds for the construction, maintenance, and repair of storm drains, inlets, channels, and ditches, in 13th and Hillwood Manor Playground (\$55,000) and Cockerille Avenue pipe realignment (\$45,000).
- Funding in the amount of \$1,023,698 in Special Revenue Funds for special projects, including (\$320,000) for the New Hampshire Avenue Bikeway, (\$100,000) for the Façade Grant, (\$91,000) for CDBG Houston Court and (\$91,000) for CDBG ADA Sidewalks. The City has budgeted \$8,000 in Federal ARPA to support the Façade Grant project.
- Anticipated expenditure of \$51,000 from Speed Camera Fund revenues. Expenditures include the purchase of camera trailer (\$33,000), and bike patrol unit equipment (\$18,000) for the Police Department.

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CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact the City of Takoma Park Finance Department, 7500 Maple Avenue, Takoma Park, Maryland 20912 or 301-891-7212.

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Basic Financial Statements

City of Takoma Park, Maryland

**Statement of Net Position
June 30, 2021**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 14,784,673
Investments	3,772,849
Restricted investments	7,968,565
Accounts receivable, net	257,213
Notes receivable, net	5,273
Due from other governments	2,554,453
Other assets	242
Capital assets, net	
Non-depreciable	3,405,916
Depreciable	38,804,332
Total assets	71,553,516
Deferred outflows of resources - pension related	2,064,024
Liabilities	
Accounts payable	2,510,518
Accrued liabilities	449,512
Deposits and escrows held	172,633
Due to other governments	208,869
Unearned revenue	285,449
Non-current liabilities:	
Due within one year	1,099,416
Due in more than one year	19,491,666
Total liabilities	24,218,063
Deferred inflows of resources - pension related	5,444,980
Net position	
Net investment in capital assets	33,599,748
Restricted for:	
Public safety	567,456
Cable equipment	3,575,817
Loans	6,819
Streets	6,632,730
Emergency expenses	541,646
Housing	645,668
Justice forfeiture	27,693
Unrestricted	(1,643,080)
Total net position	\$ 43,954,497

See Notes to Financial Statements.

City of Takoma Park, Maryland
Statement of Activities
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
Governmental activities					
General government	\$ 5,835,772	\$ 34,637	\$ 285,149	\$ 188,335	\$ (5,327,651)
Public safety	8,162,933	1,036,283	4,310,937	-	(2,815,713)
Public works	6,619,329	726,795	820,177	-	(5,072,357)
Housing and community development	1,883,620	335,342	308,871	-	(1,239,407)
Recreation and culture	3,248,266	15,694	513,932	-	(2,718,640)
Interest on long-term debt	298,353	-	-	-	(298,353)
Total governmental activities	<u>\$ 26,048,273</u>	<u>\$ 2,148,751</u>	<u>\$ 6,239,066</u>	<u>\$ 188,335</u>	<u>(17,472,121)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					13,877,603
Intergovernmental - unrestricted					5,173,570
Miscellaneous					101,059
Unrestricted investment earnings					<u>26,152</u>
Total general revenues					<u>19,178,384</u>
Change in net position					1,706,263
Net position, beginning of year					<u>42,248,234</u>
Net position, end of year					<u>\$ 43,954,497</u>

See Notes to Financial Statements.

City of Takoma Park, Maryland

Balance Sheet - Governmental Funds June 30, 2021

	General Fund	Speed Camera Fund	Special Revenue Fund	Non-Major Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 9,255,895	\$ 4,876,706	\$ -	\$ 652,072	\$ 14,784,673
Investments	3,772,849	-	-	-	3,772,849
Restricted investments	7,968,565	-	-	-	7,968,565
Receivables, net					
Taxes	205,754	-	-	-	205,754
Notes	-	-	-	5,273	5,273
Other	30,360	-	-	21,099	51,459
Due from other funds	4,273,736	5,959	3,496,895	371,475	8,148,065
Due from other governments	2,253,172	-	298,931	2,350	2,554,453
Other assets	242	-	-	-	242
Total assets	27,760,573	4,882,665	3,795,826	1,052,269	37,491,333
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 27,760,573	\$ 4,882,665	\$ 3,795,826	\$ 1,052,269	\$ 37,491,333
Liabilities					
Accounts payable	\$ 2,351,360	\$ 36,309	\$ 122,467	\$ 382	\$ 2,510,518
Accrued expenditures	368,321	6,994	-	2,488	377,803
Deposits and escrows held	152,057	-	8,185	12,391	172,633
Due to other funds	3,660,836	4,271,906	5,959	209,364	8,148,065
Due to other units of government	-	-	-	208,869	208,869
Unearned revenue	229,744	-	55,705	-	285,449
Total liabilities	6,762,318	4,315,209	192,316	433,494	11,703,337
Deferred inflows of resources					
Unavailable revenues	1,586,061	-	-	18,359	1,604,420
Fund balances					
Nonspendable	242	-	-	-	242
Restricted	6,632,730	567,456	3,603,510	6,819	10,810,515
Committed	5,669,561	-	-	-	5,669,561
Assigned	-	-	-	593,597	593,597
Unassigned	7,109,661	-	-	-	7,109,661
Total fund balances	19,412,194	567,456	3,603,510	600,416	24,183,576
Total liabilities, deferred inflows of resources and fund balances	\$ 27,760,573	\$ 4,882,665	\$ 3,795,826	\$ 1,052,269	\$ 37,491,333

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2021**

Total fund balances - Governmental Funds	\$ 24,183,576
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$74,998,226 and the accumulated depreciation is \$32,787,978.	42,210,248
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(9,830,358)
Interest on long-term debt and other expenses are not accrued in governmental funds, but rather are recognized as an expenditure when due.	(71,709)
Net pension liability is recognized as a liability on the Statement of Net Position but not in the fund financial statements.	(10,760,724)
Payments made for the pension systems reduce the long-term liability on the statement of net position but are treated as expenditures in the funds. This is the amount of deferred outflows of resources.	2,064,024
Deferred inflows of resources related to pension liability and earnings on pension plan investments are not reported in the fund financial statements.	(5,444,980)
Certain receivables are offset by unavailable revenue in the governmental funds since they are not available to pay for current-period expenditures. This is the amount of unavailable revenues.	<u>1,604,420</u>
Total net position - Governmental Activities	<u><u>\$ 43,954,497</u></u>

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2021**

	General Fund	Speed Camera Fund	Special Revenue Fund	Non-Major Funds	Total Governmental Funds
Revenues					
Taxes and utility fees	\$ 18,320,303	\$ -	\$ -	\$ -	\$ 18,320,303
Licenses and permits	88,799	-	-	-	88,799
Fines and forfeitures	170,636	817,201	-	-	987,837
Use of money and property	25,274	878	-	-	26,152
Charges for services	461,223	-	-	593,297	1,054,520
Intergovernmental	6,366,173	-	760,905	-	7,127,078
Miscellaneous	61,325	-	7,839	4,851	74,015
Total revenues	25,493,733	818,079	768,744	598,148	27,678,704
Expenditures					
General government	5,282,587	-	-	192	5,282,779
Public safety	8,407,906	796,863	-	-	9,204,769
Public works	4,675,978	-	-	392,447	5,068,425
Housing and community development	1,573,904	-	22,709	-	1,596,613
Recreation and culture	3,128,359	-	-	-	3,128,359
Capital outlay	2,633,828	26,946	603,348	5,997	3,270,119
Debt service					
Principal	442,000	-	-	-	442,000
Interest	300,990	-	-	-	300,990
Total expenditures	26,445,552	823,809	626,057	398,636	28,294,054
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(951,819)	(5,730)	142,687	199,512	(615,350)
Net changes in fund balances	(951,819)	(5,730)	142,687	199,512	(615,350)
Fund balances, beginning of year	20,364,013	573,186	3,460,823	400,904	24,798,926
Fund balances, end of year	\$ 19,412,194	\$ 567,456	\$ 3,603,510	\$ 600,416	\$ 24,183,576

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of the Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2021**

Total net change in fund balances - Governmental Funds	\$ (615,350)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds 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 outlay (\$3,191,637) exceeds depreciation expense (\$2,377,146) in the period.	814,491
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amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, leave earned exceeded used by \$66,161.	(66,161)
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Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of long-term debt repayments for fiscal year	442,000
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Pension benefit (expense) pertaining to the net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	1,052,814
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Interest (expense) in the statement of activities differs from the amount reported in governmental funds due to the net increase in accrued interest.	2,635
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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, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net increase in "unavailable" revenues at the end of the year over the amount at the beginning of the year.	75,834
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Change in net position of Governmental Activities	<u>\$ 1,706,263</u>
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See Notes to Financial Statements.

City of Takoma Park, Maryland

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2021**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Taxes and utility fees	\$ 18,225,744	\$ 18,225,744	\$ 18,320,303	\$ 94,559
Licenses and permits	83,604	83,604	88,799	5,195
Fines and forfeitures	210,000	210,000	170,636	(39,364)
Use of money and property	283,900	57,900	25,274	(32,626)
Charges for services	873,410	558,366	461,223	(97,143)
Intergovernmental	6,237,872	6,138,872	6,366,173	227,301
Miscellaneous	79,675	359,175	61,325	(297,850)
Total revenues	25,994,205	25,633,661	25,493,733	(139,928)
Expenditures				
Current				
General government	5,728,787	6,106,017	5,282,587	823,430
Public safety	8,865,809	8,883,292	8,407,906	475,386
Public works	5,396,347	5,421,867	4,675,978	745,889
Housing and community development	1,831,844	1,904,483	1,573,904	330,579
Recreation and culture	3,796,330	3,715,858	3,128,359	587,499
Capital outlay	4,647,001	7,337,705	2,633,828	4,703,877
Debt service	918,054	743,005	742,990	15
Total expenditures	31,184,172	34,112,227	26,445,552	7,666,675
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(5,189,967)	(8,478,566)	(951,819)	7,526,747
Other financing sources (uses)				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(5,189,967)	(8,478,566)	(951,819)	7,526,747
Fund balance, beginning of year	20,364,013	20,364,013	20,364,013	-
Fund balance, end of year	\$ 15,174,046	\$ 11,885,447	\$ 19,412,194	\$ 7,526,747

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Speed Camera Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2021**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues				
Fines and forfeitures	\$ 1,000,000	\$ 750,000	\$ 817,201	\$ 67,201
Use of money and property - interest income	<u>40,000</u>	<u>40,000</u>	<u>878</u>	<u>(39,122)</u>
Total revenues	<u>1,040,000</u>	<u>790,000</u>	<u>818,079</u>	<u>28,079</u>
Expenditures				
Public safety	764,328	764,328	796,863	(32,535)
Capital outlay	<u>51,000</u>	<u>50,000</u>	<u>26,946</u>	<u>23,054</u>
Total expenditures	<u>815,328</u>	<u>814,328</u>	<u>823,809</u>	<u>(9,481)</u>
Net change in fund balance	224,672	(24,328)	(5,730)	18,598
Fund balance, beginning of year	<u>573,186</u>	<u>573,186</u>	<u>573,186</u>	<u>-</u>
Fund balance, end of year	<u>\$ 797,858</u>	<u>\$ 548,858</u>	<u>\$ 567,456</u>	<u>\$ 18,598</u>

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2021**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues				
Intergovernmental	\$ 1,495,146	\$ 2,086,979	\$ 760,905	\$ (1,326,074)
Miscellaneous	<u>46,000</u>	<u>48,946</u>	<u>7,839</u>	<u>(41,107)</u>
Total revenues	<u>1,541,146</u>	<u>2,135,925</u>	<u>768,744</u>	<u>(1,367,181)</u>
Expenditures				
General government	1,000	1,000	-	1,000
Housing and community development	309,816	329,267	22,709	306,558
Capital outlay	<u>1,149,430</u>	<u>1,724,758</u>	<u>603,348</u>	<u>1,121,410</u>
Total expenditures	<u>1,460,246</u>	<u>2,055,025</u>	<u>626,057</u>	<u>1,428,968</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	80,900	80,900	142,687	61,787
Other financing sources (uses)				
Transfer from General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	80,900	80,900	142,687	61,787
Fund balance, beginning of year	<u>3,460,823</u>	<u>3,460,823</u>	<u>3,460,823</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,541,723</u>	<u>\$ 3,541,723</u>	<u>\$ 3,603,510</u>	<u>\$ 61,787</u>

See Notes to Financial Statements.

City of Takoma Park, Maryland
Statement of Fiduciary Net Position
June 30, 2021

Assets	
Cash and cash equivalents	\$ 992,384
Investments, at fair value:	
Equities	16,689,469
Fixed income	7,011,494
Total investments	23,700,963
Total assets	24,693,347
Deferred outflows of resources	-
Liabilities	-
Deferred inflows of resources	-
Net position restricted for pensions	\$ 24,693,347

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2021**

Additions	
Employer contributions	\$ 1,373,752
Plan member contributions	<u>230,106</u>
Total contributions and other receipts	1,603,858
Net investment earnings	<u>5,296,094</u>
Total additions	<u>6,899,952</u>
Deductions	
Benefits and refunds paid	1,025,090
Administrative expenses	<u>25,509</u>
Total deductions	<u>1,050,599</u>
Change in net position	5,849,353
Net position restricted for pensions, beginning of year	<u>18,843,994</u>
Net position restricted for pensions, end of year	<u><u>\$ 24,693,347</u></u>

See Notes to Financial Statements.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Note 1 - Summary of significant accounting policies

The accounting policies of the City of Takoma Park, Maryland (the "City") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to local governments. A summary of significant accounting policies followed by the City are presented below.

Reporting entity

The City was incorporated in 1890 with its legal authority derived from Chapter 310, Section 2 of the Annotated Code of Maryland. The City is construed to mean both the City and its inhabitants. Since 1989, the City has operated under the Council-Manager form of government. Services provided include refuse, streets and drainage, recreation and parks, police, planning, community development, and housing services.

For financial reporting purposes, in conformance with GAAP, the reporting entity includes the City Council, the primary government, and the following fiduciary funds:

City of Takoma Park Police Employees' Retirement Plan ("Pension Trust")

City of Takoma Park Employees 401(a) Plan ("Defined Contribution Plan")

The City has no component units as defined by generally accepted accounting principles.

Additional information and actuarial reports for the pension plan and additional plan information for the 401(a) plan may be obtained from the City Clerk's office, 7500 Maple Avenue, Takoma Park, Maryland 20912.

Government-wide and fund financial statements

The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the City. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are that interfund services provided and used are not eliminated in the process of consolidation. Governmental activities are those which are supported by taxes and intergovernmental revenues, whereas business-type activities are those supported through customer service charges. The City does not have any business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those specifically associated with a program or function. Program revenues include charges for services and grants and contributions restricted to the capital or operational requirements of specific programs or functions. Revenues that are not classified as program revenues, such as taxes, are reported as general revenues.

Separate financial statements are shown for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Measurement focus, basis of accounting and financial statement presentation

The accounting and financial reporting is determined by its measurement focus. Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized in the year of levy and grants are recognized when all eligibility requirements are met. For pension trust funds, employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Governmental fund statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction that can be determined and available means collected within 60 days of the year-end. Expenditures are recorded when the related liability is incurred as in the accrual basis of accounting. However, principal and interest on long-term debt and expenditures for compensated absences are recorded when the payments are due.

Those revenues susceptible to accrual are property taxes, taxes collected by the state and county on behalf of the City, franchise taxes, revenues from other agencies, interest revenue and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes) and other revenues become measurable and available when cash is received by the City and are recognized as revenue at that time.

The City has three major governmental funds: General Fund, Speed Camera Fund and Special Revenue Fund. The General Fund accounts for the normal recurring activities of the City such as police, public works, recreation and parks, general government, etc. These activities are financed primarily by property taxes, other taxes, service charges and grants from other governmental units. The Speed Camera Fund accounts for the financial activity related to the City's speed enforcement cameras. The Special Revenue Fund was established to account for the financial activity of proceeds of special revenue sources that are legally restricted to expenditure for specific purposes. During fiscal year 2021, most Special Revenue Fund revenues came from cable companies for upgrading cable equipment. Other Special Revenue Fund revenues included the Community Development Block Grants, Washington Suburban Sanitary Commission grant for water main design work for Flower Avenue, and highway funds for Safe Routes to School projects. There are three non-major governmental funds: the Stormwater Management Fund, the Rehabilitation Loans and Grants Fund, and the Facility Construction Fund. The Stormwater Management Fund was established to track the financial activity related to construction of the City's stormwater management facilities. The Rehabilitation Loans and Grants Fund accounts for the financial activity related to the City's rehabilitation loans and grants. The Facility Construction Fund accounts for the financial activity related to the construction of the City's facilities. The Fiduciary Fund accounts for the financial activity of the City's Police Employees' Retirement Plan and the City's defined contribution pension plan.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Assets, liabilities, deferred inflows and outflows of resources, net position and fund balances

Cash, cash equivalents and investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months at the time of purchase. All cash, cash equivalents and investments are reported at fair value except for the position in the Maryland Local Government Investment Pool ("MLGIP"). The MLGIP operates in conformity with all of the requirements of the Securities and Exchange Commission ("SEC") Rule 2(a)-7 as promulgated under the Investment Compact Act of 1940, as amended. Accordingly, the MLGIP qualifies as a 2(a)7-like pool and is reported using the amortized cost method. Cash deposits of the City are made in accordance with the Annotated Code of Maryland (the "Code"), which requires depositories to give security in the form of collateral as provided for in the Code, for the safekeeping of these deposits.

Excess funds are also permitted to be invested either in bonds or other obligations for the payment of principal and interest of which the full faith and credit of the United States of America are pledged, obligations of federal government agencies issued pursuant to acts of Congress, or in the local government investment pool created by the State of Maryland. The Pension Trust Funds are also authorized to invest in corporate bonds and notes, preferred stocks, and common stocks. Assets in the Pension Trust Funds are also reported at fair value.

Receivables and payables

Property taxes are reported at their estimated collectible value. The following summarizes the property tax calendar:

	<u>Real property</u>	<u>Personal and corporate</u>
Assessment roll validated	Dec. 31	Jan. 1
Tax rate ordinance approved	June 30	June 30
Beginning of fiscal year for which taxes have been levied	July 1	July 1
Tax bills rendered and due	July 1	On County bill
Owner-occupied residential	July 1 and Jan. 1	July 1 and Jan. 1
Property taxes payable		
Delinquent	Oct. 1, Jan. 1	After 30 days
Terms	60 days	30 days
Delinquent interest, per month	2/3 of 1%	2/3 of 1%

Information presented is for a "full year" levy. "Half year" levy dates are each six months later, and relate to new construction in the first six months of the calendar year. A lien is attached to property on the billing date and sold at tax sale by the end of 18 months.

Allowances for uncollectible accounts are maintained on all types of receivables that historically experience bad debt. Receivables are shown net of such an allowance for uncollectibles. Real property taxes are generally fully collectible.

Capital assets

Capital assets, which include property, plant and equipment and infrastructure such as roads, storm drains and pipe systems, are reported in the governmental activities in the government-wide financial statements. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the City has included infrastructure. The City defines capital assets as those which have an

City of Takoma Park, Maryland

Notes to Financial Statements

June 30, 2021

individual acquisition cost or donated value of at least \$5,000 (except for infrastructure which is \$100,000) and an estimated useful life of three years or more. Such assets are valued at historical or estimated historical cost if actual cost is not available. Donated assets are stated at their acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add value or extend asset lives are not capitalized.

Intangible assets are capitalized at historical cost or acquisition value, if donated. Capitalization thresholds are \$500,000 for internally generated computer software, \$250,000 for other computer software and \$100,000 for land use rights and other intangible assets such as patents, trademarks, and copyrights.

Expenditures for major assets and improvements are capitalized as the assets are acquired or constructed. Interest on debt during the construction period is capitalized. Exhaustible capital assets are depreciated, which is charged as an expense against their operations. Land is not an exhaustible asset and is a non-depreciable asset. Accumulated depreciation is reported in the Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method. Intangible assets are amortized over their useful lives using the straight-line method if they do not have indefinite useful lives. Estimated useful lives are as follows:

Buildings	20 - 40 years
Improvements other than buildings	25 - 50 years
Equipment	4 - 10 years
Infrastructure	25 - 50 years

Deferred outflows 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.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the governmental fund financial statements, the face amount of newly issued debt is reported as other financing sources and the amount of principal repayment is reported as an expenditure.

Compensated absences

Full-time employees earn 4.62 hours of sick leave for each pay period. Sick leave may be accumulated with no maximum balance, and may be applied day-for-day in order to assist an employee in meeting the years of service retirement requirement under the Pension Plan of the State of Maryland. No liability is recorded for non-vesting accumulated rights to receive sick pay benefits, as the City does not pay these amounts when employees separate from service.

Employees earn annual vacation leave at the rate of 12 days per year for up to five years of service; 18 days per year for five to 10 years of service; and 24 days per year for over 10 years of service. Vested vacation is accrued when earned by employees and a liability is recorded in the government-wide statements. All outstanding vacation, not to exceed 240 hours, is payable upon separation of service.

For governmental fund types, the amount of accumulated unpaid vacation and sick leave that is payable from available resources is recorded as a liability of the respective fund only if it has matured, for example, as a result of employee retirements and resignations.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Deferred inflows of resources

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 then.

Net position

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 - Consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

Governmental fund balances

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

1. Non-Spendable Fund Balance - amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance - amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the City Charter, City Code or enabling legislation.
3. Committed Fund Balance - amounts that can be used only for specific purposes determined by a formal action (ordinance) by City Council, the City's highest level of decision-making authority, and can only be changed by a formal action by City Council ordinance.
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 Manager and the City Council are 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 be spent first, assigned fund balances to be spent second and unassigned fund balances be spent last when other unrestricted fund balance classifications are available for use.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Note 2 - Stewardship, compliance and accountability

Budgetary information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The budget ordinance becomes effective July 1 and provides spending authority for the operations of the City government.
3. In compliance with the City Charter, a general expenditure contingency (equal to at least 0.5% of total budgeted revenue for the general fund) is budgeted. The account is maintained to meet extraordinary or unanticipated expenditures as directed by the Council.
4. The City Manager may reallocate expenditures within the budget adopted by the Council, subject to such restrictions as the Council shall impose by ordinance. Subsequent to passage of the budget ordinance, the City Council must approve additional expenditures.
5. At the end of the fiscal year, unencumbered appropriations lapse.
6. The annual budgets for the General, Stormwater Management, Speed Camera Fund, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary control is maintained at the fund level. An annual budget is not adopted for the Rehabilitation Loans and Grants Fund and the Facility Construction Fund.
7. The budget information presented in the accompanying basic financial statements includes all budget ordinances and amendments as approved by the City Council for the fiscal year ended June 30, 2021.

Note 3 - Cash, cash equivalents and investments

Cash on hand

At year-end, cash on hand for petty cash and change funds was \$1,376.

Deposits

At year-end, the carrying amount of the City of Takoma Park (the "City") deposits was \$15,775,681 and the corresponding bank balances were \$15,974,291. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$15,724,291 was covered by collateral held in the pledging bank's trust department in the City's name. The City was not exposed to custodial credit risk as of June 30, 2021.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Investments

At June 30, 2021, the City's investment balances by type were as follows:

	Credit rating	Fair value	Investment maturities (in years)		
			Less than 1	1-5	More than 5
Equities*	N/A	\$ 16,098,187	\$ -	\$ 16,098,187	\$ -
Certificates of Deposit	Not Rated	2,351,347	1,043,728	1,307,619	-
Bond Trustee Account***	N/A	7,968,565	7,968,565	-	-
MLGIP***	AAA	1,421,502	1,421,502	-	-
Collective Investment Trust*	N/A	591,282	-	591,282	-
Fixed Income*	**	7,011,494	-	7,011,494	-
Total investments		\$ 35,442,377	\$ 10,433,795	\$ 25,008,582	\$ -

* Included in fiduciary funds.

** 57.1% of portfolio is rated AAA; 4.6% is rated AA; 10.1% is rated A; 18.7% is rated BBB; 6.8% is rated BB; 1.1% is rated B; 0.4% is rated CCC; and 1.2% is not rated.

*** Pooled investments carried at amortized cost.

Restricted investments

At June 30, 2021, the City's restricted investment balance included Bond Trustee Account, which restricts the use of funds for transportation projects and library renovation related to the Series 2017 bond issue.

Reconciliation of cash, cash equivalents and investments as shown on the statement of net position

Cash on hand	\$ 1,376
Carrying amount of deposits	15,775,681
Carrying amount of investments	<u>35,442,377</u>
Total cash, cash equivalents and investments	51,219,434
Less fiduciary funds	<u>24,693,347</u>
Total cash, cash equivalents and investments per Statement of Net Position	<u>\$ 26,526,087</u>
Cash and cash equivalents	\$ 14,784,673
Investments	3,772,849
Restricted investments	<u>7,968,565</u>
Total cash, cash equivalents and investments per Statement of Net Position	<u>\$ 26,526,087</u>

Investment Interest Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities except in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. The City's management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

City from having to sell investments below original cost for that purpose. The investments at June 30, 2021 met the City's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2021:

Total net investment income per Statement of Activities	<u>\$ 26,152</u>
---	------------------

Unrestricted investment earnings per the Statement of Activities of \$26,152 is comprised of dividends and interest.

The net investment earnings per the *Statement of Changes in Fiduciary Net Position* is comprised of the following:

Dividends and interest	\$ 638,437
Realized gain	377,491
Unrealized gain	<u>4,280,166</u>
	<u>\$ 5,296,094</u>

The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments, and realized gains and losses of the current period include unrealized amounts from prior periods.

Credit Risk

The City follows Governmental Accounting Standards Board Statement 79, "Certain External Investment Pools and Pool Participants," which requires disclosure of specific criteria regarding external investment pools. The City invests in the Maryland Local Government Investment Pool ("MLGIP") which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The City's policy is to attain a rate of return consistent with credit risk. All investments in U.S. Government Agencies Bonds are rated AAA by Standard & Poor's as of June 30, 2021. The MLGIP is rated AAA by Standard & Poor's. The repurchase agreements are guaranteed by financial institutions that are rated AAA by Standard & Poor's. The City places no limit on the amount the City may invest in any one issuer. The Fiduciary Fund investments have an investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment program that achieves a reasonable long-term total return consistent with the level of risk assumed.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The City's investments were \$1,421,502 in MLGIP, \$7,968,565 in Bond Trustee Account, \$16,098,187 in direct securities, \$2,351,347 in certificates of deposit, \$591,282 in Collective Investment Trust, and \$7,011,494 in fixed income funds. At June 30, 2021, all of the City's investments were insured or registered, or the securities were held by the City or its agent in the City's name or were invested in MLGIP.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Note 4 - Fair value measurements

The City has adopted GASB Statement No. 72 - *Fair Value Measurement and Application*. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value:

- Level 1 - quoted market prices in active markets
- Level 2 - inputs other than quoted market prices that are observable either directly or indirectly
- Level 3 - unobservable inputs

The City has the following recurring fair value measurements as of June 30, 2021:

- Amounts invested in equities of \$16,098,187 and fixed income of \$7,011,494 are comprised of securities valued using quoted market prices (Level 1) which are then allocated to position holders. These funds are required to publish their daily net asset value and to transact at that price.
- Amounts invested in certificates of deposit of \$2,351,347 are comprised of securities which are priced by industry standard vendors, using observable inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads (Level 2) which are then allocated to position holders at a per unit value.

The following table presents the financial assets that the City measures at fair value or amortized cost:

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Equities	\$ 16,098,187	\$ -	\$ -	\$ 16,098,187
Certificates of Deposit	-	2,351,347	-	2,351,347
Fixed Income	7,011,494	-	-	7,011,494
Total investments by fair value level	<u>\$ 23,109,681</u>	<u>\$ 2,351,347</u>	<u>\$ -</u>	\$ 25,461,028
Investments carried at amortized cost:				
MLGIP				1,421,502
Bond Trustee Account				7,968,565
Collective Investment Trust				<u>591,282</u>
Total investments				<u>\$ 35,442,377</u>

Note 5 - Property taxes

Real and personal property taxes are levied at rates enacted by the City Council in the annual budget ordinance on the assessed value of the property as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings.

The real, personal property and public utility tax rate for fiscal year 2021 was \$0.5397 per \$100, \$1.55 per \$100, and \$1.57 per \$100, respectively, of assessed value. The City charges taxpayers interest (at the rate of 2/3 of 1% per month) and penalties (at the rate of 1% per month) on all overdue taxes.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2021**

Property tax revenues are recognized in the year levied and when they become available, including amounts expected to be collected soon enough after the end of the year to be used to pay liabilities of the current period (estimated by the City as 60 days). At June 30, 2021, taxes receivable, net of an allowance for uncollectibles of \$111,722, amounted to \$205,754.

Note 6 - Notes receivable, net

Notes receivable are comprised of \$5,273 recorded in the Rehabilitation Loans and Grants Fund ("Rehabilitation Loans Fund"). Notes receivable recorded in the Rehabilitation Loans Fund consist mainly of below market interest rate loans made to City homeowners of low and moderate income through the rehabilitation loan and grant program, for the purpose of conforming their homes to locally adopted codes and fund balance is nonspendable for general purposes, and may only be used for loans serving the same purpose. At June 30, 2021, notes receivable - Rehabilitation Loans Fund, net of allowances for uncollectibles of \$2,233, amounted to \$5,273.

Note 7 - Deferred inflow of resources - unavailable and unearned revenues

Governmental funds report advanced revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and Governmental Activities also defer revenue recognition in connection with resources that have been received, but not earned. At June 30, 2021, the unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Income taxes, General Fund	\$ 1,425,168	\$ -	\$ 1,425,168
Property taxes receivable, General Fund	150,164	-	150,164
Charges for services, General Fund	4,405	-	4,405
Fees, General Fund	6,324	55,120	61,444
Stormwater receivable, Non-major fund	18,359	-	18,359
General Fund	-	174,624	174,624
Grant funds received in excess of expenditures, Special Revenue Fund	-	55,705	55,705
	<u>\$ 1,604,420</u>	<u>\$ 285,449</u>	<u>\$ 1,889,869</u>

Note 8 - Interfund receivables, payable and transfers

The General Fund periodically advances funds to the Special Revenue Fund and the Facility Construction Fund to cover operating cash deficits. In addition, transfers are used to move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. All interfund balances are expected to be repaid within one year.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2021**

The balances at June 30, 2021 of individual fund interfund borrowings were as follows:

	<u>Due from other Funds</u>	<u>Due to other Funds</u>
General Fund	\$ 4,273,736	\$ 3,660,836
Speed Camera	5,959	4,271,906
Special Revenue	<u>3,496,895</u>	<u>5,959</u>
	<u>7,776,590</u>	<u>7,938,701</u>
Non-major funds		
Facility Construction	207,226	207,226
Stormwater	164,249	-
Rehab Loan	<u>-</u>	<u>2,138</u>
	<u>371,475</u>	<u>209,364</u>
Total	<u><u>\$ 8,148,065</u></u>	<u><u>\$ 8,148,065</u></u>

Note 9 - Due from other governments

The June 30, 2021, balance due from other governments is as follows:

State of Maryland	
Income tax	\$ 272,116
Income tax reserve	1,425,168
Highway user tax	219,692
Amusement tax	12,322
Police protection	119,735
State Highway Administration	238,877
Other	29,242
Montgomery County	
Franchise fees	191,944
Other	<u>45,357</u>
Total	<u><u>\$ 2,554,453</u></u>

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Note 10 - Capital assets and other property

A summary of changes in capital assets during fiscal year 2021 follows:

	Balance June 30, 2020	Additions and Transfers	Deletions and Transfers	Balance June 30, 2021
Capital assets (not being depreciated)				
Land	\$ 1,959,111	\$ -	\$ -	\$ 1,959,111
Construction in progress	5,112,320	624,904	(4,290,419)	1,446,805
Total non-depreciable capital assets	7,071,431	624,904	(4,290,419)	3,405,916
Capital assets (being depreciated)				
Buildings	19,543,596	577,715	-	20,121,311
Improvements other than buildings	3,466,403	-	-	3,466,403
Equipment	9,045,642	-	-	9,045,642
Infrastructure	32,679,517	1,989,018	4,290,419	38,958,954
Total depreciable capital assets	64,735,158	2,566,733	4,290,419	71,592,310
Less - accumulated depreciation for:				
Buildings	(7,939,845)	(528,529)	-	(8,468,374)
Improvements other than buildings	(1,669,083)	(56,110)	-	(1,725,193)
Equipment	(5,419,576)	(917,263)	-	(6,336,839)
Infrastructure	(15,382,328)	(875,244)	-	(16,257,572)
Total accumulated depreciation	(30,410,832)	(2,377,146)	-	(32,787,978)
Total capital assets being depreciated	34,324,326	189,587	4,290,419	38,804,332
Total capital assets	\$ 41,395,757	\$ 814,491	\$ -	\$ 42,210,248

Depreciation expense was charged to functions/programs in governmental activities as follows:

General government	\$ 445,527
Public safety	306,415
Housing and community development	54,963
Public works	1,407,514
Recreation and culture	162,727
	<u>\$ 2,377,146</u>

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Note 11 - Non-current liabilities

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2021:

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021	Due within one year	Coupon interest rate	Date of maturity
Notes payable							
Loan payable							
Maryland Department of Housing and Community Development ("DHCD")	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ 150,000	0.00%	June 2022
Other long-term liabilities							
Bonds payable	830,500	-	(156,500)	674,000	161,000	2.34%	April 2025
Bonds payable	1,667,000	-	(122,000)	1,545,000	124,500	2.78%	April 2032
Bonds payable	6,555,000	-	(163,500)	6,391,500	166,500	3.61%	April 2047
Compensated absences	1,003,697	243,015	(176,854)	1,069,858	497,416		
Net pension liability	14,825,283	953,005	(5,017,564)	10,760,724	-		
	<u>\$ 25,031,480</u>	<u>\$ 1,196,020</u>	<u>\$ (5,636,418)</u>	<u>\$ 20,591,082</u>	<u>\$ 1,099,416</u>		

Notes and bonds

In June 2004, the City entered into a Community Legacy Program Loan Agreement with the Maryland Department of Housing and Community Development for an unsecured loan of up to \$300,000 for the construction of a multi-level public parking structure in the Old Town business district. This Agreement was amended in June 2008, and funds were reallocated for other parking related improvements. The total amount of the loan proceeds through June 30, 2010 was \$150,000. The interest rate is 0% annually and principal and interest payments are deferred until June 30, 2022, at which time the unpaid and unforgiven portion of the loan is due and payable. The balance of the loan at June 30, 2021 is \$150,000.

Fiscal year	Principal	Interest	Total
2022	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>

On August 27, 2015, the City issued bonds in the amount of \$1,518,202 to be used for the community center construction project. The interest rate is 2.34%. Principal is repaid annually and interest payments are made semiannually. The loan matures on April 1, 2025. The balance at June 30, 2021 is \$674,000. The annual installments for the repayment of the bond as of June 30, 2021 are as follows:

Fiscal years	Principal	Interest	Total
2022	\$ 161,000	\$ 21,980	\$ 182,980
2023	166,000	17,150	183,150
2024	171,000	12,170	183,170
2025	<u>176,000</u>	<u>7,040</u>	<u>183,040</u>
Total	<u>\$ 674,000</u>	<u>\$ 58,340</u>	<u>\$ 732,340</u>

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

On August 21, 2017, the City issued bonds in the amount of \$2,000,000 to be used to fund the transportation projects of Flower Avenue Green Street and Ethan Allen Gateway. The interest rate is 2.78%. Principal is repaid annually and interest payments are made semiannually. The loan matures on April 1, 2032. The balance at June 30, 2021 is \$1,545,000. The annual installments for the repayment of the bond as of June 30, 2021 are as follows:

Fiscal years	Principal	Interest	Total
2022	\$ 124,500	\$ 41,943	\$ 166,443
2023	127,000	39,391	166,391
2024	129,500	36,787	166,287
2025	132,000	34,133	166,133
2026	135,000	31,143	166,143
2027 - 2031	736,000	95,507	831,507
2032	161,000	5,172	166,172
Total	<u>\$ 1,545,000</u>	<u>\$ 284,076</u>	<u>\$ 1,829,076</u>

On August 1, 2017, the City issued bonds in the amount of \$7,000,000 to be used to fund the future renovations to the library and community center. The interest rate is 3.61%. Principal is repaid annually and interest payments are made semiannually. The loan matures on April 1, 2047. The balance at June 30, 2021 is \$6,391,500. The annual installments for the repayment of the bond as of June 30, 2021 are as follows:

Fiscal years	Principal	Interest	Total
2022	\$ 166,500	\$ 222,898	\$ 389,398
2023	169,000	219,484	388,484
2024	173,500	216,020	389,520
2025	175,500	212,463	387,963
2026	178,500	208,488	386,988
2027 - 2031	982,000	962,202	1,944,202
2032 - 2036	1,147,500	796,380	1,943,880
2037 - 2041	1,364,500	579,932	1,944,432
2042 - 2046	1,661,000	282,690	1,943,690
2047	373,500	15,127	388,627
Total	<u>\$ 6,391,500</u>	<u>\$ 3,715,684</u>	<u>\$ 10,107,184</u>

Note 12 - Fund balances

Fund balances for the City's governmental funds consisted of the following as of June 30, 2021:

Nonspendable fund balances

Nonspendable fund balances as of June 30, 2021 are comprised of trash bins of \$242 in the General Fund.

Restricted fund balances

Restricted fund balances total \$10,810,515 as of June 30, 2021. The General Fund restricted fund balance at June 30, 2021 is \$6,632,730, of which \$6,535,194 is restricted for the bond reserve and

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

\$97,536 pertains to street improvements. Fund balance in the Speed Camera Fund is restricted to public safety projects. At June 30, 2021, this amount was \$567,456. Most of the fund balance in the Special Revenue Fund is restricted to cable equipment and related expenditures. At June 30, 2021, this amount was \$3,575,817. The remaining fund balance in the Special Revenue Fund of \$27,693 is restricted for police-related expenditures allowed by the Department of Justice Equitable Sharing Program for forfeitures. The amount restricted in the Rehabilitation Loans and Grants Fund related to notes receivable is \$6,819 as of June 30, 2021.

Committed fund balances

The General Fund has \$5,669,561 in committed fund balances as of June 30, 2021. This is comprised of the following:

Equipment replacement reserve	\$ 4,054,455
Emergency reserve	541,646
Facility maintenance reserve	427,604
Housing fund reserve	645,668
Reserve for encumbrances - payroll	<u>188</u>
	<u>\$ 5,669,561</u>

The Charter requires a minimum reservation of \$250,000 to cover emergency expenditures for the health, safety or welfare of persons, or actions necessary to perform essential governmental functions, plus a percentage increase each year, equal to the percentage increase in the Consumer Price Index. The City has committed \$541,646 for emergency expenses as of June 30, 2021.

Assigned fund balances

Assigned fund balance totaling \$593,597 as of June 30, 2021 is assigned to stormwater management projects.

Note 13 - Retirement plans

The City has adopted GASB No. 68 - *Accounting and Financial Reporting for Pensions* ("GASB 68") for the year ended June 30, 2020. The City participates in the Maryland State Retirement and Pension System (the "System") described below and qualifies as a Participating Governmental Unit ("PGU"). The State Retirement Agency (the "Agency") is the Plan Administrator and fiduciary. GASB No. 68 requires that a PGU recognize its proportionate share of the System's net pension liability (i.e., unfunded pension liability) and pension expense. The City's proportionate share is based on total System contributions and approximates \$7,326,879 as of the measurement date of June 30, 2020.

The City has also adopted GASB No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date* - An Amendment of GASB No. 68. GASB No. 71 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The City's fiscal 2021 contribution of \$804,011 is therefore recognized as a pension-related deferred outflow of resources.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Description of plans

The State of Maryland identifies multiple-employer defined benefit pension plans as cost-sharing plans.

On October 1, 1941, the Employees' Retirement System of the State of Maryland was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established.

The Employees' Pension System of the State of Maryland ("Pension System") was established January 1, 1980. The Pension System covers employees hired after December 31, 1979, as well as Retirement System participants who have voluntarily joined the Pension System. The Employees' Contributory Pension System of the State of Maryland ("Contributory Pension System") was established July 1, 1998. As of July 1, 1999, and retroactively to July 1, 1998, the City elected to participate in the Contributory Pension System for all service earned on or after July 1, 1998.

Under the terms of the Contributory Pension System, a member hired may retire with full benefits upon attaining age 60 or after completing 30 years of eligible service regardless of age. A member may retire with reduced benefits prior to attaining age 60 after completing 25 years of eligible service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested retirement allowance upon age 60.

Under the terms of the Contributory Pension System, a member hired before July 1, 2011 may retire after 30 years of service regardless of age; at age 65 with two years of service; at age 64 with three years of service; at age 63 with four years of service; or at age 62 with at least five years of service. An employee hired before July 1, 2011 may also take early retirement with reduced benefits at age 55 with 15 years of service. A member hired before July 1, 2011 terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 62. Members hired on or after July 1, 2011 may retire when their age and years of eligibility service totals 90 years or at age 65 with 10 years of eligibility service. Members hired on or after July 1, 2011 may retire with reduced benefits at age 60 with 15 years of eligibility service. A member hired on or after July 1, 2011 terminating employment before attaining retirement age, but after completing 10 years of eligible service becomes eligible for a vested pension allowance upon reaching age 65.

On retirement from service, a member of any of these plans shall receive an annual service retirement allowance based on the member's average final compensation and years of creditable service multiplied by a factor. This factor varies from 1.2% to 2.0% per eligible service year, depending on employee/employer contributions and other plan-specific provisions. Early retirement, where available, is subject to provisions that reduce the benefit received.

Benefits under the two plans are established under the State Personnel and Pensions Article of the Annotated Code of Maryland.

The State Retirement and Pension System of Maryland issues a comprehensive annual financial report that includes disclosures regarding: plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The pension plans' fiduciary net position has been determined on the same basis used by the pension plans. The pension plans' financial statements are prepared on the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America that apply to governmental accounting for fiduciary funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Plan. Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ended June 30, 2020 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. No adjustment was made for contributions between actuarially determined contributions and actual contribution by the State of Maryland. This report can be obtained from the Agency's office as follows:

State Retirement and Pension System of Maryland
120 E. Baltimore Street, Suite 1601
Baltimore, Maryland 21202-1600

Funding Policy

Obligations to contribute to the plans are under the Annotated Code of Maryland. Members of the three plans contribute a percentage of their gross employee compensation. For the Retirement System and Contributory Pension System, members contribute 7%, 5% or 2%. Contribution rate to the Contributory Pension System was 5% for fiscal year 2011 and will be 7% for each fiscal year thereafter.

Required contributions under the plans are not funded by employee contributions but are funded entirely by the City. Contributions by the City to all three State plans take place during the fiscal year and are based upon salaries for the preceding fiscal year. The City contributions for the year ended June 30, 2021 are based on salaries for the year ended June 30, 2020. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees, and contributions by the City are authorized by the City Council. The required and actual contributions for the fiscal years ended June 30th were as follows:

	Fiscal year ended June 30		
	2021	2020	2019
Retirement plan contributions	\$ 804,011	\$ 695,059	\$ 634,587

The City contributed \$804,011 to the System for fiscal year 2021 which was actuarially determined based on statutory provisions. The City has also recognized in Pension Expense its proportionate share of the System's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets, the difference between actual and expected experience, change in assumptions and change in proportionate share. The City has recognized in Pension Expense its proportionate share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions, net difference in projected and actual investment earnings on pension plan assets and change in proportionate share.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Actuarial assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2020 rolled forward to June 30, 2021. The key assumptions used to perform the June 30, 2021 pension liability calculation for the System are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset valuation method	5-year smoothed market
Inflation (b)	2.60% general, 3.10% wage
Salary Increases	3.10% to 11.60%, including inflation
Discount Rate (a)	7.40%
Investment Rate of Return (b)	7.40%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.
	(a) Discount rate at prior measurement date was 7.40%.
	(b) There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2020 valuation:
	a. Inflation assumption changed from 2.65% to 2.60%.

The components of the net pension liability for the System as of June 30, 2021, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total Pension Liability	\$ 77,187,397,000
Plan Fiduciary Net Position	<u>54,586,037,000</u>
Net Pension Liability	<u><u>\$ 22,601,360,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>70.72%</u></u>

Investments

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

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

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

Asset class	Target allocation	Long-term expected real rate of return
Public Equity	37%	5.20%
Private Equity	13%	6.50%
Rate Sensitive	19%	-0.30%
Credit Opportunity	9%	2.80%
Real Assets	14%	4.30%
Absolute Return	8%	1.80%
	<u>100%</u>	

The above was the Pension System's Board of Trustees' adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2021.

Discount rate

A single discount rate of 7.40% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the System's net pension liability and the City's proportionate share of the System's net pension liability, calculated using a single discount rate of 7.40%, a single discount rate that is 1 percentage point lower (i.e., 6.40%), and a single discount rate that is 1 percentage point higher (i.e., 8.40%).

	1% Decrease - 6.40%	Current Rate - 7.40%	1% Increase - 8.40%
The System's Net Pension Liability	\$ 32,176,695,000	\$ 22,601,360,000	\$ 14,626,005,000
The City's Proportionate Share of Net Pension Liability	\$ 10,431,009	\$ 7,326,879	\$ 4,741,444

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2021**

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

At June 30, 2021, the City reported a liability of \$7,326,879 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2020, the City's proportion was approximately 0.0324%.

For the year ended June 30, 2021, the City recognized pension expense of \$444,714. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Change in assumptions	\$ 33,317	\$ 136,417
Difference between actual and expected experience	-	279,909
Net difference between projected and actual earnings on pension plan investments	546,298	-
Change in proportionate share	507,465	102,709
Contributions subsequent to the measurement date	<u>804,011</u>	<u>-</u>
Total	<u>\$ 1,891,091</u>	<u>\$ 519,035</u>

The deferred outflow of resources of \$804,011 relating to contributions subsequent to the measurement date of June 30, 2020 will be recognized as a reduction of the City's net pension liability during the fiscal year ended June 30, 2022. The deferred outflows and inflows of resources due to changes in assumptions, differences between actual and expected experience, change in proportion, and differences between projected and actual investment earnings represent the City's proportionate share of the unamortized portions of the System's original amounts. The deferred inflows and outflows related to non-investment activity for 2020, 2019, 2018, 2017 and 2016 are being amortized over the remaining service lives ranging from 5 to 5.505 years. The net difference in investment earnings for 2020, 2019, 2018, 2017 and 2016 are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed five-year period.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

The following table shows the aggregate amortization of these deferred outflows and inflows:

Fiscal Year Ending June 30	Net
2022	\$ 64,636
2023	140,623
2024	219,708
2025	133,615
2026	9,463
Total	<u>\$ 568,045</u>

Net pension liability

The components of the City's proportionate share of the Pension System's net pension liability as of the measurement date of June 30, 2021 were as follows:

Total Pension Liability	\$ 25,022,533
Plan Fiduciary Net Position	<u>17,695,654</u>
Net Pension Liability	<u>\$ 7,326,879</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>70.72%</u>

City of Takoma Park Police Employees' Retirement Plan

General

The Police Retirement Plan is a single-employer contributory defined benefit pension plan established by City ordinance ("Title 4 of the City's Municipal Code"). The plan is governed by the City of Takoma Park Retirement Plan Committee which is responsible for the management of plan assets. The plan committee consists of seven members including the City Manager, Finance Director, Chief of Police, Police Supervisor, or their designees, a representative of Local 400 of the United Food and Commercial Workers and two residents appointed by the City Council. The City has delegated the authority to manage plan assets to PNC Institutional Investments. The authority to establish and amend benefit provisions of the Plan rests with the City.

The City does not issue a separate audited annual financial report for the Retirement Plan.

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.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

The annual money-weighted rate of return was 3.1% for the year ended June 30, 2021. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Plan Membership

As of July 1, 2021, the pension plan's membership consisted of:

Active plan members	42
Inactive plan members or beneficiaries currently receiving benefits	27
Inactive plan members entitled to benefits but not yet receiving them	14
	<hr/>
Total	83
	<hr/> <hr/>

Contribution information and funding policy

The Plan covers sworn police officers who are employed on a regular full-time basis. Provisions of the Plan include retirement, disability and death benefits to plan members and their beneficiaries. Cost of living adjustments are provided annually as prescribed by the City Code. The City contributes 2% of average compensation for each year of service, this amount is increased by 2% of average compensation for each year of service attributable to unused sick leave (limited to 2 years) towards the Plan. Total service period is limited to 30 years.

Title 4 of the City Code establishes contribution rates to the Plan. Contributions to the Plan made by the City are based on an actuarially determined rate. The actuarially required contribution and the amount paid into the Plan by the City for the year ended June 30, 2021 was \$1,373,752. The police officers contribute to the Plan based on 7% of salaries. Members' actual contributions were \$230,106 for the year ended June 30, 2021. Administrative costs are financed through investment earnings.

The annual pension cost for 2021, 2020 and 2019 was \$1,373,752, \$1,385,917, and \$1,238,480, respectively. The contributions made as a percentage of the annual pension cost for 2021, 2020, and 2019 were 100%, 100% and 100%, respectively. The net pension benefit is the cumulative difference between the annual required contribution ("ARC") adjusted for interest and contributions made. The net pension assets for 2021, 2020 and 2019 were \$24,102,065, \$18,384,283, and \$17,150,535, respectively.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established by Title 4 of the City Code and may be amended by the City. The plan's investment policy is to construct a diversified portfolio of several different asset classes that will potentially lower total risk (as measured by volatility of returns) and increase total expected return. Key considerations in the implementation of the plan's investment policy include, but are not limited to, the financial condition of the plan, the expected long-term outlook for capital markets, the plan's risk tolerance, future growth of plan participants and the liquidity requirements of the plan.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2021**

The plan's target asset allocation and long-term expected real rate of return was the following as of June 30, 2021.

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic Equity	50%	5.20%
International Equity	10%	6.00%
Fixed Income	35%	1.30%
Cash	5%	0.50%
Inflation	0%	2.30%
	<u>100%</u>	

The amortization period for the year ended June 30, 2021 was closed.

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 arithmetic real rates of return for each major asset class are summarized above.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

The key assumptions used to perform the June 30, 2021 pension liability calculation for police are as follows:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Payroll, Closed
Remaining amortization period	22 years (closed)
Asset valuation method	5-year smoothed market
Inflation (b)	3.0%
Salary Increases	5.5%, including inflation
Discount Rate (a)	7.25%
Investment Rate of Return (b)	7.25%, net of pension plan investment expense, including inflation
Retirement Age	Rates vary by participant and service.
Mortality	RP-2014 Healthy Blue Collar Tables with fully generational projection using scale MP-2015
(a) There were no benefit changes during the year.	
(b) Investment return and inflation assumptions did not change from last year.	

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 7.25%, 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease - 6.25%	Current Rate - 7.25%	1% Increase - 8.25%
City's net pension liability	\$ 7,347,625	\$ 3,433,845	\$ 246,670

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2021**

Following is the schedule of changes in the City's Net Pension Liability (dollar amounts in thousands):

	<u>2021</u>
Total pension liability	
Service cost	\$ 986
Interest	1,911
Changes of benefit terms	-
Difference between expected and actual experience	(1,228)
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(969)</u>
Net change in total pension liability	700
Total pension liability - beginning	<u>26,836</u>
Total pension liability - end	<u><u>\$ 27,536</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 1,373
Contributions - employees	230
Net investment income	5,165
Benefit payments, including refunds of member contributions	(969)
Administrative expenses	(82)
Other	<u>-</u>
Net change in plan fiduciary net position	5,717
Plan fiduciary net position - beginning	<u>18,385</u>
Plan fiduciary net position - end	<u><u>\$ 24,102</u></u>
Net pension liability	<u><u>\$ 3,434</u></u>

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2021**

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

At June 30, 2021, the City reported a liability of \$3,433,845 of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was based on the July 1, 2020 actuarial valuation rolled forward to June 30, 2021.

For the year ended June 30, 2021, the City recognized pension benefit of \$1,497,528. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Change in assumptions	\$ 172,933	\$ -
Difference between actual and expected experience	-	2,358,338
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>2,567,607</u>
Total	<u>\$ 172,933</u>	<u>\$ 4,925,945</u>

The following table shows the aggregate amortization of these deferred outflows and inflows:

<u>Fiscal Year Ending June 30</u>	<u>Net</u>
2022	\$ (1,356,581)
2023	(1,469,695)
2024	(1,164,415)
2025	<u>(762,321)</u>
Total	<u>\$ (4,753,012)</u>

Net pension liability

The components of the police employees' retirement plan's net pension liability as of the measurement date of June 30, 2021 were as follows:

Total Pension Liability	\$ 27,535,910
Plan Fiduciary Net Position	<u>24,102,065</u>
Net Pension Liability	<u>\$ 3,433,845</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>87.53%</u>

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

The following is the City's aggregate pension-related assets, liabilities, deferred inflows of resources, deferred outflows of resources, and pension expense associated with the net pension liability:

	Maryland State Pension System	Police Employees' Plan	Total
Total pension liability	\$ 77,187,397,000	\$ 27,535,910	\$ 77,214,932,910
Total fiduciary net position	\$ 54,586,037,000	\$ 24,102,065	\$ 54,610,139,065
City's proportionate share of total pension liabilities	\$ 7,326,879	\$ 3,433,845	\$ 10,760,724
Total pension assets	\$ 54,586,037,000	\$ 24,102,065	\$ 54,610,139,065
Deferred outflows related to pensions	\$ 1,891,091	\$ 172,933	\$ 2,064,024
Deferred inflows related to pensions	\$ 519,035	\$ 4,925,945	\$ 5,444,980
Pension expense/expenditures/(benefits) for the period	\$ 444,714	\$ (1,497,528)	\$ (1,052,814)
City's proportionate share of net pension liability	0.03242%	100%	
Plan fiduciary net position as percentage of total pension liability	70.72%	87.53%	
Measurement date of collective net pension liability	June 30, 2020	June 30, 2021	
Date of actuarial valuation	June 30, 2020	June 30, 2021	

457 Deferred Compensation Plan

All employees of the City Government may participate in the deferred compensation plan organized under the Internal Revenue Code Section 457, and administered by the International City Management Association Retirement Corporation ("ICMA-RC"). Under the terms of the plan, participating employees may have a portion of their salaries withheld, subject to limitations imposed by the Internal Revenue Service, and invested in the plan. All income taxes are deferred on these contributions and related earnings until the participant terminates from the plan. The City is in compliance with the Internal Revenue Code Section 457(g) requiring all assets and income of the plan to be held in trust for the exclusive benefit of participants and their beneficiaries. Management's involvement with the plan is limited to transferring amounts withheld from payroll to the Plan Administrator. Management has little administrative involvement with the plan and does not perform the investing function for the plan. Accordingly, the fair values of the plan assets are not reflected in the City's financial statements.

Defined contribution

The City of Takoma Park Governmental Money Purchase Plan & Trust is a defined contribution pension plan established to provide benefits to certain employees. Employees are not required to contribute to the plan and may make voluntary contributions. Employees are fully vested after five years. However, if an employee is terminated prior to the completion of five years, that employee will be immediately vested. The City is not required to contribute to the plan.

At June 30, 2021, there were five inactive participants. Plan provisions and contribution requirements are established and may be amended by the City Council. The amount of pension expense recognized by the City for the year ended June 30, 2021 was \$0. The City's liability was \$0 as of June 30, 2021. The plan administrator is ICMA-RC.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

Condensed financial information

	Pension Trust	Defined Contribution Plan	Total
Assets			
Cash and cash equivalents	\$ 992,384	\$ -	\$ 992,384
Total investments	23,109,681	591,282	23,700,963
Total assets	24,102,065	591,282	24,693,347
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	\$ 24,102,065	\$ 591,282	\$ 24,693,347
Net position - held in trust for pension benefits	\$ 24,102,065	\$ 591,282	\$ 24,693,347
Additions			
Total contributions	\$ 1,603,858	\$ -	\$ 1,603,858
Net investment earnings	5,164,524	131,570	5,296,094
Total additions	6,768,382	131,570	6,899,952
Deductions			
Total deductions	1,050,599	-	1,050,599
Change in net position	5,717,783	131,570	5,849,353
Net position held in trust for pension benefits, beginning of year	18,384,282	459,712	18,843,994
Net position held in trust for pension benefits, end of year	\$ 24,102,065	\$ 591,282	\$ 24,693,347

Note 14 - Risks and uncertainties

The Police Employees' Retirement Plan and the Defined Contribution Plan invest in various investment securities. Investment securities are exposed to various risks such as interest rate, 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 values 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.

Note 15 - Commitments, contingent liabilities and uncertainties

The City participates in certain federally-assisted grant programs, principally Community Development Block Grants. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial, which has been the case in previous program audits.

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

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

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

Note 16 - Post retirement benefits

The City does not provide and has no liability for post-retirement benefits at June 30, 2021.

Note 17 - Risk management

The City's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance.

For property, general, excess and environmental liability coverage, the City is a member of the Maryland Local Government Insurance Trust ("LGIT"). This trust is a public entity risk pool which is owned and directed by the local governments that subscribe to its coverages and operates under the terms of a Trust Agreement.

The City pays LGIT an annual premium. Claims are processed and recoveries and administrative costs are paid by LGIT. Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits. No insurance settlement has exceeded the coverage in any of the past three fiscal years.

The City is fully insured for worker's compensation through the Chesapeake Employers' Insurance Company. Employees are bonded through commercial insurance carriers to limit the loss to the City in the event of employees committing acts of embezzlement or theft.

Note 18 - New accounting pronouncements

GASB issued several pronouncements prior to the year ended June 30, 2021 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

GASB Statement No. 87, *Leases*, will be effective for the City beginning with the fiscal year ending June 30, 2022. This Statement removes the traditional classifications of leases as operating or capital and recognizes all leases as financing tools, resulting in reporting of lease transactions as both a liability and an intangible right to use the leased asset. This Statement defines lease transactions and establishes the new accounting and financial reporting requirements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for the City beginning with its year ending June 30, 2022. This Statement removes the requirement to capitalize interest during construction.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the City beginning with its year ending June 30, 2023. This Statement provides a single method of reporting conduit debt obligations by issues and eliminates diversity in practice.

GASB Statement No. 92, *Omnibus*, will be effective for the City beginning with its year ending June 30, 2022.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2021

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will be effective for the City beginning with its year ending June 30, 2023. This Statement removes the LIBOR rate as a benchmark interest rate.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will be effective for the City beginning with its year ending June 30, 2023. This Statement will require reporting of assets and liabilities related to PPPs consistently and disclose important information about PPP transactions.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will be effective for the City beginning with its year ending June 30, 2023. This Statement requires reporting of a subscription asset and subscription liability for a SBITA and to disclose the arrangement.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, will be effective for the City beginning with its year ending June 30, 2022. This Statement provides more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans.

GASB Implementation Guide 2019-3, *Leases*, will be effective for the City beginning with its year ending June 30, 2022. This Implementation Guide provides more clarification and elaboration on the requirements of GASB Statement No. 87, *Leases*.

Note 19 - Subsequent events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition and disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying basic financial statements. The effects of the subsequent events that provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the City through October 28, 2021 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Required Supplementary Information

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City of Takoma Park, Maryland

Required Supplementary Information

Police Employees' Retirement Plan - Schedule of Changes in the City's Net Pension Liability and Related Ratios Last Ten Fiscal Years (Dollar Amounts in Thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total pension liability										
Service cost	\$ 986	\$ 858	\$ 864	\$ 839	\$ 809	\$ 790	\$ 543	\$ 796		
Interest	1,911	1,866	1,862	1,690	1,616	1,543	1,547	1,438		
Changes of benefit terms	-	-	-	-	-	-	-	-		
Difference between expected and actual experience	(1,228)	(1,194)	(1,745)	(115)	(645)	(562)	(1,372)	-		
Changes of assumptions	-	-	-	865	827	-	-	-		
Benefit payments, including refunds of member contributions	(969)	(852)	(1,010)	(811)	(857)	(757)	(785)	(784)		
Net change in total pension liability	700	678	(29)	2,468	1,750	1,014	(67)	1,450		
Total pension liability - beginning	26,836	26,158	26,187	23,719	21,969	20,955	21,022	19,572		
Total pension liability - end	<u>\$ 27,536</u>	<u>\$ 26,836</u>	<u>\$ 26,158</u>	<u>\$ 26,187</u>	<u>\$ 23,719</u>	<u>\$ 21,969</u>	<u>\$ 20,955</u>	<u>\$ 21,022</u>		
Plan fiduciary net position										
Contributions - employer	\$ 1,373	\$ 1,386	\$ 1,238	\$ 1,325	\$ 1,190	\$ 1,296	\$ 1,102	\$ 1,044		
Contributions - member	230	203	197	197	189	194	178	184		
Net investment income	5,165	550	944	1,222	1,452	90	441	1,354		
Benefit payments, including refunds of member contributions	(969)	(852)	(1,010)	(811)	(857)	(757)	(786)	(784)		
Administrative expenses	(82)	(53)	(80)	(65)	(58)	(56)	(60)	(55)		
Other	-	-	-	-	-	-	-	-		
Net change in plan fiduciary net position	5,717	1,234	1,289	1,868	1,916	767	875	1,743		
Plan fiduciary net position - beginning	18,385	17,151	15,862	13,994	12,078	11,311	10,436	8,693		
Plan fiduciary net position - end	<u>\$ 24,102</u>	<u>\$ 18,385</u>	<u>\$ 17,151</u>	<u>\$ 15,862</u>	<u>\$ 13,994</u>	<u>\$ 12,078</u>	<u>\$ 11,311</u>	<u>\$ 10,436</u>		
Net pension liability	<u>\$ 3,434</u>	<u>\$ 8,451</u>	<u>\$ 9,007</u>	<u>\$ 10,325</u>	<u>\$ 9,725</u>	<u>\$ 9,891</u>	<u>\$ 9,644</u>	<u>\$ 10,586</u>		
Plan fiduciary net position as a percentage of total pension liability	87.53%	68.51%	65.57%	60.57%	59.00%	54.98%	53.98%	49.64%		
Covered payroll	\$ 3,279	\$ 3,014	\$ 3,025	\$ 2,889	\$ 2,777	\$ 2,843	\$ 2,570	\$ 2,850		
Net pension liability as a percentage of covered payroll	104.73%	280.39%	297.75%	357.39%	350.20%	347.91%	375.25%	371.44%		

Information for years 2013 and prior is not available

The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

City of Takoma Park, Maryland

Required Supplementary Information

Police Employees' Retirement Plan -
Schedule of Contributions
Last Ten Fiscal Years
(Dollar Amounts in Thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,373	\$ 1,386	\$ 1,238	\$ 1,325	\$ 1,190	\$ 1,296	\$ 1,102	\$ 1,045	\$ -	\$ -
Contributions in relation to the contractually determined contribution	1,373	1,386	1,238	1,325	1,190	1,296	1,102	1,045	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 3,279	\$ 3,014	\$ 3,025	\$ 2,889	\$ 2,777	\$ 2,843	\$ 2,570	\$ 2,850		
Contributions as a percentage of covered payroll	41.9%	46.0%	40.9%	45.9%	42.9%	45.6%	42.9%	36.7%		

Note 1 - Actuarial Assumptions

Actuarial Assumptions	Measurement Date June 30, 2020
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	22 years (closed)
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	5.50%, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2014 Healthy Blue Collar Tables with fully generational projections using scale MP-2015

Note: No changes in assumptions or benefit terms have occurred since fiscal year 2018.

City of Takoma Park, Maryland

Schedule of Required Pension-Related Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
City's proportion (%) of collective net pension liability	0.032%	0.031%	0.030%	0.028%	0.029%	0.028%	0.024%
City's proportionate share (\$) of collective net pension liability	\$ 7,326,879	\$ 6,373,874	\$ 6,366,145	\$ 5,957,703	\$ 6,866,508	\$ 5,881,653	\$ 4,338,175
City's covered payroll (\$)	\$ 6,658,025	\$ 6,034,937	\$ 6,041,794	\$ 6,419,079	\$ 6,209,902	\$ 7,363,222	\$ 6,083,944
City's proportionate share of collective net pension liability as a percentage of its covered payroll	110.05%	105.62%	105.37%	92.81%	110.57%	79.88%	71.31%
Pension plan's fiduciary net position as a percentage of the total pension liability	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

The above schedule is presented to illustrate the requirement for specified information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

City of Takoma Park, Maryland

Schedule of Required Pension-Related Supplementary Information - Schedule of the City's Pension Plan Contributions Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 804,011	\$ 695,059	\$ 634,587	\$ 605,034	\$ 560,772	\$ 566,946	\$ 596,532	\$ 571,845	\$ -	\$ -
Contributions in relation to the contractually determined contribution	804,011	695,059	634,587	605,034	560,772	566,946	596,532	571,845	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 6,658,025	\$ 6,034,937	\$ 6,041,794	\$ 6,419,079	\$ 6,209,902	\$ 7,617,864	\$ 7,363,222	\$ 6,083,944		
Contributions as a percentage of covered payroll	12.1%	11.5%	10.5%	9.4%	9.0%	7.4%	8.1%	9.4%		

The above schedule is presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

Note 1 - Actuarial Assumptions

Actuarial Assumptions	Measurement Date June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Asset valuation method	5-year smoothed market
Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 11.60%, including inflation
Discount rate	7.40%
Investment rate of return	7.40%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018, (2-dimensional) mortality improvement scale.

Note - 2 Changes in assumptions

	Change from Fiscal Year 2017 to 2018	Change from Fiscal Year 2018 to 2019	Change from Fiscal Year 2019 to 2020
General inflation	2.65% to 2.60%	2.60% to 2.65%	2.65% to 2.60%
Wage inflation	3.15% to 3.10%	No change	3.15% to 3.10%
Investment return	7.50% to 7.45%	7.45% to 7.40%	No change
Salary increases	3.15% to 9.15% to 3.20% to 9.10%	3.20% to 9.10% to 3.10% to 11.60%	No change

Supplementary Information

City of Takoma Park, Maryland

**General Fund
Schedule of Revenues, Expenditures and
Other Financing Sources (Uses) - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues				
Taxes				
<u>Property</u>				
Real property	\$ 13,548,565	\$ 13,548,565	\$ 13,525,670	\$ (22,895)
Business or other property	542,000	542,000	305,873	(236,127)
Penalty and interest	46,000	46,000	51,312	5,312
Additions and abatements	(18,500)	(18,500)	(6,664)	11,836
Total property	14,118,065	14,118,065	13,876,191	(241,874)
<u>Local taxes</u>				
Admission and amusement	69,300	69,300	22,984	(46,316)
	69,300	69,300	22,984	(46,316)
<u>Shared taxes</u>				
Highway	453,379	453,379	497,613	44,234
Income tax	3,585,000	3,585,000	3,923,515	338,515
Total shared taxes	4,038,379	4,038,379	4,421,128	382,749
Total taxes	18,225,744	18,225,744	18,320,303	94,559
Licenses and permits	83,604	83,604	88,799	5,195
Fines and forfeitures	210,000	210,000	170,636	(39,364)
Use of money and property				
Interest and dividends	283,900	57,900	25,274	(32,626)
Charges for services				
Public parking	61,500	61,500	40,124	(21,376)
Protective inspection fees	321,000	321,000	311,300	(9,700)
Waste collection and disposal	48,000	48,000	56,014	8,014
Passport	50,000	50,000	595	(49,405)
Recreation	333,610	18,566	15,216	(3,350)
Library fines and fees	15,000	15,000	478	(14,522)
Other	44,300	44,300	37,496	(6,804)
Total charges for services	873,410	558,366	461,223	(97,143)

City of Takoma Park, Maryland

**General Fund
Schedule of Revenues, Expenditures and
Other Financing Sources (Uses) - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues (Continued)				
Intergovernmental revenues				
Police protection	\$ 445,000	\$ 445,000	\$ 425,637	\$ (19,363)
In Lieu of Police	2,714,740	2,615,740	2,515,147	(100,593)
In Lieu of County Services	998,496	998,496	998,496	-
Police rebate	1,126,000	1,126,000	1,187,769	61,769
Bank share tax	5,643	5,643	5,643	-
Library Aid	185,973	185,973	166,626	(19,347)
Montgomery County Tax (Cable and Hotel)	677,000	677,000	667,183	(9,817)
Takoma/Langley Recreation Center	85,020	85,020	85,020	-
State Highway street project	-	-	314,652	314,652
Total intergovernmental revenues	6,237,872	6,138,872	6,366,173	227,301
Miscellaneous revenue - other	79,675	359,175	61,325	(297,850)
Total revenues	25,994,205	25,633,661	25,493,733	(139,928)
Expenditures				
General government				
City Council	243,928	263,329	230,456	32,873
City Manager	1,479,725	1,479,725	1,446,369	33,356
Finance	739,363	714,406	632,373	82,033
Legal	236,200	361,200	406,618	(45,418)
Information Systems Administration	806,600	775,382	724,431	50,951
Other - unclassified	2,222,971	2,511,975	1,842,340	669,635
Total general government	5,728,787	6,106,017	5,282,587	823,430
Public safety				
Office of the Chief	1,067,325	1,054,716	995,516	59,200
Communications	617,623	609,348	539,637	69,711
Patrol	4,051,705	4,051,705	3,890,728	160,977
Criminal investigations	1,719,860	1,764,540	1,674,564	89,976
Administration	832,187	833,605	787,605	46,000
Neighborhood	577,109	569,378	519,856	49,522
Total public safety	8,865,809	8,883,292	8,407,906	475,386
Public works				
Administration	459,128	407,999	331,623	76,376
Building Maintenance	1,002,377	1,002,377	868,900	133,477
Equipment Maintenance	514,054	514,054	509,092	4,962
Right of Way	962,310	935,094	839,875	95,219
Solid Waste Management	1,210,047	1,195,524	1,307,926	(112,402)
Urban forest/ City Gardens	583,174	701,562	649,799	51,763
City engineer	287,918	287,918	168,763	119,155
Sustainability and Other	377,339	377,339	-	377,339
Total public works	5,396,347	5,421,867	4,675,978	745,889

City of Takoma Park, Maryland

**General Fund
Schedule of Revenues, Expenditures and
Other Financing Sources (Uses) - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Original budget	Final budget	Actual	Variance positive (negative)
Expenditures (Continued)				
Housing and Community Development	\$ 1,831,844	\$ 1,904,483	\$ 1,573,904	\$ 330,579
Recreation and culture				
Recreation	1,799,192	1,740,150	1,295,008	445,142
Library and media	1,997,138	1,975,708	1,833,351	142,357
Total recreation and culture	3,796,330	3,715,858	3,128,359	587,499
Capital outlay	4,647,001	7,337,705	2,633,828	4,703,877
Debt service				
Repayments	918,054	743,005	742,990	15
Total debt service	918,054	743,005	742,990	15
Total expenditures	31,184,172	34,112,227	26,445,552	7,666,675
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(5,189,967)	(8,478,566)	(951,819)	7,526,747
Excess (deficiency) of revenues over expenditures	(5,189,967)	(8,478,566)	(951,819)	7,526,747
Appropriation of fund balance	5,189,967	8,478,566	-	(8,478,566)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ (951,819)	\$ (951,819)

City of Takoma Park, Maryland

**Stormwater Management Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Licenses and permits	\$ 2,900	\$ 2,900	\$ -	\$ (2,900)
Charges for services	594,000	594,000	593,297	(703)
Miscellaneous	1,400	1,400	4,851	3,451
Total revenues	598,300	598,300	598,148	(152)
Expenditures				
Public works	463,696	626,696	392,447	234,249
Capital outlay	250,000	304,000	5,997	298,003
Total expenditures	713,696	930,696	398,444	532,252
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(115,396)	(332,396)	199,704	532,100
Net change in fund balance	(115,396)	(332,396)	199,704	532,100
Fund balance, beginning of year	393,893	393,893	393,893	-
Fund balance, end of year	\$ 278,497	\$ 61,497	\$ 593,597	\$ 532,100

City of Takoma Park, Maryland

**Non-Major Governmental Funds -
Combining Balance Sheet
June 30, 2021**

	Stormwater Management Fund	Facility Construction Fund	Rehabilitation loans and grants	Total nonmajor governmental funds
Assets				
Cash and temporary investments	\$ 439,519	\$ -	\$ 212,553	\$ 652,072
Notes receivable, net	-	-	5,273	5,273
Other receivables	21,099	-	-	21,099
Due from other funds	164,249	207,226	-	371,475
Due from other governments	2,350	-	-	2,350
Total assets	627,217	207,226	217,826	1,052,269
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	\$ 627,217	\$ 207,226	\$ 217,826	\$ 1,052,269
Liabilities				
Accounts payable	\$ 382	\$ -	\$ -	\$ 382
Accrued expenditures	2,488	-	-	2,488
Deposits and escrows held	12,391	-	-	12,391
Due to other funds	-	207,226	2,138	209,364
Due to other governments	-	-	208,869	208,869
Total liabilities	15,261	207,226	211,007	433,494
Deferred inflows of resources	18,359	-	-	18,359
Fund balances				
Restricted	-	-	6,819	6,819
Assigned	593,597	-	-	593,597
Total fund balances	593,597	-	6,819	600,416
Total liabilities, deferred inflows of resources and fund balances	\$ 627,217	\$ 207,226	\$ 217,826	\$ 1,052,269

City of Takoma Park, Maryland

**Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Fiscal Year Ended June 30, 2021**

	Stormwater Management Fund	Facility Construction Fund	Rehabilitation loans and grants	Total nonmajor governmental funds
Revenues				
Charges for service	\$ 593,297	\$ -	\$ -	\$ 593,297
Miscellaneous	4,851	-	-	4,851
	<u>598,148</u>	<u>-</u>	<u>-</u>	<u>598,148</u>
Total revenues				
Expenditures				
General government	-	-	192	192
Public works	392,447	-	-	392,447
Capital outlay	5,997	-	-	5,997
	<u>398,444</u>	<u>-</u>	<u>192</u>	<u>398,636</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>199,704</u>	<u>-</u>	<u>(192)</u>	<u>199,512</u>
Net change in fund balances	<u>199,704</u>	<u>-</u>	<u>(192)</u>	<u>199,512</u>
Fund balances, beginning of year	<u>393,893</u>	<u>-</u>	<u>7,011</u>	<u>400,904</u>
Fund balances, end of year	<u>\$ 593,597</u>	<u>\$ -</u>	<u>\$ 6,819</u>	<u>\$ 600,416</u>

City of Takoma Park, Maryland

**Combining Statement of Fiduciary Net Position
June 30, 2021
(With Comparative Totals for 2020)**

			<u>Totals</u>	
	Pension trust	Defined contribution plan	2021	2020
Assets				
Cash and cash equivalents	\$ 992,384	\$ -	\$ 992,384	\$ 827,832
Investments, at fair value				
Equities	16,098,187	591,282	16,689,469	11,637,122
Fixed income	<u>7,011,494</u>	<u>-</u>	<u>7,011,494</u>	<u>6,379,040</u>
Total investments	<u>23,109,681</u>	<u>591,282</u>	<u>23,700,963</u>	<u>18,016,162</u>
Total assets	24,102,065	591,282	24,693,347	18,843,994
Liabilities	-	-	-	-
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position				
Held in trust for pension benefits	<u>\$ 24,102,065</u>	<u>\$ 591,282</u>	<u>\$ 24,693,347</u>	<u>\$ 18,843,994</u>

City of Takoma Park, Maryland

**Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

			<u>Totals</u>	
	Pension trust	Defined contribution plan	2021	2020
Additions				
Employer contributions	\$ 1,373,752	\$ -	\$ 1,373,752	\$ 1,386,417
Plan member contributions	230,106	-	230,106	202,612
	<u>1,603,858</u>	<u>-</u>	<u>1,603,858</u>	<u>1,589,029</u>
Total contributions and other receipts				
	<u>1,603,858</u>	<u>-</u>	<u>1,603,858</u>	<u>1,589,029</u>
Investment earnings	5,164,524	131,570	5,296,094	571,064
	<u>5,164,524</u>	<u>131,570</u>	<u>5,296,094</u>	<u>571,064</u>
Total additions	<u>6,768,382</u>	<u>131,570</u>	<u>6,899,952</u>	<u>2,160,093</u>
Deductions				
Benefit and refunds paid	1,025,090	-	1,025,090	851,935
Administrative expenses	25,509	-	25,509	53,395
	<u>1,050,599</u>	<u>-</u>	<u>1,050,599</u>	<u>905,330</u>
Total deductions				
	<u>1,050,599</u>	<u>-</u>	<u>1,050,599</u>	<u>905,330</u>
Change in net position	5,717,783	131,570	5,849,353	1,254,763
	<u>5,717,783</u>	<u>131,570</u>	<u>5,849,353</u>	<u>1,254,763</u>
Net position held in trust for pension benefits, beginning of year	18,384,282	459,712	18,843,994	17,589,231
	<u>18,384,282</u>	<u>459,712</u>	<u>18,843,994</u>	<u>17,589,231</u>
Net position held in trust for pension benefits, end of year	\$ 24,102,065	\$ 591,282	\$ 24,693,347	\$ 18,843,994
	<u>\$ 24,102,065</u>	<u>\$ 591,282</u>	<u>\$ 24,693,347</u>	<u>\$ 18,843,994</u>

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Statistical Section

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STATISTICAL SECTION CONTENTS

This part of the City's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's economic condition.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial position and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant own-source revenues.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the City's financial report relates to the services the City provides and activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

City of Takoma Park, Maryland

Table 1

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2021	2019	2019	2018	2017	2016	2015	2014	2013	2012
Governmental Activities										
Net investment in capital assets	\$ 33,599,748	\$ 32,343,257	\$ 27,157,643	\$ 22,940,623	\$ 29,902,496	\$ 28,874,101	\$ 27,635,709	\$ 26,176,611	\$ 25,892,877	\$ 24,247,163
Restricted	11,997,829	13,705,779	13,237,506	14,127,558	9,535,980	8,763,254	8,579,827	7,985,381	6,485,552	5,757,899
Unrestricted	(1,643,080)	(3,800,802)	(3,614,231)	(4,070,092)	(8,998,932)	(8,210,210)	(8,702,786)	6,118,342	5,711,016	4,681,714
TOTAL PRIMARY										
GOVERNMENT NET POSITION	<u>\$ 43,954,497</u>	<u>\$ 42,248,234</u>	<u>\$ 36,780,918</u>	<u>\$ 32,998,089</u>	<u>\$ 30,439,544</u>	<u>\$ 29,427,145</u>	<u>\$ 27,512,750</u>	<u>\$ 40,280,334</u>	<u>\$ 38,089,445</u>	<u>\$ 34,686,776</u>

City of Takoma Park, Maryland

Table 2

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
EXPENSES										
Governmental activities:										
General government	\$ 5,835,772	\$ 4,682,369	\$ 4,931,594	\$ 4,561,913	\$ 4,775,439	\$ 4,724,481	\$ 5,029,595	\$ 4,280,357	\$ 3,655,803	\$ 3,528,633
Public safety	8,162,933	9,261,998	8,369,157	8,389,476	9,840,299	9,301,092	8,116,371	8,245,260	7,628,389	7,637,072
Public works	6,619,329	6,774,672	6,721,099	6,196,806	6,144,871	6,170,250	5,943,464	5,532,265	5,332,321	5,107,165
Housing and community development	1,883,620	1,788,399	1,430,386	1,695,425	1,415,654	1,738,712	1,879,728	1,767,181	1,552,964	1,470,360
Recreation and culture	3,248,266	3,907,157	4,055,202	3,734,135	3,797,152	3,510,058	3,316,168	3,088,130	2,736,596	2,613,109
Interest	298,353	314,634	329,649	397,077	61,417	56,421	100,902	123,274	121,537	250,453
Total primary government expenses	<u>26,048,273</u>	<u>26,729,229</u>	<u>25,837,087</u>	<u>24,974,832</u>	<u>26,034,832</u>	<u>25,501,014</u>	<u>24,386,228</u>	<u>23,036,467</u>	<u>21,027,610</u>	<u>20,606,792</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	34,637	66,857	105,965	119,548	106,638	131,619	114,502	111,293	101,876	98,727
Public safety	1,036,283	1,152,010	1,292,509	1,593,374	1,943,492	2,165,333	2,207,710	2,094,462	1,709,357	2,335,397
Public works	726,795	819,938	829,347	831,315	546,761	539,786	554,600	535,722	555,926	507,571
Housing and community development	335,342	344,382	343,672	364,385	364,215	345,105	354,256	352,886	335,542	338,930
Recreation and culture	15,694	435,028	631,322	582,329	582,232	521,506	557,605	556,741	531,159	524,168
Operating grants and contributions	6,239,066	9,556,806	6,988,573	5,990,358	5,410,987	5,451,171	5,510,341	5,386,820	5,249,350	4,243,995
Capital grants and contributions	188,335	223,874	308,675	231,324	568,579	1,045,237	1,215,053	1,019,166	979,304	774,395
Total primary government program revenues	<u>8,576,152</u>	<u>12,598,895</u>	<u>10,500,063</u>	<u>9,712,633</u>	<u>9,522,904</u>	<u>10,199,757</u>	<u>10,514,067</u>	<u>10,057,090</u>	<u>9,462,514</u>	<u>8,823,183</u>
Total primary government net expense	<u>(17,472,121)</u>	<u>(14,130,334)</u>	<u>(15,337,024)</u>	<u>(15,262,199)</u>	<u>(16,511,928)</u>	<u>(15,301,257)</u>	<u>(13,872,161)</u>	<u>(12,979,377)</u>	<u>(11,565,096)</u>	<u>(11,783,609)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes:										
Property taxes	13,877,603	13,600,777	13,454,906	12,621,930	12,700,750	12,321,307	11,564,561	11,514,020	12,134,376	11,668,702
Intergovernmental / unrestricted	5,173,570	5,399,612	5,064,507	4,906,878	4,648,723	4,595,582	4,140,563	3,561,666	2,791,760	3,003,680
Unrestricted investment earnings	26,152	216,147	361,755	100,962	37,163	58,265	30,901	27,012	27,248	48,663
Miscellaneous and other	101,059	381,114	238,685	190,974	137,691	240,498	167,602	67,568	14,381	113,509
Total primary government	<u>19,178,384</u>	<u>19,597,650</u>	<u>19,119,853</u>	<u>17,820,744</u>	<u>17,524,327</u>	<u>17,215,652</u>	<u>15,903,627</u>	<u>15,170,266</u>	<u>14,967,765</u>	<u>14,834,554</u>
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	<u>\$ 1,706,263</u>	<u>\$ 5,467,316</u>	<u>\$ 3,782,829</u>	<u>\$ 2,558,545</u>	<u>\$ 1,012,399</u>	<u>\$ 1,914,395</u>	<u>\$ 2,031,466</u>	<u>\$ 2,190,889</u>	<u>\$ 3,402,669</u>	<u>\$ 3,050,945</u>

City of Takoma Park, Maryland

Table 3

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund										
Nonspendable	\$ 242	\$ 16,112	\$ 6,506	\$ 8,271	\$ 12,093	\$ 7,831	\$ 562,529	\$ 70,855	\$ 581,896	\$ 464,978
Restricted	6,632,730	8,066,081	97,497	97,031	96,567	96,369	225,496	225,383	225,248	224,978
Committed	5,669,561	5,976,863	13,703,875	14,799,417	5,284,974	4,896,053	4,871,320	4,554,709	3,764,492	2,860,071
Assigned	-	-	-	-	-	2,324,965	1,269,153	1,138,984	1,193,243	-
Unassigned	7,109,661	6,304,957	6,934,380	7,165,390	7,704,043	4,926,643	4,336,807	5,234,114	5,434,260	5,533,428
Total general fund	<u>\$ 19,412,194</u>	<u>\$ 20,364,013</u>	<u>\$ 20,742,258</u>	<u>\$ 22,070,109</u>	<u>\$ 13,097,677</u>	<u>\$ 12,251,861</u>	<u>\$ 11,265,305</u>	<u>\$ 11,224,045</u>	<u>\$ 11,199,139</u>	<u>\$ 9,083,455</u>
Total all other governmental funds										
Restricted	\$ 4,177,785	\$ 4,041,020	\$ 3,975,472	\$ 3,895,915	\$ 4,154,439	\$ 3,770,831	\$ 3,483,011	\$ 3,205,289	\$ 2,495,812	\$ 2,672,850
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	593,597	393,893	281,858	198,759	191,032	173,128	252,718	286,956	270,757	282,846
Total	<u>\$ 4,771,382</u>	<u>\$ 4,434,913</u>	<u>\$ 4,257,330</u>	<u>\$ 4,094,674</u>	<u>\$ 4,345,471</u>	<u>\$ 3,943,959</u>	<u>\$ 3,735,729</u>	<u>\$ 3,492,245</u>	<u>\$ 2,766,569</u>	<u>\$ 2,955,696</u>

City of Takoma Park, Maryland

Table 4

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
REVENUES										
Taxes	\$ 18,320,303	\$ 17,834,679	\$ 17,485,511	\$ 16,511,118	\$ 16,357,516	\$ 16,142,419	\$ 14,768,703	\$ 14,582,031	\$ 14,650,731	\$ 14,404,183
Licenses and permits	88,799	66,943	84,908	107,513	69,718	87,314	76,103	81,746	79,372	81,235
Fines and forfeitures	987,837	1,060,803	1,187,717	1,481,042	1,835,972	2,044,381	2,058,764	1,955,306	1,626,267	2,269,843
Use of money and property	26,152	381,114	361,755	100,962	37,163	58,265	30,901	27,012	27,248	48,663
Charges for services	1,054,520	1,685,157	1,936,320	1,903,705	1,615,920	1,558,432	1,587,077	1,560,001	1,508,982	1,452,179
Intergovernmental	7,127,078	10,531,324	8,239,890	7,040,613	6,854,087	7,043,704	7,559,287	6,907,022	6,645,981	5,435,902
Miscellaneous	74,015	177,661	241,079	202,638	164,720	257,721	192,746	59,856	90,293	152,662
Total revenues	27,678,704	31,737,681	29,537,180	27,347,591	26,935,096	27,192,236	26,273,581	25,172,974	24,628,874	23,844,667
EXPENDITURES										
Current:										
General government	5,282,779	4,167,507	4,531,904	4,453,722	4,240,069	4,243,776	3,883,556	3,781,298	3,265,503	3,209,319
Public safety	9,204,769	9,235,293	8,943,010	8,799,645	8,674,426	8,393,299	7,949,776	7,677,677	7,319,009	7,366,853
Public works	5,068,425	5,319,573	5,507,997	5,188,251	4,984,405	4,976,535	4,610,949	4,609,589	4,085,967	3,879,854
Housing/community development	1,596,613	1,699,664	1,958,426	1,450,871	1,339,781	1,720,577	1,851,865	1,637,193	1,531,295	1,455,351
Recreation and culture	3,128,359	3,615,942	3,734,326	3,532,092	3,431,228	3,270,987	3,104,779	2,940,692	2,602,741	2,444,878
Capital outlay	3,270,119	6,983,961	5,106,843	3,344,386	2,657,961	3,097,242	4,175,302	3,402,414	2,363,371	3,534,937
Debt service:										
Principal	442,000	599,000	587,700	529,500	298,000	1,795,202	273,000	263,500	1,412,893	1,901,052
Interest	300,990	317,403	332,369	452,948	61,898	107,224	111,948	110,029	121,537	242,355
Total expenditures	28,294,054	31,938,343	30,702,575	27,751,415	25,687,768	27,604,842	25,961,175	24,422,392	22,702,316	24,034,599
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(615,350)	(200,662)	(1,165,395)	(403,824)	1,247,328	(412,606)	312,406	750,582	1,926,558	(189,932)
OTHER FINANCING SOURCES (USES)										
Bond/loan proceeds	-	-	-	9,125,459	-	1,579,730	-	-	-	-
Sale of property	-	-	-	-	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	9,125,459	-	1,579,730	-	-	-	-
NET CHANGES IN FUND BALANCES										
	\$ (615,350)	\$ (200,662)	\$ (1,165,395)	\$ 8,721,635	\$ 1,247,328	\$ 1,167,124	\$ 312,406	\$ 750,582	\$ 1,926,558	\$ (189,932)
Debt service as a percentage of noncapital expenditures	2.96%	4.02%	4.02%	4.02%	1.56%	7.60%	1.68%	1.71%	7.36%	11.44%

City of Takoma Park, Maryland

Table 5

**General Fund Tax Revenue by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

Fiscal Year	General Property Taxes	Utility and Personal Property	Penalties and Interest on Delinquent Tax	Additions and Abatements	Amusement Tax	Income Tax	Highway Tax	Total
2021	\$ 13,525,670	\$ 305,873	\$ 51,312	\$ (6,664)	\$ 22,984	\$ 3,923,515	\$ 497,613	\$ 18,320,303
2020	13,132,607	555,889	49,438	(14,361)	98,162	3,565,831	447,113	17,834,679
2019	12,621,746	687,794	46,162	(15,833)	138,280	3,611,927	395,435	17,485,511
2018	12,094,212	634,824	37,561	(46,782)	127,029	3,303,938	360,336	16,511,118
2017	11,998,604	632,384	122,844	(49,620)	136,238	3,171,194	345,872	16,357,516
2016	11,516,876	595,570	64,336	(8,713)	134,062	3,494,273	346,015	16,142,419
2015	11,016,039	545,109	48,066	(64,967)	122,970	2,797,878	303,608	14,768,703
2014	10,974,639	517,647	43,195	(43,186)	128,806	2,671,765	289,165	14,582,031
2013	11,496,734	570,360	70,971	(8,176)	48	2,437,127	83,667	14,650,731
2012	11,166,179	446,819	63,142	-	1,100	2,595,845	131,098	14,404,183

Source: City's financial records.

City of Takoma Park, Maryland

Table 6

Real Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections and Credits	Percentage of Levy Collected	Delinquent Tax Collections and Credits	Total Tax Collections and Credits	Percentage of Total Tax Collections to Tax Levy
2021	\$ 13,555,633	\$ 13,569,767	100.1%	\$ 81,176	\$ 13,650,943	100.7%
2020	13,165,119	13,081,806	99.4%	77,066	13,158,872	100.0%
2019	12,668,487	12,682,621	100.1%	48,979	12,731,600	100.5%
2018	12,052,868	12,015,267	99.7%	54,553	12,069,820	100.1%
2017	11,953,737	11,924,900	99.8%	44,667	11,969,567	100.1%
2016	11,532,103	11,435,607	99.2%	35,227	11,470,834	99.5%
2015	11,044,215	10,958,911	99.2%	54,987	11,013,898	99.7%
2014	10,937,327	10,877,172	99.5%	59,448	10,936,620	100.0%
2013	11,533,580	11,468,702	99.4%	55,922	11,524,624	99.9%
2012	11,218,982	11,165,805	99.5%	49,198	11,215,003	100.0%

Note (1): In Fiscal Years 2017, 2018, 2019 and 2021, the total property tax collection to date as a percentage of the annual levy exceeded 100 percent. The excess collections were due to prepayment and overpayment by a number of residents. The Penalty charges and interest were not included in total collections to date.

Source: City's Finance Department.

City of Takoma Park, Maryland

Table 7

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property		Public Utilities		Personal Property		Total		Ratio of Total Assessed to Total	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value ⁽¹⁾	Assessed Value	Estimated Actual Value ⁽²⁾	Assessed Value	Estimated Actual Value ⁽²⁾	Assessed Value	Estimated Actual Value	Estimated Actual Value	
2021	\$ 2,511,606,886	\$ 2,511,606,886	\$ 13,005,310	\$ 13,005,310	\$ 16,715,050	\$ 16,715,050	\$ 2,541,327,246	\$ 2,541,327,246	1.0	0.539
2020	2,439,444,178	2,439,444,178	12,879,780	12,879,780	25,649,180	25,649,180	2,477,973,138	2,477,973,138	1.0	0.539
2019	2,394,346,438	2,394,346,438	15,422,530	15,422,530	36,153,670	36,153,670	2,445,922,638	2,445,922,638	1.0	0.529
2018	2,253,714,978	2,253,714,978	13,243,860	13,243,860	27,475,530	27,475,530	2,294,434,368	2,294,434,368	1.0	0.535
2017	2,106,385,370	2,106,385,370	12,564,150	12,564,150	30,853,530	30,853,530	2,149,803,050	2,149,803,050	1.0	0.568
2016	1,971,419,148	1,971,419,148	14,047,430	14,047,430	28,089,570	28,089,570	2,013,556,148	2,013,556,148	1.0	0.585
2015	1,937,581,662	1,937,581,662	13,042,570	13,042,570	23,553,430	23,553,430	1,974,177,662	1,974,177,662	1.0	0.570
2014	1,918,829,231	1,918,829,231	11,405,440	11,405,440	23,161,990	23,161,990	1,953,396,661	1,953,396,661	1.0	0.570
2013	1,988,548,200	1,988,548,200	10,976,190	10,976,190	22,166,730	22,166,730	2,021,691,120	2,021,691,120	1.0	0.580
2012	1,934,307,192	1,934,307,192	11,178,450	11,178,450	19,536,290	19,536,290	1,965,021,932	1,965,021,932	1.0	0.580

(1) Property owned by the City, other governments, churches and schools is exempt. No estimate of exempt property is included.

(2) Personal property and public utilities are assessed at 100% of estimated actual value.

Source: State of Maryland Department of Assessment and Taxation.

City of Takoma Park, Maryland

Table 8

**Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
(Per \$100 of Assessed Value)**

Fiscal Year	Direct Tax Rate ⁽¹⁾ Takoma Park General	Overlapping Tax Rates ⁽¹⁾					Direct and Overlapping Total
		State of Maryland	Montgomery County	Maryland - National Capital Park and Planning Commission	Transit District	Recreation Areas	
2021	0.5397	0.1120	0.7178	0.0740	0.0524	0.0261	1.5220
2020	0.5397	0.1120	0.6948	0.0786	0.0736	0.0260	1.5247
2019	0.5291	0.1120	0.7166	0.0740	0.0672	0.0261	1.5250
2018	0.5348	0.1120	0.7414	0.0719	0.0498	0.0254	1.5353
2017	0.5675	0.1120	0.7484	0.0736	0.0520	0.0230	1.5765
2016	0.5850	0.1120	0.7734	0.0728	0.0520	0.0230	1.6182
2015	0.5700	0.1120	0.7320	0.0740	0.0400	0.0230	1.5510
2014	0.5700	0.1120	0.7590	0.0720	0.0420	0.0200	1.5750
2013	0.5800	0.1120	0.7240	0.0720	0.0480	0.0210	1.5570
2012	0.5800	0.1120	0.7130	0.0650	0.0380	0.0180	1.5260

(1) In dollars per \$100 of assessed value.

Source: State of Maryland Department of Assessment and Taxation.

<https://www.montgomerycountymd.gov/Finance/Resources/Files/data/propertytaxrate/2021/realproperty.pdf>

City of Takoma Park, Maryland

Table 9

**Computation of Legal Debt Margin
Year Ended June 30, 2021**

Fiscal year 2021 real property assessed value	<u>\$ 2,530,093,068</u>
Debt limit - 100% of assessed value	\$ 2,530,093,068
Amount of debt applicable to debt limit - legal debt margin	<u>8,760,500</u>
Legal debt margin	<u>\$ 2,521,332,568</u>

SECTION 823 - AUTHORIZATION TO BORROW MONEY

- (a) The Council of Takoma Park shall have the power to borrow money for any proper purpose and to evidence such borrowing by the issue and sale of its general obligation bonds, notes, or other certificates of indebtedness in the manner prescribed in Sections 31 to 37 inclusive, of Article 23A of the Annotated Code of Maryland (1998 edition, as amended), entitled "Municipal Corporations," sub-titled "Creation of Municipal Public Debt." Notwithstanding the provisions of this subsection, the Council may authorize a private negotiated sale of bonds upon a finding by the Council that such private negotiated sale is in the best interests of the City of Takoma Park.
- (b) Any proposed new indebtedness that is greater than five percent (5%) of the revenue budgeted for that year shall be subject to a public hearing and the Council shall not take final action on the proposed indebtedness less than fourteen (14) days following the hearing.

SECTION 824 - PAYMENT OF INDEBTEDNESS

The power and obligation of the City to pay any and all bonds, notes, or other evidences of indebtedness issued by it shall be unlimited and the City shall levy ad valorem taxes on all the taxable property in the City for payment of such bonds, notes, or other evidences of indebtedness and interest thereon.

The faith and credit of the City is pledged for the payment of the principal and interest on all bonds, notes or other evidences of indebtedness issued under the authority of this Charter, whether or not such pledge is stated in the bonds, notes or other evidences of indebtedness, or in the ordinance authorizing their issuance.

City of Takoma Park, Maryland

Table 10

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Year	Population ⁽¹⁾	Assessed Value	Bonded Debt ⁽³⁾	Capital Leases ⁽²⁾	Ratio of Net Bonded Debt Value	Net Bonded Debt Per Capita
2021	17,629	\$ 2,530,093,068	\$ 8,760,500	-	0.34%	\$496.94
2020	16,715	2,461,251,909	9,202,500	-	0.37%	\$550.55
2019	16,715	2,418,294,183	9,801,500	-	0.41%	\$586.39
2018	16,715	2,269,258,527	10,389,000	-	0.46%	\$621.54
2017	16,715	2,120,994,549	1,918,500	-	0.11%	\$114.78
2016	16,715	1,980,892,500	2,216,500	-	0.11%	\$125.44
2015	16,715	1,937,581,662	2,343,500	-	0.12%	\$140.20
2014	16,715	1,953,396,661	2,616,500	-	0.13%	\$156.54
2013	16,715	2,021,691,120	2,880,000	-	0.14%	\$172.30
2012	16,715	1,965,021,932	4,292,893	-	0.22%	\$256.83

(1) Source: U.S. Census Bureau 2020.

(2) Capital leases were fully paid in FY 2012.

(3) Public Works Facility Bond paid in full by June 30, 2020

**Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures
Last Ten Fiscal Years**

Fiscal Year	Principal	Interest	Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures (Percent)
2021	\$ 442,000	\$ 300,990	\$ 742,990 (1)	\$ 28,294,054	2.63%
2020	599,000	317,402	916,402	31,938,343	2.87%
2019	587,500	332,368	919,868	30,702,375	3.00%
2018	529,500	452,948	982,448	27,542,825	3.57%
2017	298,000	61,898	359,898	25,687,768	1.40%
2016	1,836,431	65,994	1,902,425	27,604,842	6.89%
2015	273,000	111,948	384,948	25,961,175	1.48%
2014	263,500	110,029	373,529	24,422,392	1.53%
2013	1,412,893	121,537	1,534,430	22,702,316	6.76%
2012	1,901,052	242,355	2,143,407	20,869,505	10.27%

(1) City issued 2017 Series Bond including Transportation and Library Bonds

Source: City's financial records.

Computation of Direct and Overlapping Debt⁽²⁾
June 30, 2021

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to this Governmental Unit</u>	<u>Share of Debt</u>
Direct debt - City of Takoma Park	<u>\$ 8,760,500</u>	100%	<u>\$ 8,760,500</u>
Direct debt sub-total	<u>8,760,500</u>		<u>8,760,500</u>
Overlapping debt - Montgomery County	8,760,500	1% ⁽¹⁾	87,605
Maryland - National Capital Park and Planning Commission Montgomery County	<u>63,837,170</u>	1% ⁽¹⁾	<u>638,372</u>
Overlapping debt sub-total	<u>72,597,670</u>		<u>725,977</u>
Total direct and overlapping debt	<u><u>\$ 81,358,170</u></u>		<u><u>\$ 9,486,477</u></u>

(1) Rate of assessed value in the City to total assessed value in Montgomery County.

(2) The overlapping debt is not a debt of the City of Takoma Park, Maryland on either a direct or contingent basis, but represents the share of debt of overlapping governmental entities which the residents of the City of Takoma Park, Maryland are obligated to pay through direct tax levies of these governmental entities.

Source: Montgomery County Department of Finance.

City of Takoma Park, Maryland

Table 13

**Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽²⁾ (thousands)	Per Capita Income ⁽²⁾	Labor Force ⁽³⁾	Unemployment Rate ⁽⁴⁾	Registered Pupils ⁽⁵⁾
Montgomery County:						
2021	17,629	\$ 95,200,000	\$ 89,029	\$ 537,620	5.9	160,564
2020	16,715	101,300,000	94,591	561,120	5.5	164,245
2019	16,715	98,500,000	91,312	556,916	3.0	163,123
2018	16,715	90,840,000	85,948	562,343	3.4	161,936
2017	16,715	86,730,000	82,209	554,029	3.2	161,909
2016	16,715	82,490,000	78,553	549,900	3.4	156,447
2015	16,715	79,300,000	77,745	544,313	4.0	154,230
2014	16,715	75,940,000	74,597	540,128	4.4	151,289
2013	16,715	73,958,785	72,746	542,029	5.0	149,018
2012	16,715	73,467,234	73,140	540,444	5.2	146,497

(1) U.S. Census Bureau. Includes annexed area.

(2) Personal income, per capita income and registered pupils are not available for the City of Takoma Park, Maryland on a separate basis. The best available information is provided by the Finance Department of Montgomery County, Maryland and the Bureau of Economic Analysis - U.S. Department of Commerce ("BEA"). Estimates for 2012-2019 revised by BEA. Data for 2020-2021 are estimates derived by the Montgomery County Department of Finance.

(3) Bureau of Labor Statistics ("BLS"), U.S. Department of Labor. Civilian labor force data includes all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2012-2020. Data for 2021 estimated by the Montgomery County Department of Finance based on the percent change from first half of CY2020 to the first half of CY2021.

(4) The unemployment rates for 2012 through 2020 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2021 estimated by the Montgomery County Department of Finance based on the estimate of the civilian labor force and the estimate of resident employment.

(5) Montgomery County Executive's Recommended FY21 Operating Budget, Office of Management and Budget, Montgomery County. Since the school year begins in September, data is represented as enrollment as of September of the calendar year.

City of Takoma Park, Maryland

Table 14

**Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago**

Taxpayer	Fiscal Year 2021			Taxpayer	Fiscal Year 2012		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
JBG Takoma Retail Center LLC	\$ 42,044,100	1	1.64%	Saul Subsidiary I LTD Partnership	\$ 24,502,567	1	1.25%
Saul Subsidiary I LTD Partnership	32,700,000	2	1.28%	Walgreen Company	20,178,666	2	1.03%
MHP Parkview Towers LLP(1)	23,410,494	3	0.91%	Tenancy 7333 New Hampshire Ave LLC	16,718,800	3	0.85%
Park Ritchie LLC	21,300,000	4	0.83%	7401 New Hampshire Avenue LLC	12,061,000	4	0.61%
Orlo Takoma LLC	17,000,000	5	0.66%	Park Ritchie Apartments	11,357,100	5	0.58%
Takoma Business Center LLC	14,762,200	6	0.58%	Takoma Park Land LLP	9,500,000	6	0.48%
Takoma Tower LP	13,909,500	7	0.54%	Takoma Business Center LLC	9,154,234	7	0.47%
PS Atlantic Coast 2021 B LLC	13,062,200	8	0.51%	Essex House	7,869,000	8	0.40%
Maple View Apartments LLC	10,122,500	9	0.40%	Hampshire Lodging Inc	7,186,100	9	0.37%
Franklin Associates	9,000,000	10	0.35%	Maple View Apartments LLC	6,897,433	10	0.35%
Total	<u>\$ 197,310,994</u>		<u>7.71%</u>	Total	<u>\$ 125,424,900</u>		<u>6.39%</u>

Notes:

(1) MHP Parkview Towers LLP also operates under MHP Hillwood Manor LLC, MHP Edinburgh House LLP, MHP Flower-Maple LLC, MHP Maple Towers LLC, MHP Scattered Site Inc, & MHP TPP LLC.

Sources: Montgomery County & State of Maryland Department of Assessments and Taxation

City of Takoma Park, Maryland

Table 15

Principal Employers
Current Fiscal Year and Nine Years Ago

Employer	Fiscal Year 2021			Fiscal Year 2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Montgomery College	476	1	8.17%	709	2	12.00%
Adventist Healthcare (TP Campus)	300	2	5.15%	-	-	-
Montgomery County Public School	242	5	4.16%	214	3	3.62%
Washington Adventist University (1)	231	3	3.97%	166	5	2.81%
City of Takoma Park	190	4	3.26%	184	4	-
Don Bosco Cristo Rey High School	55	6	0.94%	-	-	-
Takoma Park / Silver Spring Co-Op	50	7	0.86%	-	-	-
IHOP	39	8	0.67%	-	-	-
Republic	15	9	0.26%	-	-	-
Mid Atlantic Seafood	14	10	0.24%	-	-	-
Adventist Healthcare, Inc. (Hospital)	-	-	-	1,600	1	27.07%
Genesis HealthCare - Sligo Creek Center	-	-	-	120	6	2.03%
FirstCare Nursing Services	-	-	-	60	7	1.02%
Expo Emart LLC	-	-	-	30	10	0.51%
Total	1,612		27.68%	3,083		49.06%

(1) Formally Columbia Union College

City of Takoma Park, Maryland

Table 16

Full-Time Equivalent City Government Employees by Function
Last Ten Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
FUNCTION										
General government	18.25	17.75	17.75	16.75	17.25	17.50	17.50	16.95	16.88	16.50
Public safety	67.67	67.45	66.95	65.85	65.64	62.47	62.47	61.83	61.35	59.87
Public works	37.25	37.25	37.25	37.25	37.00	37.00	36.00	34.00	34.00	33.00
Housing and community development	10.63	10.13	9.50	9.38	8.51	9.63	9.75	10.85	11.06	9.79
Recreation and culture	37.92	37.16	37.41	36.22	36.75	36.63	35.14	33.92	28.73	28.57
TOTAL	<u>171.72</u>	<u>169.74</u>	<u>168.86</u>	<u>165.45</u>	<u>165.15</u>	<u>163.23</u>	<u>160.86</u>	<u>157.55</u>	<u>152.02</u>	<u>147.73</u>

Source: City's Finance Department

City of Takoma Park, Maryland

Table 17

Operating Indicators by Function
Last Ten Years

Function	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Safety:										
Crimes reported	901	941	716	712	481	617	664	528	550	550
Dispatched Calls/Events Handled	11,331	10,822	12,618	15,735	20,000	22,323	21,041	19,762	19,382	20,000
Hours-foot/bike patrol	1,754	2,941	4,362	3,925	2,200	2,263	2,200	2,500	3,000	3,000
Physical arrests	112	204	177	351	366	491	399	400	425	450
Calls for service	6,763	9,661	9,408	12,368	12,000	13,737	14,921	14,921	14,012	15,000
Traffic stops	1,632	2,157	3,020	3,367	8,000	8,585	7,593	7,593	5,370	5,000
Parking tickets processed	3,293	3,345	2,962	4,493	4,567	3,550	3,495	3,495	2,939	3,500
Criminal investigations assigned	164	257	520	187	195	229	239	239	214	350
Criminal cases closed	175	65	207	123	103	90	100	100	107	150
Warrants received for service	77	162	309	311	298	473	403	403	236	450
NCIC Validations (Wanted Items/Persons)	535	644	711	903	906	1,015	1,043	1,043	748	1,150
Number of new nuisance complaints	393	613	810	373	346	183	209	210	245	300
Number of nuisance complaints closed	472	242	807	362	310	169	119	95	200	250
Courtesy Notices issued	625	338	723	373	62	1	280	266	140	210
Handbill and flyers removed	1,452	1,066	1,937	2,049	1,905	3,553	9,915	3,429	1,100	1,000
Public Works:										
Permits Processed	842	715	605	488	498	316	297	303	204	193
Vehicles maintained	84	84	89	89	83	82	81	83	80	70
Tons of leaves collected	1,000	1,100	1,500	1,800	1,800	1,750	1,800	1,900	1,900	1,900
Tons of refuse collected	3,477	3,230	3,017	3,237	3,193	3,124	2,990	3,082	3,162	3,284
Tons of recyclables collected	1,449	1,218	1,336	1,320	1,328	1,420	1,506	1,679	1,489	1,470
Tons of yard waste collected	402	434	329	246	168	241	216	491	340	998
Tons of food waste collected (Note 1)	305	278	249	302	212	178	183	150	N/A	N/A
Streets resurfacing (miles)	0.93	1.56	0.92	1.10	0	1.81	1.70	1.76	2.00	1.00
Storm drains inspected (linear feet)	10,582	7,464	8,737	2,828	5,914	4,877	10,918	7,207	23,854	1,029
New storm drain pipes (linear feet)	4	977	1,641	637	598	577	272	439	450	1,027
Replaced storm drain pipes (linear feet)	260	0	7	50	0	260	150	50	88	73
Recreation and culture:										
Library materials circulated	30,101	86,628	115,291	108,900	94,425	96,695	113,074	116,288	114,070	115,973
Library program attendance	5,832	10,192	17,151	18,628	16,798	17,731	16,648	14,612	15,130	14,365
Housing and Community Development:										
Rental housing inspections (Note 2)	109	10,226	13,626	15,440	2,850	1,824	3,100	3,164	3,050	3,000
Number of rental licenses issued	312	328	385	386	500	402	402	436	420	420
Landlord certifications issued	188	160	197	241	225	124	234	148	195	215
Landlord and tenant contacts	1,600	745	540	420	N/A	2,550	2,524	2,605	2,600	2,600
Rent stabilization reports monitored	272	289	321	313	330	329	295	283	260	280
Permit letters issued	375	209	267	291	283	279	268	207	200	234
Rent increase petitions processed	1	0	1	1	0	1	1	2	1	4
General Government:										
Original City TV program hours	294.5	267.5	264	296	215	225	287	311	255	268

Source: Various government departments

Notes: 1 - Data was not routinely collected prior to 2007. Data that is unavailable is labeled as N/A.

2 - Data was provided by Montgomery County based on a tally of the number of units inspected vs number of buildings inspected.

City of Takoma Park, Maryland

Table 18

Capital Asset Statistics by Function
Last Ten Years

Function	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Cars	54	56	56	45	45	45	41	46	45	45
Public Works:										
Sanitation collection trucks	5	5	5	5	5	5	5	5	5	5
Leaf vacuums	10	9	7	7	7	7	7	7	7	7
Stormwater drains (miles)	17.01	17.01	17.01	17.01	17.01	17.01	17.01	17.01	17.01	17.01
Streets (miles)	34.60	34.60	34.60	34.60	34.60	34.60	34.60	34.60	34.60	34.60
Streetlights	78	78	78	78	78	78	78	78	78	78
Recreation and Culture:										
Parks acreage	8.98	8.98	8.98	8.98	8.98	8.98	8.98	8.98	8.98	8.98
Parks	7	7	7	7	7	7	7	7	7	7
Community Centers	1	1	1	1	1	1	1	1	1	1
Vehicles	2	2	2	2	2	2	2	2	2	2

Sources: Various City departments.

Notes: No capital asset indicators are available for the General Government and Housing and Community Development Functions.

City of Takoma Park, Maryland

Table 19

**Miscellaneous Statistical Data
June 30, 2021**

Date of incorporation	1890
Date of adoption of City Charter	1890
Revision of City Charter	2013
Form of government	Council - Manager
Area - square miles	2.4
Miles of streets and sidewalks:	
Streets	34.60
Sidewalks	33.45
Housing:	
Number of housing units	7,161
Number of owner-occupied housing units	6,878
Fire and rescue services	Montgomery County Fire Department
Police protection:	
Number of stations	1
Number of authorized police (sworn officers)	43
Municipal water plant (Washington Suburban Sanitary Commission)	None
Telephone, natural gas and electricity services are furnished by private corporations	
Recreation and parks - number of acres	8.98

	<u>City</u>	<u>School</u>	<u>Park and Planning Commission</u>	<u>Total</u>
Playgrounds	7	2	5	14
Baseball diamonds	1	2	1	4
Football fields	-	1	1	2
Swimming pools	-	1	-	1
Tennis courts	-	4	4	8

Number of schools:	
Elementary (public)	2
Intermediate (public)	1
Private	3
Colleges	2
Election:	
Registered voters - November 2017	11,701
Number of votes cast - November 2017	2,581
Percentage voting	22%

Miscellaneous Statistical Data
June 30, 2021
(continued)

Population by age group
 (Source: U.S. Census Bureau)

Age	2020	2010	2000	1990	1980
Under 5	2,561	1,549	1,237	1,320	955
5 – 17	2,213	2,495	2,261	2,201	2,463
18 – 24	1,843	1,561	2,094	1,567	2,447
25 – 44	5,500	5,350	6,206	7,288	5,842
45 – 64	4,313	4,787	3,972	2,551	2,616
65 – 74	826	973	787	928	1,071
75 and over	373	695	742	845	837
Total	17,629	16,715	16,557	15,855	15,394

City of Takoma Park, Maryland

Table 20

**Schedule of Insurance in Force
June 30, 2021**

Type of Coverage/Company Name	Policy Number	From	To	Limits of Coverage	Premiums
Commercial General Liability - Local Government Insurance Trust	PLP 542500	07/01/20	⁽¹⁾ 7/01/21	\$3,000,000 aggregate - \$1,000,000/occurrence	\$ 20,915
Legal Liability - Local Government Insurance Trust	PLP 542500	07/01/20	⁽¹⁾ 7/01/21	\$3,000,000 aggregate - \$2,500 deductible	\$ 22,017
Comprehensive Auto Liability - Local Government Insurance Trust	PLP 542500	07/01/20	⁽¹⁾ 7/01/21	Physical damage: Comprehensive - \$1,000,000/occurrence, \$500 deductible Collision - \$1,000,000/occurrence, \$500 deductible Bodily Injury and Property Damage - no deductible \$1,000,000/occurrence, \$3,000,000 aggregate	\$ 73,853
Excess Liability - Local Government Insurance Trust	PLP 542500	07/01/20	⁽¹⁾ 7/01/21	Insurance for the City against losses in excess of \$1,000,000 up to an additional \$5,000,000 for automobile liability, commercial general liability, public officials, and police/personal injury liability.	\$ 5,197
Building and Contents (includes boiler and machinery) Local Government Insurance Trust	PLP 542500	07/01/20	⁽¹⁾ 7/01/21	Insured to \$14,454,725, \$1,000 deductible.	\$ 11,673
Chesapeake Employers' Insurance Company - Workers' Compensation	-	07/01/20	⁽¹⁾ 7/01/21	Statutory limit	\$ 407,884
Fidelity Bond - United States Insurance Services	Various	Various	⁽¹⁾ Various	\$15,000 to \$100,000 limits	\$ 12,290

⁽¹⁾ Insurance policy was renewed with the carrier for an additional one-year period.