

*City of Takoma Park
Maryland*



*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2020*

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City of Takoma Park Maryland



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2020

Prepared by: City of Takoma Park, Maryland

*Suzanne R. Ludlow
City Manager*

*Susan Cheung
Director of Finance*

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City of Takoma Park, Maryland

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Introductory Section

City of Takoma Park, Maryland

Office of the City Manager

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Takoma Park, MD 20912
www.takomaparkmd.gov

Suzanne R. Ludlow, City Manager

October 30, 2020

Honorable Members of the City Council
and Residents of the City of Takoma Park, Maryland:

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 generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a certified public accountant. We hereby issue the comprehensive annual financial report (CAFR) for the year ended June 30, 2020.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is 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; that it 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 provided.

CohnReznick LLP, a firm of licensed certified public accountants, has audited the City of Takoma Park, Maryland's financial statements. 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 auditing standards generally accepted in the United States of America 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 to accounting principles generally accepted in the United States of America. 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 17,725 (U. S. Census 2019 estimate).

The City of Takoma Park operates under a Council/Manager form of government. Policy-making and legislative authority are vested in a governing body consisting of seven members (Mayor and six Council members). The City Council is elected on a non-partisan basis. All seven members serve two-year terms. However, in order to move the City's local elections to even-numbered years, the Councilmembers elected in November 2017 are serving three-year terms. Six Councilmembers are elected by wards. The Mayor is elected at large. 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 responsible for implementing the policies and ordinances of the City Council, overseeing the day-to-day operations of the government, and appointing the heads of various departments.

The City provides a range of municipal services including, but not limited to, police protection, solid waste and recycling collection, storm drainage maintenance, street and park maintenance, snow removal, housing and property inspections, and recreation.

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 2010 Census, the City had a total of 7,162 housing units. Of these, 3,444 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 value for Takoma Park was estimated at \$2.51 billion during Fiscal Year 2020. Housing values have risen sharply since 2000, despite a stagnant period during the recession in the late 2000's 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 Langley 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 \$634,000 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-Langley 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 monies 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 monies 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.

RELEVANT 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.

MAJOR INITIATIVES

City activities in Fiscal Year 2020 were largely focused on these City Council priorities:

- Livable Community For All
- Fiscally Sustainable Government
- Environmentally Sustainable Community
- Engaged, Responsive, and Service-Oriented Government
- Community Development for an Improved and Equitable Quality of Life

In addition, the Council is committed to applying a racial equity lens in all decision-making, with the goal of continuing to build an inclusive and equitable community for all Takoma Park residents.

Major accomplishments related to these priorities during Fiscal Year 2020 included the following:

- Adoption of the Housing and Economic Development Strategic Plan and adoption of the Climate Emergency Response Framework Resolution to provide direction on steps to reduce greenhouse gases and to become more resilient to the longer-duration storms and increased heat associated with climate change.
- Significant progress on the Flower Avenue Green Street Project which includes street, pedestrian safety, and stormwater improvements and that involves significant coordination with utilities, State agencies, and adjacent residential and commercial property owners.
- Continued architectural and engineering design work for the proposed Library renovation.
- Community engagement work regarding redevelopment of the Takoma Park Recreation Center and identifying a vision for the site and potential future uses.
- Rapid pivoting to assist business, renters, landlords, homeowners and City staff as the COVID-19 pandemic came to the area in March 2020.

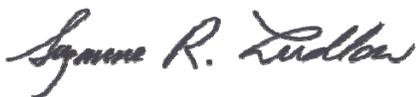
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Takoma Park for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. This was the fourteenth 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 CAFR 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 CAFR 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, particularly Finance Director Susan Cheung. We are grateful to the City's independent auditor, CohnReznick LLP, for the professional assistance provided during the course of the audit. Finally, we would 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,



Suzanne R. Ludlow
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

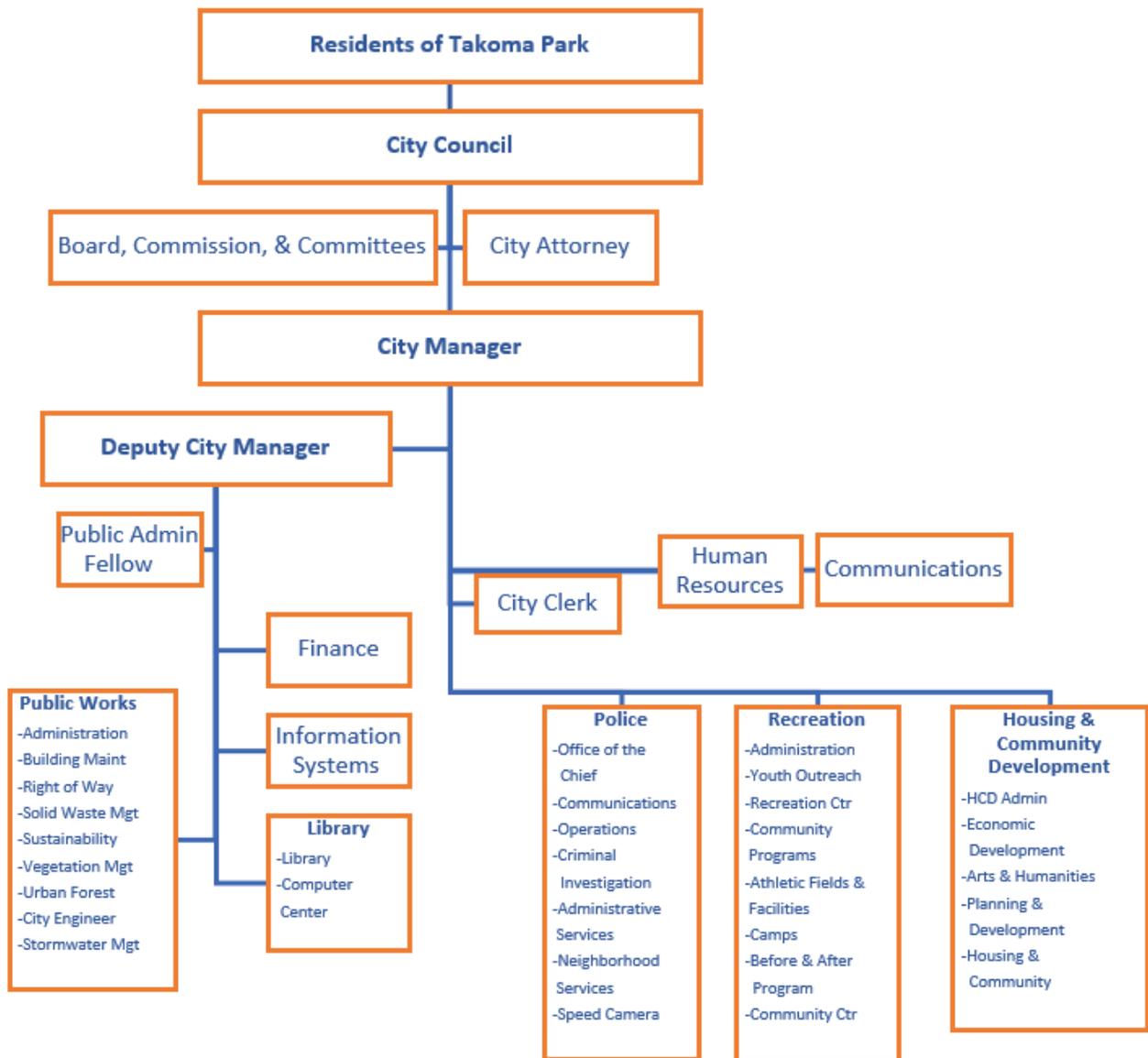
June 30, 2019

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, 2020

MAYOR
KATE STEWART

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

CITY MANAGER
SUZANNE R. LUDLOW

DEPUTY CITY MANAGER
JESSICA CLARKE

DIRECTOR OF FINANCE
SUSAN CHEUNG

INDEPENDENT AUDITORS
CohnReznick LLP

Prepared by the Finance Department

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Financial Section

Independent Auditor's Report

To the City Council
City of Takoma Park, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparison for the General, Speed Camera, and Special Revenue Funds of the City of Takoma Park, Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the 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, 2020, and the respective changes in financial position and the budgetary comparison for the General, Speed Camera, and Special Revenue Funds thereof 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 - 33 and the schedules of changes in the City's net pension liability and related ratios, the City's proportionate share of the net pension liability and pension plan contribution 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 financial statements 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 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 and 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020 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 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 30, 2020

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2020

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, 2020. The intent of this discussion and analysis is to view 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 2020 by \$42,248,234 (net position). This represents an increase of \$5,467,316. The change in the net position is the result of net surplus of revenues (\$32,196,545) over expenditures (\$26,729,229). Compared to 2019, there is a net revenue increase of \$2,576,629 and net expenditure increase of \$892,142. Approximately 6 percent or \$145,871 of the revenue variance from the prior year was due to an increase in real property tax (\$273,028), which was offset by a (\$92,019) decrease in personal property tax. Almost 99% or \$2.57 million was due to increases in Operating Grants which included the Homeland Security grant and CARES Act totaling (\$129,455), Police Rebate (\$68,049), WSSC Flower Ave Green Street (\$2,065,117), CDBG ADA Sidewalk project (\$259,350), and Transportation Grant (\$333,437). The increase was offset by the reduction of grant funds from Community Legacy (\$25,000), Lincoln Avenue and Safe Route to School project (\$423,396) and the reduction of charges for services from Recreation programs (\$196,294) and Speed Camera Fines (\$140,499).
- Of the City's total net position, the unrestricted net position increased from (\$3,614,231) in Fiscal Year 2019 to (\$3,800,802) in Fiscal Year 2020. The unrestricted net position is in deficit due primarily to the required reporting of the net pension liability of \$14,825,283 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 Employee's Retirement plan.
- As of June 30, 2020, the City of Takoma Park's governmental funds reported combined ending fund balances of \$24,798,926, a decrease of \$200,662 or 0.80 percent from the prior year. The decrease in fund balance was mainly due to the operational deficit in the General Fund of \$378,245. The operating loss was offset by gains in Speed Camera Fund of \$29,022, Special Revenue Fund of \$35,946 and other non-major funds including the Stormwater Fund of \$112,615. The ending fund balances of \$24,798,926 include \$6,304,957 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 expenditures in the General Fund.
- At the end of Fiscal Year 2020, the unassigned fund balance for the General Fund was \$6,304,957 or 24.0 percent of total General Fund expenditures.
- The City of Takoma Park's long-term debt decreased by \$1,090,793 during the fiscal year. The decrease was primarily due to the annual principal payments on existing bond debts totaling \$599,000, an increase of \$56,345 in Compensated Absences, and a decrease of \$548,138 in Net Pension Liability.

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2020

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 36 and 37 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

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2020

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, Community Center 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 - 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 36 - 44 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 45 and 46 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 47 - 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 \$42,248,234 as of June 30, 2020. 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 \$32,343,257 or 76.6 percent of the City's net position as of June 30, 2020. Due to the nature of these assets, they are not available for future spending.

The unrestricted portion of the net position was a deficit totaling \$3,800,802. This category represents the amounts that the City may use to meet the City's ongoing obligations to its residents and creditors. The deficit unrestricted net position resulted from the reporting of the net pension liability of \$14,825,283 related

City of Takoma Park, Maryland

**Management's Discussion and Analysis
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to the City's two pension 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 (\$13,705,779 or 32.4 percent) reflects the City's restricted net position, primarily comprised of monies related to the Infrastructure 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 net position increased by \$5,467,316. Factors contributing to this growth include the increase in property tax of \$145,871, operating grants totaling \$2,568,233 and intergovernmental earnings of \$335,105. The intergovernmental revenue increases are due to an increase in Flower Avenue Transportation grant of about \$133,437, an increase in two New Avenue Bikeway grants of about \$148,781, and State Highway User revenues of about \$51,678. The following table reflects the City's net position as of June 30, 2020 compared to June 30, 2019.

**Governmental Activities
Statement of Net Position**

	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 29,491,929	\$ 30,620,674
Capital assets, net	<u>41,395,757</u>	<u>36,809,143</u>
 Total assets	 <u>70,887,686</u>	 <u>67,429,817</u>
 Deferred outflows of resources	 <u>2,650,273</u>	 <u>5,642,754</u>
Liabilities		
Current and other liabilities	4,141,297	5,227,477
Long-term liabilities	<u>24,128,944</u>	<u>25,523,273</u>
 Total liabilities	 <u>28,270,241</u>	 <u>30,750,750</u>
 Deferred inflows of resources	 <u>3,019,484</u>	 <u>5,540,903</u>
Net position		
Net investment in capital assets	32,343,257	27,157,643
Restricted	13,705,779	13,237,506
Unrestricted	<u>(3,800,802)</u>	<u>(3,614,231)</u>
 Total net position	 <u><u>\$ 42,248,234</u></u>	 <u><u>\$ 36,780,918</u></u>

City of Takoma Park, Maryland

**Management's Discussion and Analysis
June 30, 2020**

Governmental Activities

Governmental activities increased the City of Takoma Park's net position by \$5,467,316 during Fiscal Year 2020, 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**

	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues:		
Charges for services	\$ 2,818,215	\$ 3,202,815
Operating grants and contributions	9,556,806	6,988,573
Capital grants and contributions	223,874	308,675
General revenues:		
Property taxes	13,600,777	13,454,906
Intergovernmental	5,399,612	5,064,507
Miscellaneous	216,147	238,685
Unrestricted investment earnings	381,114	361,755
Total revenues	<u>32,196,545</u>	<u>29,619,916</u>
Expenses		
General Government	4,682,369	4,931,594
Public Safety	9,261,998	8,369,157
Public Works	6,774,672	6,721,099
Housing and Community Development	1,788,399	1,430,386
Recreation and Culture	3,907,157	4,055,202
Interest on long-term debt	314,634	329,649
Total expenses	<u>26,729,229</u>	<u>25,837,087</u>
Change in net position	5,467,316	3,782,829
Net position, beginning of year	<u>36,780,918</u>	<u>32,998,089</u>
Net position, end of year	<u>\$ 42,248,234</u>	<u>\$ 36,780,918</u>

Overall revenues increased \$2,576,629 from Fiscal Year 2019 to Fiscal Year 2020. In program revenues, operating grants and contribution increased \$2,568,233 but the charges for services decreased \$384,600 and capital grants decreased \$84,801. In general revenues, property tax revenue increased \$145,871, and intergovernmental revenues increased \$335,105. In addition, the investment earnings increased \$19,359 but miscellaneous revenues decreased \$22,538.

Capital grants and contributions decreased \$84,801, primarily due to the decrease of \$74,363 in the State and County Memorandum of Understanding (MOU) project revenue and the decrease of cable equipment revenue

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2020

of \$10,438. Operating grants and contributions increased totaling \$2,568,233, due to the significant increase of WSSC-Flower Avenue Green Street grant revenue (\$2,065,117), the Homeland Security grant and CAREs Act revenue totaling (\$129,455) and Police rebate and protection program (\$76,258). In addition, the increase of Operating Grants also includes the CDBG Americans with Disabilities Act (ADA) Sidewalk grant (\$259,350), the Flower Avenue Green Street transportation funding from Montgomery County of (\$333,437), and the New Avenue Bikeway grants of (\$148,781). The increase was offset by the revenue reduction in the Safe Route to School Maryland State Highway Administration-funded program of \$423,396.

Charges for services decreased \$384,600. This variance was primarily due to the \$196,294 decrease in Recreation and Cultural revenues and the \$140,499 decrease in speed camera fines in the Public Safety category. In addition, other charges for services decreases include passport services (\$23,475), summons and forfeitures (\$15,057) and waste collection fees (\$15,408).

Miscellaneous revenue decreased \$22,538, primarily due to cancellation of TKPK 5K Race (\$29,367) as a result of the COVID-19 pandemic during the summer. During Fiscal Year 2020, the donation that the City received is \$99,648 less than the prior year. The revenue reduction is offset by increases in other miscellaneous revenues which include a FEMA Assistance grant (\$44,853), sales of city property (\$23,349) and other revenue increases such as insurance claims totaling \$37,304.

Expenses increased by \$892,142 from Fiscal Year 2019 to Fiscal Year 2020. General Government expenses decreased \$249,225 primarily due to the \$82,565 reduction in Workers' Compensation Insurance premium, the \$22,940 reduction of provision for allowance for uncollected tax and the reduction of Partnership Program costs of \$15,630. The remaining variance was due to decreases of \$56,917 in contract costs in the City Administration, and the overall salary, and fringe benefit cost reduction in the General Government.

Public Safety expenses are \$892,841 higher than those for Fiscal Year 2019. The variance is primarily due to a \$527,684 increase in police pension expenses in Fiscal Year 2020. In addition, the increase in salary and fringe benefits including hazard pay totaled \$292,283 across all Public Safety divisions.

Public Works expenses increased \$53,573 primarily due to the \$196,215 increase in depreciation expenses, and the increase of \$23,239 in pension expenses. The increase is offset by the reduction of \$133,471 contract cost in the Administration Division due to the creation of the Sustainability Division in FY20. Some of the major sustainability projects in Administration were undertaken by the division manager.

Housing and Community Development expenses increased \$358,013 due primarily to the \$208,590 increase in contract costs in planning and development and the \$112,412 increase in the COVID Emergency Small Business Mini Grant Assistance program implemented since March of FY2020.

Recreation and Culture expenses decreased \$148,045 from Fiscal Year 2019 to Fiscal Year 2020. The decrease was primarily due to decrease of \$25,905 in depreciation expenses, decrease of \$19,715 in compensated absences and overall decrease of over \$102,000 in recreation program and cultural activity cost due to the cancellation of programs during the COVID-19 pandemic in the Recreation, Communications and Library Departments.

Interest on long term debt decreased \$15,015 from Fiscal Year 2019 to Fiscal Year 2020, due to the principal paydown of the City's four outstanding bond funds including the Transportation Bond Series 2017, Library and Community Center Bond Series 2017, the Community Center Bond 2015 Series and the Public Works Facility Bond. The Public Works Facility bond was completely paid off by June 2020.

City of Takoma Park, Maryland

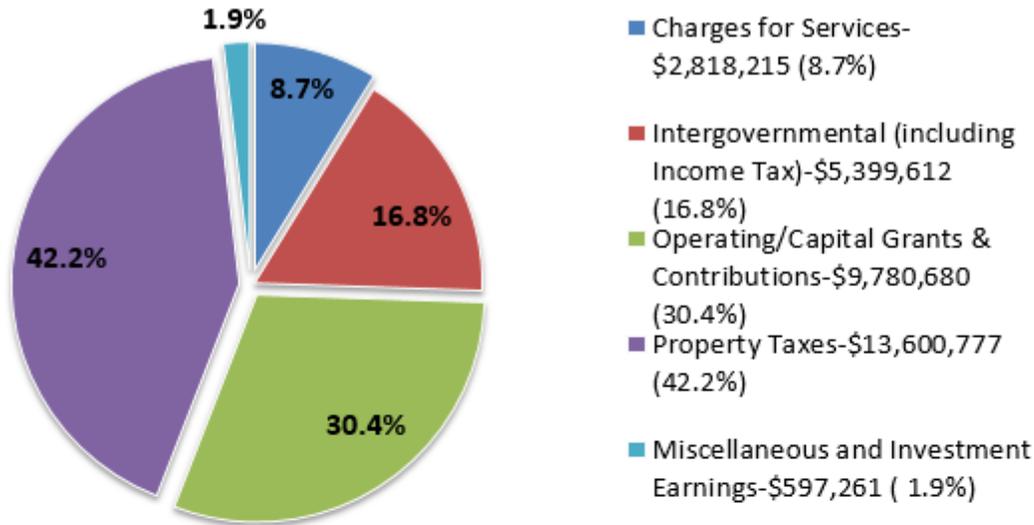
**Management's Discussion and Analysis
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As shown previously, the cost of all governmental activities was \$26,729,229. Those who directly benefited from the services paid \$2,818,215 of the activity costs. The City also received operating and capital grants and contributions from other governments and organizations totaling \$9,780,680, which reduced the amount paid by City residents for certain services. The net cost of the City's governmental activities totaled \$14,130,334 and was funded with general revenues, including property taxes and intergovernmental revenues.

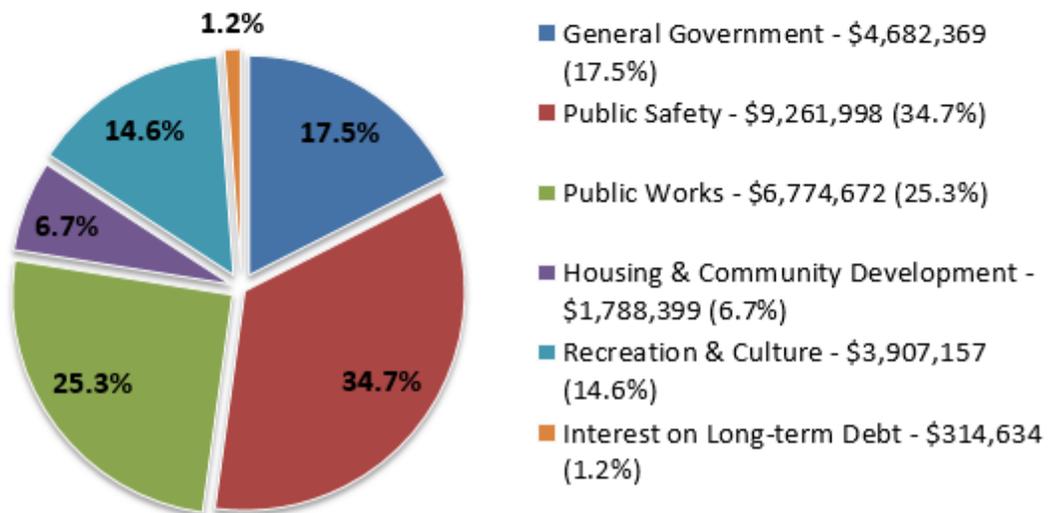
City of Takoma Park, Maryland
Management's Discussion and Analysis
June 30, 2020

Governmental Activities
Fiscal Year Ended June 30, 2020

Revenues



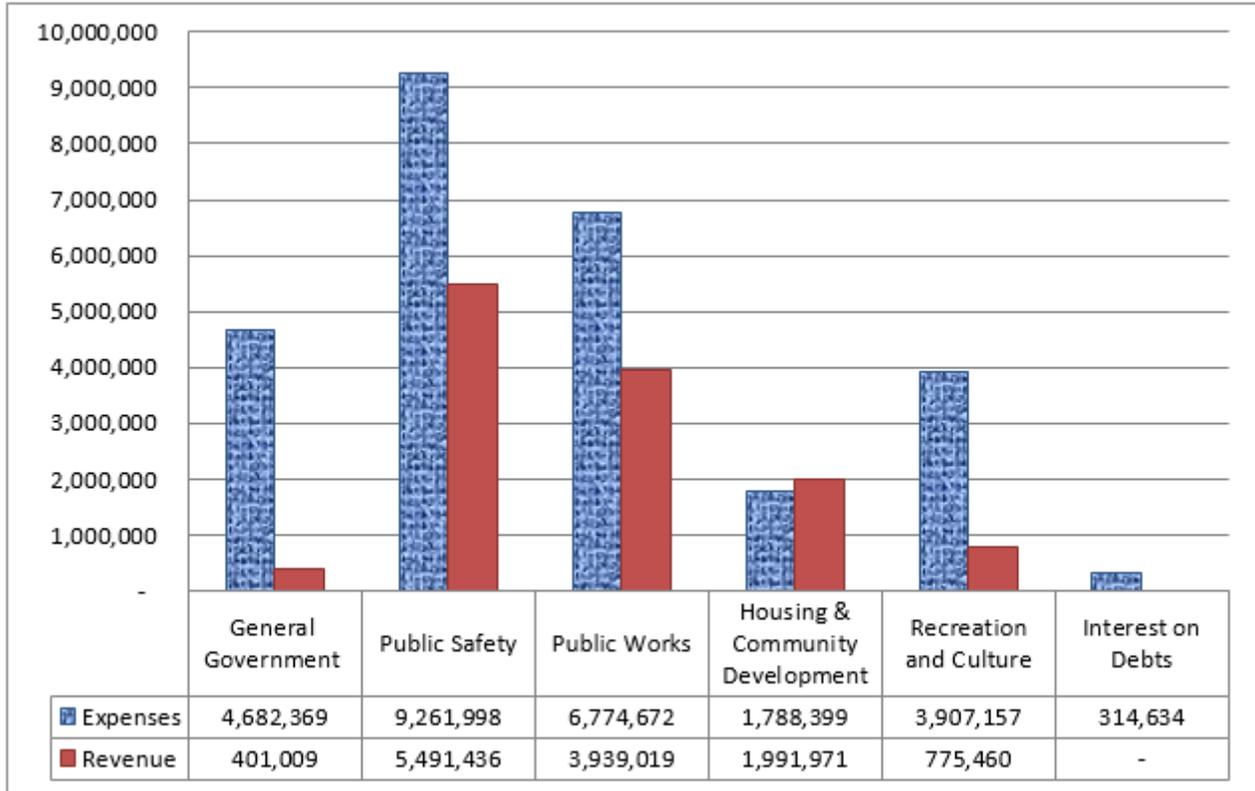
Expenses



City of Takoma Park, Maryland

**Management's Discussion and Analysis
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**Governmental Activities
Comparison of Program Revenues versus Expenses
Fiscal Year Ended June 30, 2020**



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, 2020, the City's governmental funds had combined fund balances of \$24,798,926, a decrease of \$200,662 from the prior year. This decrease in fund balance is due primarily to the \$378,245 deficiency of revenue over expenditure in General Fund in Fiscal Year 2020. Approximately 48.9 percent of the fund balance amount is restricted or considered "non-spendable" and is not available for new spending. The portion of the fund balance that is restricted or not available for spending totals \$12,123,213. The use of these funds is restricted for expenditures primarily for street improvement, speed camera, 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 \$20,364,013, a decrease of \$378,245 from Fiscal Year 2019. The decrease is due to the higher operating expenditures over operating revenues from City departments.

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2020

The General Fund balance includes \$97,516 which is restricted for street improvements, \$7,968,565 which is designated for bond payment and \$16,112 which is nonspendable (e.g., deposits and prepaid expenditures). A portion of the General Fund balance, totaling \$14,034,944 or 68.9 percent, is committed for the following purposes:

The unassigned portion of the General Fund's fund balance as of June 30, 2020 is \$6,304,957. The General Fund total fund balance is \$20,364,013.

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 2020 totaled \$886,614. 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 \$573,186 at June 30, 2020. 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 \$3,460,823 as of June 30, 2020. Most of the fund balance is restricted for the acquisition of cable equipment. The amount that is restricted for cable equipment is \$3,433,130. 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 primarily to the \$35,946 excess of program revenues over expenditures.

The City has three non-major funds: the Stormwater Management Fund, the Rehabilitation Loans and Grants Fund, and the Community Center 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 \$393,893 as of June 30, 2020.

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 \$7,011 as of June 30, 2020. 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 2020, 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 as of June 30, 2020.

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, there were net increases totaling \$960,389 in General Fund expenditure appropriations between the original and the final budget, but a decrease of \$4.1 million between the final budget and the actual expenditures. The largest decrease in appropriations was related to capital outlay. The net decrease in the budget for the capital outlay was \$2,459,349. These projects included Library construction (decreased \$277,631), the Flower Avenue Green Street project (decreased \$1,146,909), Equipment Reserve expenditure (decrease \$200,577), Building Maintenance expenditures (decrease \$361,120) and Sidewalk projects (decrease \$187,205). The reduction in appropriations was due to project delays. In addition, there were budget decreases in various departments including General Government (decrease \$838,192), Public Works (decrease \$394,612), Housing and Community Development (decrease \$234,218), and Recreation and Culture (decrease \$323,212). The reduction in the expenditure appropriation was primarily due to the City Facility closing and cancellation of recreational and cultural activities during the COVID-19 pandemic.

On a budgetary basis, actual revenues for the fiscal year were more than the final amended budget by \$490,974. The increases were due to income tax, and personal property collection that exceeded the budgeted amounts by \$403,063; but in fines and forfeitures income, including public parking facilities and summons and forfeitures, the revenues were lower than the budgeted amount by \$119,317. Intergovernmental income was \$144,947 higher than the budgeted amount. In addition, actual revenues were higher than expected from use of money of \$102,726, which included the interest earned in unused bond funds in the amount of \$63,177. Recreation charges for services revenues were below the budgeted amount by \$95,687 which included revenues decrease from summer camp (\$34,559), and facility rental (\$34,723).

Actual General Fund expenditures were \$4,056,346 less than the revised budget authorization. General Government expenditures were \$931,842 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 \$127,868 less than budgeted. Housing Fund expenditures were \$200,000 less than budgeted and COVID Emergency Assistance grants were \$139,150 less than budgeted.

Contractual services and personnel costs in Legislative Government, Legal Services and other General Government divisions were \$194,699 less than budgeted. Labor and employment legal service contract costs were \$64,373 less than budgeted. Computer support and contractual expenditures for the digitizing of City records and the assessment of the Information Technology functions were \$21,602 less than budgeted. Overall division fringe benefit costs were \$125,061 less than budgeted.

Public Safety expenditures were \$168,058 less than budgeted due to lower than expected salary and fringe benefit costs in the Operation and Administration Services divisions.

Public Works expenditures were \$153,112 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 \$250,942. In the Vegetation Management division, lower than anticipated expenditures included salary and fringe benefits totaling \$63,386 primarily due to the vacant vegetation management supervisor position. In the Right of the Way division, the material cost for snow removal was \$35,658 less than budgeted. The decreases were offset by increase in expenditures including \$80,906 in building electricity and \$94,987 in street lights.

City of Takoma Park, Maryland

**Management's Discussion and Analysis
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Housing and Community Development expenditures were \$159,218 less than budgeted. Overall personnel costs were down slightly due to the vacant positions. Contract and program services were down \$181,681 due to delays in the implementation of projects that were deferred and a lower than anticipated need for contracted services. In the Planning division, site improvement costs, including the streetscape improvements, were \$47,246 lower than budgeted.

Expenditures for Recreation and Culture were \$183,442 less than budgeted. Recreation and Culture activities include those of the Recreation, Library and Communications Departments. In the Recreation divisions, the actual contract expenditures were \$76,724 lower than budgeted. The variance of \$77,538 in personnel costs was attributed to the overall staffing cost reduction due to program cancellation. The Library's expenditures were \$11,483 under the budgeted amount mainly due to the reduction of personnel related salaries and fringe benefits.

Capital Outlay expenditures were \$2,459,349 less than the final budgeted amounts, primarily due to project delays. Expenditures anticipated for the construction work on the Flower Avenue Green Street projects were \$1,146,909 lower than budgeted. The Library construction project was \$277,631 less than budgeted due to project delay. Sidewalk construction costs were \$187,205 lower than budgeted. Building Maintenance expenditures were \$361,120 lower due to the delay in Police Department renovations and the third-floor renovation.

CAPITAL ASSET AND DEBT ADMINISTRATION

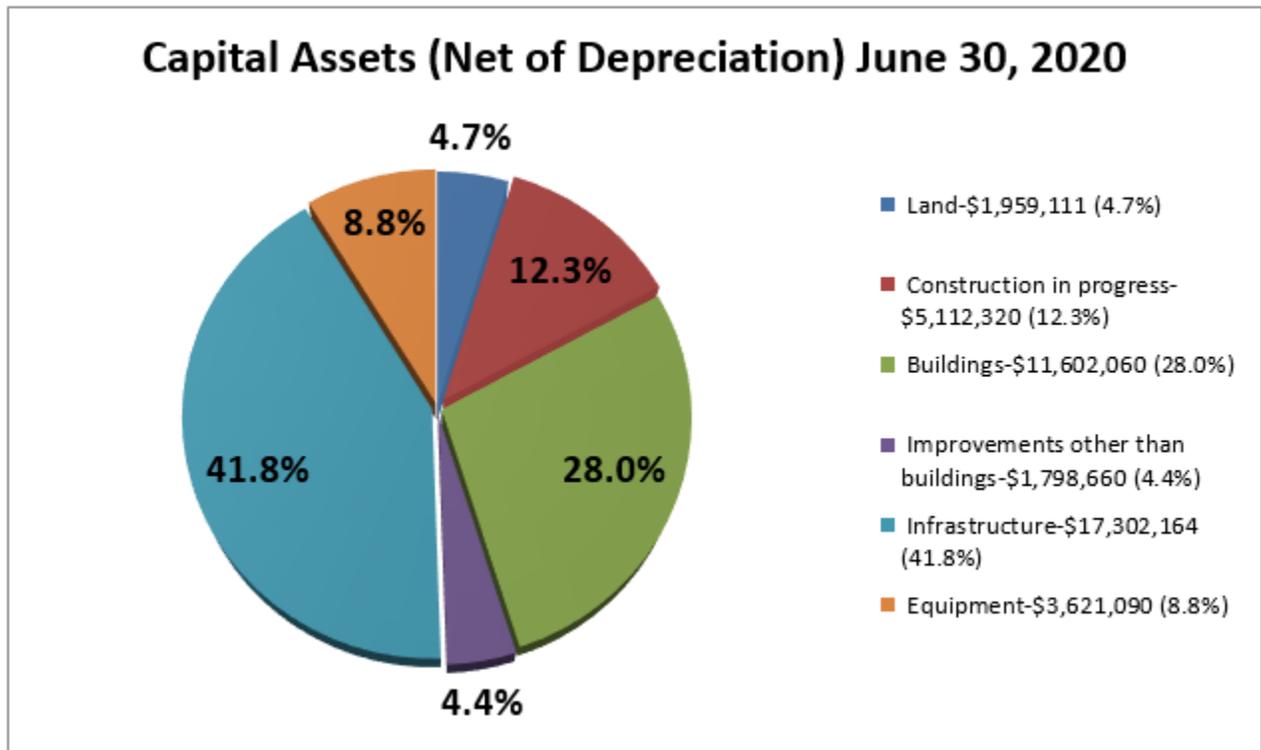
Capital Assets

As of June 30, 2020, the City of Takoma Park's investment in capital assets (buildings, roads and other infrastructure, vehicles, and equipment) for its governmental activities totaled \$41,395,757 (net of accumulated depreciation). This amount represents an increase of \$4,586,614 from the prior year. The increase was attributable to asset additions totaling \$6,888,063, net of depreciation expense of \$2,268,211, and asset disposals with a book value of \$33,238. Asset additions made during the fiscal year included vehicles (\$428,765) for Public Safety, City Administration and Public Works, equipment for Public Works (\$252,195), and media audio and video equipment for Recreation and Culture (\$141,352). Infrastructure improvements totaling \$1,893,516 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	
	<u>2020</u>	<u>2019</u>
Capital Assets (net of depreciation)		
Land	\$ 1,959,111	\$ 1,959,111
Construction in progress	5,112,320	1,072,875
Buildings	11,603,751	11,830,804
Improvements other than buildings	1,797,320	1,855,308
Infrastructure	3,626,066	3,899,587
Equipment	17,297,189	16,191,458
Total	<u>\$ 41,395,757</u>	<u>\$ 36,809,143</u>

City of Takoma Park, Maryland

Management's Discussion and Analysis
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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 58 of this report.

Debt Administration

At year-end, the City had \$10,206,197 in outstanding debt, a decrease of \$542,655 or about 5.1 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 (\$599,000), and net of the increase of \$56,345 in compensated absences.

The City's aggregate net pension liability totaled \$14,825,283 at year-end, a decrease of \$548,138 from the prior year. The decrease of \$548,138 is the net between \$7,729 increase in the State Pension Plan liability and \$555,867 decrease in Police Pension Plan liability. 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.

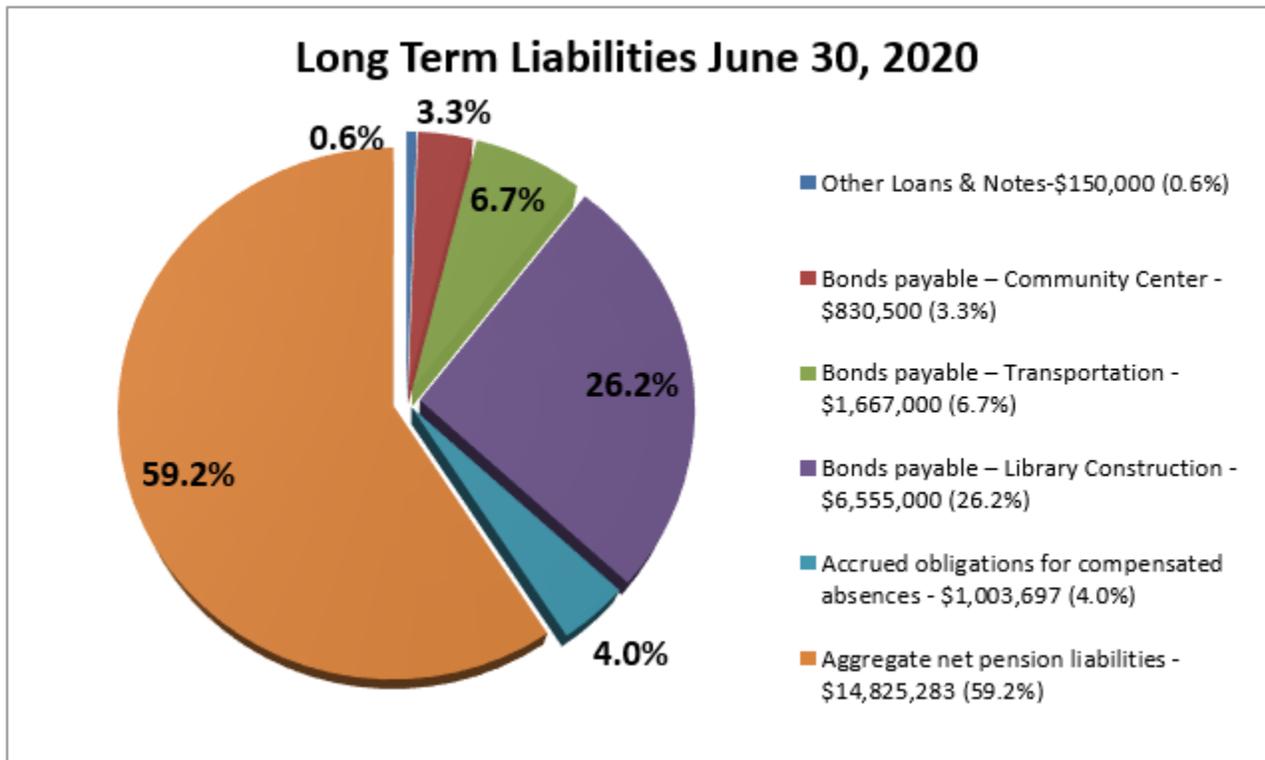
City of Takoma Park, Maryland

**Management's Discussion and Analysis
June 30, 2020**

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.

Governmental Activities

	<u>2020</u>	<u>2019</u>
Long-Term Liabilities		
Loan payable - Maryland Department Housing Community Development	\$ 150,000	\$ 150,000
Bond payable - Community Center (2015)	830,500	982,000
Bond payable - Public Works Facility	-	170,000
Bond payable - Library Construction (2017)	1,667,000	1,786,500
Bond payable - Transportation (2017)	6,555,000	6,713,000
Accrued obligations for compensated absences	1,003,697	947,352
Aggregate net pension liabilities	<u>14,825,283</u>	<u>15,373,421</u>
Total	<u><u>\$ 25,031,480</u></u>	<u><u>\$ 26,122,273</u></u>



Additional information on the City's long-term debt can be found in Note 11 - Non-Current Liabilities on pages 59 - 61 of this report.

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2020

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, 2020:

- Projected increase of approximately \$476,154 in real property tax revenue from the prior fiscal year's budgeted amount based upon the projected taxable values.
- Real property tax revenues increase by \$420,054 compared to FY20 budgeted revenues.
- Tax duplication ("In Lieu Of") payments from Montgomery County increase by \$100,593, compared to FY20, to \$3,713,236.
- Staffing levels increase by 1.98 full-time equivalents. The net increase reflects two half-time positions – Housing Administrative Assistant and Information Technology Support Staff – increasing to full-time, and adjustments to part-time hours in the Police, Public Works, Recreation and Communications Departments. However, there are several positions that will be held vacant for at least half the year at City Council's discretion.
- Anticipated General Fund expenses of \$313,000 for streets and sidewalks include city bike paths improvements (\$25,000), bus shelter improvements (\$85,000) and new sidewalk design and traffic calming (\$100,000). The FY21 cost of Library design and renovation is expected to be \$3.6 million and is funded by a \$7 million Library Bond.
- Continued funding (\$160,000) for the City's local supplement to the State Homeowner Property Tax Credit Program.
- Contribution of \$600,000 to replenish the Equipment Replacement Reserve Funds from the Equipment Replacement Reserve will be used to replace vehicles and equipment, including four police cars (\$232,000), a pick-up truck (\$41,500), mobile computers (\$50,000), field radio equipment (\$35,000) and license plate readers (\$26,800).
- No fund contribution will be made to the Facility Maintenance Reserve. Funds from the Facility Maintenance Reserve will be used to replace the lobby doors (\$11,000) of the Community Center.
- Financial support for Community Grant programs totaling \$185,000. Funds from the program will be used to provide support for Small Business (\$20,000), Emergency Assistance (\$40,000), Community (STEAM) Grants (\$80,000), Mini Grant (\$20,000) and Emergency Tree Removal (\$25,000).
- Continued financial support for emergency assistance services including the COVID Fund (\$440,000) to supplement donations from the public. (See details in the Non-Departmental section).
- Anticipated expenditures related to Council priorities such as Housing Reserve Fund (\$210,000), and Community Partnership Program (\$125,000).
- Expenditures of \$250,000 in Stormwater Funds for the construction, maintenance, and repair of storm drains, inlets, channels, and ditches, in Grant and Holly Avenue (\$30,000), Sligo Mill dead end erosion control (\$70,000) and construction of the Takoma Branch Stream Restoration Phase Two (\$150,000).

City of Takoma Park, Maryland

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- Funding in the amount of \$1,333,330 in Special Revenue Funds for special projects, including \$740,330 for the Flower Avenue Green Street Project, \$152,000 funding for the New Hampshire Avenue Bikeway, \$91,000 for CDBG Houston Court.
- Anticipated expenditures of \$51,000 from Speed Camera Fund revenues. Expenditures included purchase of camera trailer (\$33,000), and bike patrol unit equipment (\$18,000).

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, 2020**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 11,966,286
Investments	3,764,323
Restricted investments	7,968,565
Accounts receivable, net	230,984
Notes receivable, net	5,273
Due from other governments	5,540,386
Other assets	16,112
Capital assets, net	
Non-depreciable	7,071,431
Depreciable	<u>34,324,326</u>
Total assets	<u>70,887,686</u>
Deferred outflows of resources - pension related	<u>2,650,273</u>
Liabilities	
Accounts payable	2,185,122
Accrued liabilities	441,305
Deposits and escrows held	165,645
Due to other governments	208,869
Unearned revenue	237,820
Non-current liabilities:	
Due within one year	902,536
Due in more than one year	<u>24,128,944</u>
Total liabilities	<u>28,270,241</u>
Deferred inflows of resources - pension related	<u>3,019,484</u>
Net position	
Net investment in capital assets	32,343,257
Restricted for:	
Public safety	573,186
Cable equipment	3,433,130
Loans	7,011
Streets	8,066,081
Emergency expenses	520,169
Housing	1,078,509
Justice forfeiture	27,693
Unrestricted	<u>(3,800,802)</u>
Total net position	<u><u>\$ 42,248,234</u></u>

See Notes to Financial Statements.

City of Takoma Park, Maryland
Statement of Activities
For the Fiscal Year Ended June 30, 2020

<u>Functions/Programs</u>	Program revenues			Net (expense) revenue and changes in net position	
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
Governmental activities					
General government	\$ 4,682,369	\$ 66,857	\$ 129,455	\$ 204,697	\$ (4,281,360)
Public safety	9,261,998	1,152,010	4,339,426	-	(3,770,562)
Public works	6,774,672	819,938	3,099,904	19,177	(2,835,653)
Housing and community development	1,788,399	344,382	1,647,589	-	203,572
Recreation and culture	3,907,157	435,028	340,432	-	(3,131,697)
Interest on long-term debt	314,634	-	-	-	(314,634)
Total governmental activities	\$ 26,729,229	\$ 2,818,215	\$ 9,556,806	\$ 223,874	(14,130,334)
General revenues					
Taxes					
Property taxes, levied for general purposes					13,600,777
Intergovernmental - unrestricted					5,399,612
Miscellaneous					216,147
Unrestricted investment earnings					381,114
Total general revenues					19,597,650
Change in net position					5,467,316
Net position, beginning of year					36,780,918
Net position, end of year					\$ 42,248,234

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Balance Sheet -
Governmental Funds
June 30, 2020**

	General Fund	Speed Camera Fund	Special Revenue Fund	Non-Major Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 7,133,154	\$ 4,539,539	\$ -	\$ 293,593	\$ 11,966,286
Investments	3,764,323	-	-	-	3,764,323
Restricted investments	7,968,565	-	-	-	7,968,565
Receivables, net					
Taxes	217,358	-	-	-	217,358
Notes	-	-	-	5,273	5,273
Other	2,535	-	-	11,091	13,626
Due from other funds	3,915,803	5,959	417,842	688,448	5,028,052
Due from other governments	2,038,045	-	3,499,991	2,350	5,540,386
Other assets	16,112	-	-	-	16,112
Total assets	25,055,895	4,545,498	3,917,833	1,000,755	34,519,981
Deferred outflows of resources					
	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 25,055,895	\$ 4,545,498	\$ 3,917,833	\$ 1,000,755	\$ 34,519,981
Liabilities					
Accounts payable	\$ 1,609,312	\$ 54,265	\$ 387,854	\$ 133,691	\$ 2,185,122
Accrued expenditures	360,659	4,074	-	2,228	366,961
Deposits and escrows held	121,373	-	8,185	36,087	165,645
Due to other funds	898,756	3,913,973	5,959	209,364	5,028,052
Due to other units of government	-	-	-	208,869	208,869
Unearned revenue	182,808	-	55,012	-	237,820
Total liabilities	3,172,908	3,972,312	457,010	590,239	8,192,469
Deferred inflows of resources					
Unavailable revenues	1,518,974	-	-	9,612	1,528,586
Fund balances					
Nonspendable	16,112	-	-	-	16,112
Restricted	8,066,081	573,186	3,460,823	7,011	12,107,101
Committed	5,976,863	-	-	-	5,976,863
Assigned	-	-	-	393,893	393,893
Unassigned	6,304,957	-	-	-	6,304,957
Total fund balances	20,364,013	573,186	3,460,823	400,904	24,798,926
Total liabilities, deferred inflows of resources and fund balances	\$ 25,055,895	\$ 4,545,498	\$ 3,917,833	\$ 1,000,755	\$ 34,519,981

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, 2020**

Total fund balances - Governmental Funds	\$ 24,798,926
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 \$71,806,589 and the accumulated depreciation is \$30,410,832.	41,395,757
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(10,206,197)
Interest on long-term debt and other expenses are not accrued in governmental funds, but rather are recognized as an expenditure when due.	(74,344)
Net pension liability is recognized as a liability on the Statement of Net Position but not in the fund financial statements.	(14,825,283)
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.	2,650,273
Deferred inflows of resources related to pension liability and earnings on pension plan investments are not reported in the fund financial statements.	(3,019,484)
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>1,528,586</u>
Total net position - Governmental Activities	<u><u>\$ 42,248,234</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, 2020**

	General Fund	Speed Camera Fund	Special Revenue Fund	Non-Major Funds	Total Governmental Funds
Revenues					
Taxes and utility fees	\$ 17,834,679	\$ -	\$ -	\$ -	\$ 17,834,679
Licenses and permits	66,943	-	-	-	66,943
Fines and forfeitures	174,189	886,614	-	-	1,060,803
Use of money and property	345,126	35,408	-	580	381,114
Charges for services	980,290	-	-	704,867	1,685,157
Intergovernmental	6,322,333	-	4,208,991	-	10,531,324
Miscellaneous	163,403	-	9,266	4,992	177,661
Total revenues	25,886,963	922,022	4,218,257	710,439	31,737,681
Expenditures					
General government	4,167,507	-	-	-	4,167,507
Public safety	8,385,130	850,163	-	-	9,235,293
Public works	4,941,627	-	-	377,946	5,319,573
Housing and community development	1,683,210	-	16,454	-	1,699,664
Recreation and culture	3,615,942	-	-	-	3,615,942
Capital outlay	2,555,389	42,837	4,165,857	219,878	6,983,961
Debt service					
Principal	599,000	-	-	-	599,000
Interest	317,403	-	-	-	317,403
Total expenditures	26,265,208	893,000	4,182,311	597,824	31,938,343
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(378,245)	29,022	35,946	112,615	(200,662)
Net changes in fund balances	(378,245)	29,022	35,946	112,615	(200,662)
Fund balances, beginning of year	20,742,258	544,164	3,424,877	288,289	24,999,588
Fund balances, end of year	\$ 20,364,013	\$ 573,186	\$ 3,460,823	\$ 400,904	\$ 24,798,926

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, 2020**

Total net change in fund balances - Governmental Funds	\$ (200,662)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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 (\$6,888,063) exceeds depreciation expense (\$2,268,211) in the period.</p>	4,619,852
<p>In the statement of activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the changes in fund balances by costs of the capital assets sold (\$535,137) less any accumulated depreciation (\$501,899).</p>	(33,238)
<p>In the statement of activities, compensated absences are measured by the 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 \$56,345.</p>	(56,345)
<p>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 2020.</p>	599,000
<p>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.</p>	77,076
<p>Interest (expense) in the statement of activities differs from the amount reported in governmental funds due to the net increase in accrued interest.</p>	2,769
<p>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 decrease in "unavailable" revenues at the end of the year over the amount at the beginning of the year.</p>	458,864
Change in net position of Governmental Activities	<u>\$ 5,467,316</u>

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, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues				
Taxes and utility fees	\$ 17,466,116	\$ 17,431,616	\$ 17,834,679	\$ 403,063
Licenses and permits	76,804	68,804	66,943	(1,861)
Fines and forfeitures	220,000	220,000	174,189	(45,811)
Use of money and property	242,400	242,400	345,126	102,726
Charges for services	1,283,353	1,177,733	980,290	(197,443)
Intergovernmental	6,206,886	6,177,386	6,322,333	144,947
Miscellaneous	78,050	78,050	163,403	85,353
	<u>25,573,609</u>	<u>25,395,989</u>	<u>25,886,963</u>	<u>490,974</u>
Total revenues				
Expenditures				
Current				
General government	4,967,315	5,099,349	4,167,507	931,842
Public safety	8,284,310	8,553,188	8,385,130	168,058
Public works	5,163,060	5,094,739	4,941,627	153,112
Housing and community development	1,867,683	1,842,428	1,683,210	159,218
Recreation and culture	3,935,154	3,799,384	3,615,942	183,442
Capital outlay	4,225,915	5,014,738	2,555,389	2,459,349
Debt service	917,728	917,728	916,403	1,325
	<u>29,361,165</u>	<u>30,321,554</u>	<u>26,265,208</u>	<u>4,056,346</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(3,787,556)</u>	<u>(4,925,565)</u>	<u>(378,245)</u>	<u>4,547,320</u>
Other financing sources (uses)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(3,787,556)	(4,925,565)	(378,245)	4,547,320
Fund balance, beginning of year	<u>20,742,258</u>	<u>20,742,258</u>	<u>20,742,258</u>	<u>-</u>
Fund balance, end of year	<u>\$ 16,954,702</u>	<u>\$ 15,816,693</u>	<u>\$ 20,364,013</u>	<u>\$ 4,547,320</u>

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, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues				
Fines and forfeitures	\$ 1,250,000	\$ 1,250,000	\$ 886,614	\$ (363,386)
Use of money and property - interest income	<u>28,000</u>	<u>28,000</u>	<u>35,408</u>	<u>7,408</u>
Total revenues	<u>1,278,000</u>	<u>1,278,000</u>	<u>922,022</u>	<u>(355,978)</u>
Expenditures				
Public safety	1,070,018	1,018,018	850,163	167,855
Capital outlay	<u>83,000</u>	<u>83,000</u>	<u>42,837</u>	<u>40,163</u>
Total expenditures	<u>1,153,018</u>	<u>1,101,018</u>	<u>893,000</u>	<u>208,018</u>
Net change in fund balance	124,982	176,982	29,022	(147,960)
Fund balance, beginning of year	<u>544,164</u>	<u>544,164</u>	<u>544,164</u>	<u>-</u>
Fund balance, end of year	<u>\$ 669,146</u>	<u>\$ 721,146</u>	<u>\$ 573,186</u>	<u>\$ (147,960)</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, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues				
Intergovernmental	\$ 3,347,741	\$ 4,808,470	\$ 4,208,991	\$ (599,479)
Miscellaneous	<u>57,470</u>	<u>57,470</u>	<u>9,266</u>	<u>(48,204)</u>
Total revenues	<u>3,405,211</u>	<u>4,865,940</u>	<u>4,218,257</u>	<u>(647,683)</u>
Expenditures				
General government	36,300	10,000	-	10,000
Public works	-	-	-	-
Housing and community development	57,470	92,826	16,454	76,372
Capital outlay	<u>3,337,301</u>	<u>4,715,674</u>	<u>4,165,857</u>	<u>549,817</u>
Total expenditures	<u>3,431,071</u>	<u>4,818,500</u>	<u>4,182,311</u>	<u>636,189</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(25,860)	47,440	35,946	(11,494)
Other financing sources (uses)				
Transfer from General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(25,860)	47,440	35,946	(11,494)
Fund balance, beginning of year	<u>3,424,877</u>	<u>3,424,877</u>	<u>3,424,877</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 3,399,017</u></u>	<u><u>\$ 3,472,317</u></u>	<u><u>\$ 3,460,823</u></u>	<u><u>\$ (11,494)</u></u>

See Notes to Financial Statements.

City of Takoma Park, Maryland
Statement of Fiduciary Net Position
June 30, 2020

	Total
Assets	
Cash and cash equivalents	\$ 827,832
Investments, at fair value:	
Equities	11,637,122
Fixed income	6,379,040
Total investments	18,016,162
Total assets	18,843,994
Deferred outflows of resources	-
Liabilities	-
Deferred inflows of resources	-
Net position restricted for pensions	\$ 18,843,994

See Notes to Financial Statements.

City of Takoma Park, Maryland

Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2020

	<u>Total</u>
Additions	
Employer contributions	\$ 1,386,417
Plan member contributions	<u>202,612</u>
Total contributions and other receipts	1,589,029
Net investment earnings	<u>571,064</u>
Total additions	<u>2,160,093</u>
Deductions	
Benefits and refunds paid	851,935
Administrative expenses	<u>53,395</u>
Total deductions	<u>905,330</u>
Change in net position	1,254,763
Net position restricted for pensions, beginning of year	<u>17,589,231</u>
Net position restricted for pensions, end of year	<u><u>\$ 18,843,994</u></u>

See Notes to Financial Statements.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2020

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, 2020

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 2019, 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 Facilities 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 Facilities 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, 2020**

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 Property taxes payable	July 1 and Jan. 1	July 1 and Jan. 1
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.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

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 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 ten years of service; and 24 days per year for over ten 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.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2020

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.

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

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2020

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.

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 Facilities 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, 2020.

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 \$12,794,118 and the corresponding bank balances were \$12,833,089. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$12,583,089 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, 2020.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2020

Investments

At June 30, 2020, the City's investment balances by type were as follows:

	Credit rating	Fair value	Investment maturities (in year)		
			Less than 1	1-5	More than 5
Equities*	N/A	\$ 11,177,410	\$ -	\$ 11,177,410	\$ -
Certificates of Deposit	Not Rated	2,344,396	1,522,896	821,500	-
Bond Trustee Account***	N/A	7,968,565	7,968,565	-	-
MLGIP***	N/A	1,419,927	1,419,927	-	-
Collective Investment Trust*	N/A	459,712	-	459,712	-
Fixed Income*	**	6,379,040	-	6,379,040	-
Total investments		<u>\$ 29,749,050</u>	<u>\$ 10,911,388</u>	<u>\$ 18,837,662</u>	<u>\$ -</u>

* Included in fiduciary funds.

** 52.0% of portfolio is rated AAA; 5.0% is rated AA; 14.1% is rated A; 20.9% is rated BBB; 5.8% is rated BB; 0.9% is rated B; 0.5% is rated CCC; and 0.7% is not rated.

*** Pooled investments carried at amortized cost.

Restricted investments

At June 30, 2020, 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	12,792,742
Carrying amount of investments	<u>29,749,050</u>
Total cash, cash equivalents and investments	42,543,168
Less fiduciary funds	<u>18,843,994</u>
Total cash, cash equivalents and investments per Statement of Net Position	<u>\$ 23,699,174</u>
Cash and cash equivalents	\$ 11,966,286
Investments	3,764,323
Restricted investments	<u>7,968,565</u>
Total cash, cash equivalents and investments per Statement of Net Position	<u>\$ 23,699,174</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

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

and to preclude the City from having to sell investments below original cost for that purpose. The investments at June 30, 2020 met the City's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2020:

Total net investment income per Statement of Activities	<u>\$ 381,114</u>
---------------------------------------------------------	-------------------

Unrestricted investment earnings per the Statement of Activities of \$381,114 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	\$ 517,667
Realized gain	294,969
Unrealized loss	<u>(241,572)</u>
	<u>\$ 571,064</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 Government 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, 2020. 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 \$1,419,927 in MLGIP, \$7,968,565 in Bond Trustee Account, \$11,177,410 in direct securities, \$2,344,396 in certificates of deposit, \$459,712 in Collective Investment Trust, and \$6,379,040 in fixed income funds. At June 30, 2020, 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, 2020**

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, 2020:

- Amounts invested in equities of \$11,177,410 and fixed income of \$6,379,040 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 \$2,344,396 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	\$ 11,177,410	\$ -	\$ -	\$ 11,177,410
Certificates of Deposit	-	2,344,396	-	2,344,396
Fixed Income	6,379,040	-	-	6,379,040
Total investments by fair value level	\$ 17,556,450	\$ 2,344,396	\$ -	\$ 19,900,846
Investments carried at amortized cost:				
MLGIP				1,419,927
Bond Trustee Account				7,968,565
Collective Investment Trust				459,712
Total investments				\$ 29,749,050

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 2020 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, 2020**

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, 2020, taxes receivable, net of an allowance for uncollectibles of \$103,255, amounted to \$217,358.

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, 20120 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, 2020, 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	\$ 1,368,536	\$ -	\$ 1,368,536
Property taxes receivable, General Fund	148,752	-	148,752
Charges for services, General Fund	838	-	838
Fees, General Fund	848	21,775	22,623
Stormwater receivable, Non-major fund General Fund	9,612 -	-	9,612
Grant funds received in excess of expenditures, Special Revenue Fund	-	161,033	161,033
	<u>-</u>	<u>55,012</u>	<u>55,012</u>
	<u>\$ 1,528,586</u>	<u>\$ 237,820</u>	<u>\$ 1,766,406</u>

Note 8 - Interfund receivables, payable and transfers

The General Fund periodically advances funds to the Special Revenue Fund and the Facilities 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.

The balances at June 30, 2020 of individual fund interfund borrowings were as follows:

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

	Due from other Funds	Due to other Funds
General Fund	\$ 3,915,803	\$ 898,756
Speed Camera	5,959	3,913,973
Special Revenue	417,842	5,959
	<u>4,339,604</u>	<u>4,818,688</u>
Non-major funds		
Community Center	207,226	207,226
Storm Water	481,222	-
Rehab Loan	-	2,138
	<u>688,448</u>	<u>209,364</u>
Total	<u>\$ 5,028,052</u>	<u>\$ 5,028,052</u>

Note 9 - Due from other governments

The June 30, 2020, balance due from other governments is as follows:

State of Maryland	
Income tax	\$ 65,037
Income tax reserve	1,368,536
Highway user tax	95,549
Amusement tax	65
Police protection	129,349
State Highway Administration	3,469,724
Other	49,494
Montgomery County	
Franchise fees	171,772
Other	190,860
Total	<u>\$ 5,540,386</u>

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

Note 10 - Capital assets and other property

A summary of changes in capital assets during fiscal year 2020 follows:

	<u>Balance June 30, 2019</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Balance June 30, 2020</u>
Capital assets (not being depreciated)				
Land	\$ 1,959,111	\$ -	\$ -	\$ 1,959,111
Construction in progress	<u>1,072,875</u>	<u>4,044,712</u>	<u>(5,267)</u>	<u>5,112,320</u>
Total non-depreciable capital assets	<u>3,031,986</u>	<u>4,044,712</u>	<u>(5,267)</u>	<u>7,071,431</u>
Capital assets (being depreciated)				
Buildings	19,227,608	310,721	5,267	19,543,596
Improvements other than buildings	3,466,403	-	-	3,466,403
Equipment	8,941,665	639,114	(535,137)	9,045,642
Infrastructure	<u>30,786,001</u>	<u>1,893,516</u>	<u>-</u>	<u>32,679,517</u>
Total depreciable capital assets	<u>62,421,677</u>	<u>2,843,351</u>	<u>(529,870)</u>	<u>64,735,158</u>
Less - accumulated depreciation for:				
Buildings	(7,396,804)	(543,041)	-	(7,939,845)
Improvements other than buildings	(1,611,095)	(57,988)	-	(1,669,083)
Equipment	(5,042,078)	(879,397)	501,899	(5,419,576)
Infrastructure	<u>(14,594,543)</u>	<u>(787,785)</u>	<u>-</u>	<u>(15,382,328)</u>
Total accumulated depreciation	<u>(28,644,520)</u>	<u>(2,268,211)</u>	<u>501,899</u>	<u>(30,410,832)</u>
Total capital assets being depreciated	<u>33,777,157</u>	<u>575,140</u>	<u>(27,971)</u>	<u>34,324,326</u>
Total capital assets	<u>\$ 36,809,143</u>	<u>\$ 4,619,852</u>	<u>\$ (33,238)</u>	<u>\$ 41,395,757</u>

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

General government	\$ 454,428
Public safety	260,199
Housing and community development	57,446
Public works	1,332,006
Recreation and culture	<u>164,132</u>
	<u>\$ 2,268,211</u>

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

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, 2020:

	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020	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	\$ -	0.00%	June 2022
Other long-term liabilities							
Bonds payable	170,000	-	(170,000)	-	-	2.97%	June 2020
Bonds payable	982,000	-	(151,500)	830,500	156,500	2.34%	April 2025
Bonds payable	1,786,500	-	(119,500)	1,667,000	122,000	2.78%	April 2032
Bonds payable	6,713,000	-	(158,000)	6,555,000	163,500	3.61%	April 2047
Compensated absences	947,352	77,577	(21,232)	1,003,697	460,536		
Net pension liability	15,373,421	7,729	(555,867)	14,825,283	-		
	<u>\$ 26,122,273</u>	<u>\$ 85,306</u>	<u>\$ (1,176,099)</u>	<u>\$ 25,031,480</u>	<u>\$ 902,536</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, 2020 is \$150,000.

Fiscal years	Principal	Interest	Total
2021	\$ -	\$ -	\$ -
2022	150,000	-	150,000
Total	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>

In July 2010, the City issued bonds in the amount of \$1,500,000 to renovate the Public Works facility. The interest rate was 2.97% annually. Principal was repaid annually and interest payments were made semiannually. The loan matured on June 15, 2020. The balance of the loan was fully repaid at June 30, 2020.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

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, 2020 is \$830,500. The annual installments for the repayment of the bond as of June 30, 2020 are as follows:

<u>Fiscal years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 156,500	\$ 26,675	\$ 183,175
2022	161,000	21,980	182,980
2023	166,000	17,150	183,150
2024	171,000	12,170	183,170
2025	176,000	7,040	183,040
Total	<u>\$ 830,500</u>	<u>\$ 85,015</u>	<u>\$ 915,515</u>

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, 2020 is \$1,667,000. The annual installments for the repayment of the bond as of June 30, 2020 are as follows:

<u>Fiscal years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 122,000	\$ 44,444	\$ 166,444
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 - 2030	715,000	116,524	831,524
2031 - 2032	317,000	15,297	332,297
Total	<u>\$ 1,667,000</u>	<u>\$ 328,519</u>	<u>\$ 1,995,519</u>

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

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, 2020 is \$6,555,000. The annual installments for the repayment of the bond as of June 30, 2020 are as follows:

Fiscal years	Principal	Interest	Total
2021	\$ 163,500	\$ 226,249	\$ 389,749
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 - 2030	954,000	990,255	1,944,255
2031 - 2035	1,109,500	832,805	1,942,305
2036 - 2040	1,316,000	629,679	1,945,679
2041 - 2045	1,596,000	347,328	1,943,328
2046 - 2047	731,500	44,753	776,253
Total	<u>\$ 6,555,000</u>	<u>\$ 3,941,934</u>	<u>\$ 10,496,934</u>

Note 12 - Fund balances

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

Nonspendable fund balances

Nonspendable fund balances as of June 30, 2020 are comprised of trash bins of \$16,112 in the General Fund.

Restricted fund balances

Restricted fund balances total \$12,107,101 as of June 30, 2020. The General Fund restricted fund balance at June 30, 2020 is \$8,066,081, of which \$7,968,565 is restricted for the bond reserve and \$97,516 pertains to street improvements. Fund balance in the Speed Camera Fund is restricted to public safety projects. At June 30, 2020, this amount was \$573,186. Most of the fund balance in the Special Revenue Fund is restricted to cable equipment and related expenditures. At June 30, 2020, this amount was \$3,433,130. 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 \$7,011 as of June 30, 2020.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

Committed fund balances

The General Fund has \$5,976,863 in committed fund balances as of June 30, 2020. This is comprised of the following:

Equipment replacement reserve	\$ 3,906,954
Emergency reserve	520,169
Facility maintenance reserve	471,231
Housing fund reserve	<u>1,078,509</u>
	<u>\$ 5,976,863</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 \$520,169 for emergency expenses as of June 30, 2020.

Assigned fund balances

Assigned fund balance totaling \$393,893 as of June 30, 2020 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, 2019. 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 \$6,373,874 as of the measurement date of June 30, 2019.

The City has also adopted GASB No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date* - An Amendment of GASB No. 68. GASB No. 71 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The City's fiscal 2020 contribution of \$695,059 is therefore recognized as a pension-related deferred outflow of resources.

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.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2020

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 ten 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 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 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 percent, 5 percent or 2 percent. Contribution rate

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

to the Contributory Pension System was 5 percent for fiscal year 2011 and will be 7 percent 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, 2020 are based on salaries for the year ended June 30, 2019. 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		
	2020	2019	2018
Retirement plan contributions	\$ 695,059	\$ 634,587	\$ 605,034

The City contributed \$695,059 to the System for fiscal year 2020 which was actuarially determined based on statutory provisions. The City has also recognized in Pension Expense its proportionate share of the System's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets, the difference between projected and actual experience 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.

Actuarial assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2019 rolled forward to June 30, 2020. The key assumptions used to perform the June 30, 2020 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)	2.65% general, 3.15% 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 7.45%
	(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 2018 valuation:
	a. Inflation assumption changed from 2.60% to 2.65%

The components of the net pension liability for the System as of June 30, 2020, calculated in accordance with GASB Statement No. 67, are shown in the following table:

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

Total Pension Liability	\$ 74,569,030,000
Plan Fiduciary Net Position	<u>53,943,420,000</u>
 Net Pension Liability	 <u><u>\$ 20,625,610,000</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 <u><u>72.34%</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).

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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Public Equity	37%	6.30%
Private Equity	13%	7.50%
Rate Sensitive	19%	1.30%
Credit Opportunity	9%	3.90%
Real Assets	14%	4.50%
Absolute Return	<u>8%</u>	<u>3.00%</u>
	<u><u>100%</u></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, 2020.

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

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

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	\$ 29,853,506,000	\$ 20,625,610,000	\$ 12,939,936,000
The City's Proportionate Share of Net Pension Liability	\$ 9,225,539	\$ 6,373,874	\$ 3,998,790

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

At June 30, 2020, the City reported a liability of \$6,373,874 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2019, the City's proportion was approximately 0.0309 percent.

For the year ended June 30, 2020, the City recognized pension expense of \$325,905. At June 30, 2020, 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	\$ 100,302	\$ 173,467
Difference between actual and expected experience	-	414,736
Net difference between projected and actual earnings on pension plan investments	134,174	-
Change in proportionate share	682,878	160,445
Contributions subsequent to the measurement date	<u>695,059</u>	<u>-</u>
Total	<u>\$ 1,612,413</u>	<u>\$ 748,648</u>

The deferred outflow of resources of \$695,059 relating to contributions subsequent to the measurement date of June 30, 2019 will be recognized as a reduction of the City's net pension liability during the fiscal year ended June 30, 2021. 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 2019, 2018, 2017, 2016 and 2015 are being amortized over the remaining service lives ranging from 5 to 5.682 years. The net difference in investment earnings for 2019, 2018,

City of Takoma Park, Maryland

**Notes to Financial Statements
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2017, 2016 and 2015 are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed five-year period.

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

Fiscal Year Ended June 30	Net
2021	\$ 224,727
2022	(89,015)
2023	(13,028)
2024	66,057
2025	(20,035)
Total	<u>\$ 168,706</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, 2020 were as follows:

Total Pension Liability	\$ 23,043,844
Plan Fiduciary Net Position	<u>16,669,970</u>
Net Pension Liability	<u>\$ 6,373,874</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>72.34%</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 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, 2020**

The annual money-weighted rate of return was 3.1% for the year ended June 30, 2020. 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, 2020, the pension plan's membership consisted of:

Active plan members	40
Inactive plan members or beneficiaries currently receiving benefits	26
Inactive plan members entitled to benefits but not yet receiving them	<u>13</u>
Total	<u><u>79</u></u>

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.

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, 2020 was \$1,385,917. The police officers contribute to the Plan based on 7% of salaries. Members' actual contributions were \$202,612 at June 30, 2020. Administrative costs are financed through investment earnings.

The annual pension cost for 2020, 2019 and 2018 was \$1,385,917, \$1,238,480 and \$1,325,199, respectively. The contributions made as a percentage of the annual pension cost for 2020, 2019, and 2018 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 2020, 2019 and 2018 were \$18,384,283, \$17,150,535 and \$15,861,151, 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, 2020**

The plan's target asset allocation and long-term expected real rate of return was the following as of June 30, 2020.

<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, 2020 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.

The key assumptions used to perform the June 30, 2020 pension liability calculation for police are as follows:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Payroll, 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 Blue Collar 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.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

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:

	<u>1% Decrease - 6.25%</u>	<u>Current Rate - 7.25%</u>	<u>1% Increase - 8.25%</u>
City's net pension liability	\$ 12,363,338	\$ 8,451,409	\$ 5,278,176

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

	<u>2020</u>
Total pension liability	
Service cost	\$ 858
Interest	1,866
Changes of benefit terms	-
Difference between expected and actual experience	(1,194)
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(852)</u>
Net change in total pension liability	678
Total pension liability - beginning	<u>26,158</u>
Total pension liability - end	<u><u>\$ 26,836</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 1,386
Contributions - employees	203
Net investment income	550
Benefit payments, including refunds of member contributions	(852)
Administrative expenses	(53)
Other	<u>-</u>
Net change in plan fiduciary net position	1,234
Plan fiduciary net position - beginning	<u>17,151</u>
Plan fiduciary net position - end	<u><u>\$ 18,385</u></u>
Net pension liability	<u><u>\$ 8,451</u></u>

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

For the year ended June 30, 2020, the City recognized pension expense of \$642,830. At June 30, 2020, 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	\$ 511,227	\$ -
Difference between actual and expected experience	-	2,270,836
Net difference between projected and actual earnings on pension plan investments	<u>526,633</u>	<u>-</u>
Total	<u>\$ 1,037,860</u>	<u>\$ 2,270,836</u>

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

<u>Fiscal Year Ended June 30</u>	<u>Net</u>
2021	\$ (450,199)
2022	(287,276)
2023	(400,391)
2024	<u>(95,110)</u>
Total	<u>\$ (1,232,976)</u>

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:

	<u>Maryland State Pension System</u>	<u>Police Employees' Plan</u>	<u>Total</u>
Total pension liability	\$ 74,569,030,000	\$ 26,835,692	\$ 74,595,865,692
Total fiduciary net position	\$ 53,943,420,000	\$ 18,384,283	\$ 53,961,804,283
City's proportionate share of total pension liabilities	\$ 6,373,874	\$ 8,451,409	\$ 14,825,283
Total pension assets	\$ 53,943,420,000	\$ 18,384,282	\$ 53,961,804,282
Deferred outflows related to pensions	\$ 1,612,413	\$ 1,037,860	\$ 2,650,273
Deferred inflows related to pensions	\$ 748,648	\$ 2,270,836	\$ 3,019,484
Pension expense/expenditures/(benefits) for the period	\$ 325,905	\$ (402,981)	\$ (77,076)
City's proportionate share of net pension liability	0.03090%	100%	
Measurement date of collective net pension liability	June 30, 2019	June 30, 2020	
Date of actuarial valuation	June 30, 2019	June 30, 2020	

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

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2020

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, 2020, 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, 2020 was \$0. The City's liability was \$0 as of June 30, 2020. The plan administrator is ICMA-RC.

Condensed financial information

	Pension Trust	Defined Contribution Plan	Total
Assets			
Cash and cash equivalents	\$ 827,832	\$ -	\$ 827,832
Total investments	17,556,450	459,712	18,016,162
Total assets	18,384,282	459,712	18,843,994
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	\$ 18,384,282	\$ 459,712	\$ 18,843,994
Net position - held in trust for pension benefits	\$ 18,384,282	\$ 459,712	\$ 18,843,994
Additions			
Total contributions	\$ 1,589,029	\$ -	\$ 1,589,029
Net investment earnings	550,050	21,014	571,064
Total additions	2,139,079	21,014	2,160,093
Deductions			
Total deductions	905,330	-	905,330
Change in net position	1,233,749	21,014	1,254,763
Net position held in trust for pension benefits, beginning of year	17,150,533	438,698	17,589,231
Net position held in trust for pension benefits, end of year	\$ 18,384,282	\$ 459,712	\$ 18,843,994

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2020

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.

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, 2020.

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.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

Note 18 - New accounting pronouncements

GASB issued several pronouncements prior to the year ended June 30, 2020 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 State No. 87, *Leases*, will be effective for the City beginning with the fiscal year ending June 30, 2021. 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, 2021. 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, 2022. This Statement provides a single method of reporting conduit debt obligations by issues and eliminates diversity in practice.

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. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, will be effective for the City beginning with its year ending June 30, 2020. This Statement postpones the dates of provisions in almost all Statements and Implementation guides due to be implemented by state and local governments for fiscal years 2019 and later.

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, *Replacement of Interbank Offered Rates*, will be effective for the City beginning with its year ending June 30, 2023. This Statement provides more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans..

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2020**

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 the subsequent events that provide evidence about conditions that exist after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the City through October 30, 2020 (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)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total pension liability										
Service cost	\$ 858	\$ 864	\$ 839	\$ 809	\$ 790	\$ 543	\$ 796			
Interest	1,866	1,862	1,690	1,616	1,543	1,547	1,438			
Changes of benefit terms	-	-	-	-	-	-	-			
Difference between expected and actual experience	(1,194)	(1,745)	(115)	(645)	(562)	(1,372)	-			
Changes of assumptions	-	-	865	827	-	-	-			
Benefit payments, including refunds of member contributions	(852)	(1,010)	(811)	(857)	(757)	(785)	(784)			
Net change in total pension liability	678	(29)	2,468	1,750	1,014	(67)	1,450			
Total pension liability - beginning	26,158	26,187	23,719	21,969	20,955	21,022	19,572			
Total pension liability - end	\$ 26,836	\$ 26,158	\$ 26,187	\$ 23,719	\$ 21,969	\$ 20,955	\$ 21,022			
Plan fiduciary net position										
Contributions - employer	\$ 1,386	\$ 1,238	\$ 1,325	\$ 1,190	\$ 1,296	\$ 1,102	\$ 1,044			
Contributions - member	203	197	197	189	194	178	184			
Net investment income	550	944	1,222	1,452	90	441	1,354			
Benefit payments, including refunds of member contributions	(852)	(1,010)	(811)	(857)	(757)	(786)	(784)			
Administrative expenses	(53)	(80)	(65)	(58)	(56)	(60)	(55)			
Other	-	-	-	-	-	-	-			
Net change in plan fiduciary net position	1,234	1,289	1,868	1,916	767	875	1,743			
Plan fiduciary net position - beginning	17,151	15,862	13,994	12,078	11,311	10,436	8,693			
Plan fiduciary net position - end	\$ 18,385	\$ 17,151	\$ 15,862	\$ 13,994	\$ 12,078	\$ 11,311	\$ 10,436			
Net pension liability	\$ 8,451	\$ 9,007	\$ 10,325	\$ 9,725	\$ 9,891	\$ 9,644	\$ 10,586			
Plan fiduciary net position as a percentage of total pension liability	68.51%	65.57%	60.57%	59.00%	54.98%	53.98%	49.64%			
Covered payroll	\$ 3,014	\$ 3,025	\$ 2,889	\$ 2,777	\$ 2,843	\$ 2,570	\$ 2,850			
Net pension liability as a percentage of covered payroll	280.39%	297.75%	357.39%	350.20%	347.91%	375.20%	371.49%			

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 Changes in the City's Net Pension Liability and Related Ratios
Last Ten Fiscal Years
(Dollar Amounts in Thousands)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,386	\$ 1,238	\$ 1,325	\$ 1,190	\$ 1,296	\$ 1,102	\$ 1,045	\$ -	\$ -	\$ -
Contributions in relation to the contractually determined contribution	1,386	1,238	1,325	1,190	1,296	1,102	1,045	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 3,014	\$ 3,025	\$ 2,889	\$ 2,777	\$ 2,843	\$ 2,570	\$ 2,850			
Contributions as a percentage of covered payroll	46.0%	40.9%	45.9%	42.9%	45.6%	42.9%	36.7%			

Notes to Schedule

Valuation date:

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

Actuarial cost method
Amortization method
Remaining amortization period
Asset valuation method
Inflation
Salary increases
Investment rate of return
Retirement age
Mortality

Projected Unit Credit
Level Percentage of Payroll, closed
22 years (closed)
5-year smoothed market
3.00%
5.5%, including inflation
7.25%, net of pension plan investment expense, including inflation
Rates vary by participant age and service
RP-2014 Healthy Blue Collar Tables with fully generational projections using scale MP-2015

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 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
City's proportion (%) of collective net pension liability	0.031%	0.030%	0.028%	0.029%	0.028%	0.024%
City's proportionate share (\$) of collective net pension liability	\$ 6,373,874	\$ 6,366,145	\$ 5,957,703	\$ 6,866,508	\$ 5,881,653	\$ 4,338,175
City's covered payroll (\$)	\$ 6,041,794	\$ 6,419,079	\$ 6,209,902	\$ 7,617,864	\$ 7,363,222	\$ 6,083,944
City's proportionate share of collective net pension liability as a percentage of its covered payroll	105.50%	99.18%	95.94%	90.14%	79.88%	71.31%
Pension plan's fiduciary net position as a percentage of the total pension liability	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**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 695,059	\$ 634,587	\$ 605,034	\$ 560,772	\$ 566,946	\$ 596,532	\$ 571,845	\$ -	\$ -	\$ -
Contributions in relation to the contractually determined contribution	695,059	634,587	605,034	560,772	566,946	596,532	571,845	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 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	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.

Actuarial Assumptions

Assumption	Measurement Date June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset Valuation Method	5-year smoothed market
Inflation	2.65% general, 3.15% wage
Salary Increases	3.10% to 11.60%, including inflation
Discount Rate	7.40%
Investment Rate of Return	7.40%
Retirement Agent	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

Note: The following assumptions changed from prior measurement date as follows:

General inflation changed from 2.60% to 2.65%

Wage inflation changed from 3.10% to 3.15%

Discount Rate and Investment rate of return changed from 7.45% to 7.40%

Salary increases changed from 3.20% to 9.10% including inflation to 3.10% to 11.60% including inflation

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, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Revenues				
Taxes				
<u>Property</u>				
Real property	\$ 13,128,511	\$ 13,128,511	\$ 13,132,607	\$ 4,096
Business or other property	342,134	342,134	555,889	213,755
Penalty and interest	30,000	30,000	49,438	19,438
Additions and abatements	<u>(48,000)</u>	<u>(48,000)</u>	<u>(14,361)</u>	<u>33,639</u>
Total property	<u>13,452,645</u>	<u>13,452,645</u>	<u>13,723,573</u>	<u>270,928</u>
<u>Local taxes</u>				
Admission and amusement	<u>130,000</u>	<u>95,500</u>	<u>98,162</u>	<u>2,662</u>
	<u>130,000</u>	<u>95,500</u>	<u>98,162</u>	<u>2,662</u>
<u>Shared taxes</u>				
Highway	495,471	495,471	447,113	(48,358)
Income tax	<u>3,388,000</u>	<u>3,388,000</u>	<u>3,565,831</u>	<u>177,831</u>
Total shared taxes	<u>3,883,471</u>	<u>3,883,471</u>	<u>4,012,944</u>	<u>129,473</u>
Total taxes	<u>17,466,116</u>	<u>17,431,616</u>	<u>17,834,679</u>	<u>403,063</u>
Licenses and permits	<u>76,804</u>	<u>68,804</u>	<u>66,943</u>	<u>(1,861)</u>
Fines and forfeitures	<u>220,000</u>	<u>220,000</u>	<u>174,189</u>	<u>(45,811)</u>
Use of money and property				
Interest and dividends	<u>242,400</u>	<u>242,400</u>	<u>345,126</u>	<u>102,726</u>
Charges for services				
Public parking	200,000	169,750	92,324	(77,426)
Protective inspection fees	306,674	306,674	321,593	14,919
Waste collection and disposal	65,000	65,000	47,235	(17,765)
Passport	56,000	46,000	41,380	(4,620)
Recreation	583,535	521,165	425,478	(95,687)
Library fines and fees	20,000	17,000	9,550	(7,450)
Other	<u>52,144</u>	<u>52,144</u>	<u>42,730</u>	<u>(9,414)</u>
Total charges for services	<u>1,283,353</u>	<u>1,177,733</u>	<u>980,290</u>	<u>(197,443)</u>

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, 2020**

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues (Continued)				
Intergovernmental revenues				
Police protection	\$ 442,995	\$ 442,995	\$ 461,499	\$ 18,504
In Lieu of Police	2,515,147	2,515,147	2,515,147	-
In Lieu of County Services	998,496	998,496	998,496	-
Police rebate	1,126,765	1,126,765	1,172,721	45,956
Bank share tax	5,643	5,643	5,643	-
Library Aid	188,329	188,329	182,499	(5,830)
Montgomery County Tax (Cable and Hotel)	758,000	728,500	707,823	(20,677)
Takoma/Langley Recreation Center	85,020	85,020	85,020	-
State Highway street project	86,491	86,491	193,485	106,994
Total intergovernmental revenues	6,206,886	6,177,386	6,322,333	144,947
Miscellaneous revenue - other	78,050	78,050	163,403	85,353
Total revenues	25,573,609	25,395,989	25,886,963	490,974
Expenditures				
General government				
City Council	211,558	209,188	177,290	31,898
City Manager	1,522,458	1,426,733	1,310,281	116,452
Finance	653,580	670,340	619,992	50,348
Legal	233,700	233,700	248,106	(14,406)
Information Systems Administration	668,576	664,511	654,716	9,795
Other - unclassified	1,677,443	1,894,877	1,157,122	737,755
Total general government	4,967,315	5,099,349	4,167,507	931,842
Public safety				
Office of the Chief	891,609	898,718	934,504	(35,786)
Communications	608,570	593,880	610,302	(16,422)
Patrol	4,068,638	4,184,663	4,034,684	149,979
Criminal investigations	1,053,550	1,322,618	1,539,090	(216,472)
Administration	1,139,893	1,071,629	853,758	217,871
Neighborhood	522,050	481,680	412,792	68,888
Total public safety	8,284,310	8,553,188	8,385,130	168,058
Public works				
Administration	317,760	314,625	312,670	1,955
Building Maintenance	876,230	842,845	857,458	(14,613)
Equipment Maintenance	529,355	488,580	433,686	54,894
Right of Way	962,332	962,877	1,027,584	(64,707)
Solid Waste Management	1,092,710	1,101,249	1,253,288	(152,039)
Urban forest/ City Gardens	1,055,705	1,077,950	769,803	308,147
City engineer	328,968	306,613	287,138	19,475
Total public works	5,163,060	5,094,739	4,941,627	153,112

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, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Expenditures (Continued)				
Housing and Community Development	\$ 1,867,683	\$ 1,842,428	\$ 1,683,210	\$ 159,218
Recreation and culture				
Recreation	2,062,472	1,932,702	1,768,949	163,753
Library and media	<u>1,872,682</u>	<u>1,866,682</u>	<u>1,846,993</u>	<u>19,689</u>
Total recreation and culture	<u>3,935,154</u>	<u>3,799,384</u>	<u>3,615,942</u>	<u>183,442</u>
Capital outlay	<u>4,225,915</u>	<u>5,014,738</u>	<u>2,555,389</u>	<u>2,459,349</u>
Debt service				
Repayments	<u>917,728</u>	<u>917,728</u>	<u>916,403</u>	<u>1,325</u>
Total debt service	<u>917,728</u>	<u>917,728</u>	<u>916,403</u>	<u>1,325</u>
Total expenditures	<u>29,361,165</u>	<u>30,321,554</u>	<u>26,265,208</u>	<u>4,056,346</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(3,787,556)</u>	<u>(4,925,565)</u>	<u>(378,245)</u>	<u>4,547,320</u>
Excess (deficiency) of revenues over expenditures	<u>(3,787,556)</u>	<u>(4,925,565)</u>	<u>(378,245)</u>	<u>4,547,320</u>
Appropriation of fund balance	<u>3,787,556</u>	<u>4,925,565</u>	<u>-</u>	<u>(4,925,565)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (378,245)</u>	<u>\$ (378,245)</u>

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, 2020**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues				
Licenses and permits	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Charges for services	710,000	710,000	704,867	(5,133)
Intergovernmental	-	-	-	-
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>4,992</u>	<u>3,992</u>
Total revenues	<u>713,000</u>	<u>713,000</u>	<u>709,859</u>	<u>(3,141)</u>
Expenditures				
Public works	512,313	489,313	377,946	111,367
Capital outlay	<u>230,000</u>	<u>230,000</u>	<u>219,878</u>	<u>10,122</u>
Total expenditures	<u>742,313</u>	<u>719,313</u>	<u>597,824</u>	<u>121,489</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(29,313)</u>	<u>(6,313)</u>	<u>112,035</u>	<u>118,348</u>
Net change in fund balance	(29,313)	(6,313)	112,035	118,348
Fund balance, beginning of year	<u>281,858</u>	<u>281,858</u>	<u>281,858</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 252,545</u></u>	<u><u>\$ 275,545</u></u>	<u><u>\$ 393,893</u></u>	<u><u>\$ 118,348</u></u>

City of Takoma Park, Maryland

**Non-Major Governmental Funds -
Combining Balance Sheet
June 30, 2020**

	Stormwater Management Fund	Facility Construction Fund	Rehabilitation loans and grants	Total nonmajor governmental funds
Assets				
Cash and temporary investments	\$ 80,848	\$ -	\$ 212,745	\$ 293,593
Notes receivable, net	-	-	5,273	5,273
Other receivables	11,091	-	-	11,091
Due from other funds	481,222	207,226	-	688,448
Due from other governments	2,350	-	-	2,350
Total assets	575,511	207,226	218,018	1,000,755
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	\$ 575,511	\$ 207,226	\$ 218,018	\$ 1,000,755
Liabilities				
Accounts payable	\$ 133,691	\$ -	\$ -	\$ 133,691
Accrued expenditures	2,228	-	-	2,228
Deposits and escrows held	36,087	-	-	36,087
Due to other funds	-	207,226	2,138	209,364
Due to other governments	-	-	208,869	208,869
Total liabilities	172,006	207,226	211,007	590,239
Deferred inflows of resources	9,612	-	-	9,612
Fund balances				
Restricted	-	-	7,011	7,011
Assigned	393,893	-	-	393,893
Total fund balances	393,893	-	7,011	400,904
Total liabilities, deferred inflows of resources and fund balances	\$ 575,511	\$ 207,226	\$ 218,018	\$ 1,000,755

City of Takoma Park, Maryland

**Non-Major Governmental Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020**

	Stormwater Management Fund	Facility Construction Fund	Rehabilitation loans and grants	Total nonmajor governmental funds
Revenues				
Charges for service	\$ 704,867	\$ -	\$ -	\$ 704,867
Use of money and property	-	-	580	580
Intergovernmental	-	-	-	-
Miscellaneous	4,992	-	-	4,992
Total revenues	709,859	-	580	710,439
Expenditures				
Public works	377,946	-	-	377,946
Capital outlay	219,878	-	-	219,878
Total expenditures	597,824	-	-	597,824
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	112,035	-	580	112,615
Net change in fund balance	112,035	-	580	112,615
Fund balance, beginning of year	281,858	-	6,431	288,289
Fund balance, end of year	\$ 393,893	\$ -	\$ 7,011	\$ 400,904

City of Takoma Park, Maryland

**Combining Statement of Fiduciary Net Position
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	Pension trust	Defined contribution plan	Totals	
			2020	2019
Assets				
Cash and cash equivalents	\$ 827,832	\$ -	\$ 827,832	\$ 181,090
Investments, at fair value				
Equities	11,177,410	459,712	11,637,122	11,397,472
Fixed income	6,379,040	-	6,379,040	6,010,669
Total investments	17,556,450	459,712	18,016,162	17,408,141
Total assets	18,384,282	459,712	18,843,994	17,589,231
Liabilities				
Deferred inflows of resources	-	-	-	-
Net position				
Held in trust for pension benefits	\$ 18,384,282	\$ 459,712	\$ 18,843,994	\$ 17,589,231

City of Takoma Park, Maryland

**Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	Pension trust	Defined contribution plan	Totals	
			2020	2019
Additions				
Employer contributions	\$ 1,386,417	\$ -	\$ 1,386,417	\$ 1,238,480
Plan member contributions	202,612	-	202,612	197,174
Total contributions and other receipts	1,589,029	-	1,589,029	1,435,654
Investment earnings	550,050	21,014	571,064	968,921
Total additions	2,139,079	21,014	2,160,093	2,404,575
Deductions				
Benefit and refunds paid	851,935	-	851,935	1,009,776
Administrative expenses	53,395	-	53,395	79,938
Total deductions	905,330	-	905,330	1,089,714
Change in net position	1,233,749	21,014	1,254,763	1,314,861
Net position held in trust for pension benefits, beginning of year	17,150,533	438,698	17,589,231	16,274,370
Net position held in trust for pension benefits, end of year	\$ 18,384,282	\$ 459,712	\$ 18,843,994	\$ 17,589,231

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Statistical Section

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STATISTICAL SECTION CONTENTS

This part of the City's comprehensive annual 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 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 comprehensive annual 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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 20,973,813
Restricted	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	4,836,215
Unrestricted	(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	5,825,803
TOTAL PRIMARY										
GOVERNMENT NET POSITION	<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>	<u>\$ 31,635,831</u>

Note: In 2013, the City implemented GASB 63 and accordingly net assets for the years 2009 through 2012 have been reclassified as net position. Net position by component for FY 2018 is different from the Statement of Net Position in 2018 CAFR, due to reclassifications of the balances to conform to current presentation.

City of Takoma Park, Maryland

Table 2

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
EXPENSES										
Governmental activities:										
General government	\$ 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	\$ 3,655,556
Public safety	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	7,213,649
Public works	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	5,564,151
Housing and community development	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	1,360,806
Recreation and culture	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	2,678,012
Interest	314,634	329,649	397,077	61,417	56,421	100,902	123,274	121,537	250,453	296,666
Total primary government expenses	<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>	<u>20,768,840</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	66,857	105,965	119,548	106,638	131,619	114,502	111,293	101,876	98,727	80,613
Public safety	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	2,044,513
Public works	819,938	829,347	831,315	546,761	539,786	554,600	535,722	555,926	507,571	484,608
Housing and community development	344,382	343,672	364,385	364,215	345,105	354,256	352,886	335,542	338,930	349,099
Recreation and culture	435,028	631,322	582,329	582,232	521,506	557,605	556,741	531,159	524,168	457,419
Operating grants and contributions	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	4,189,088
Capital grants and contributions	223,874	308,675	231,324	568,579	1,045,237	1,215,053	1,019,166	979,304	774,395	728,089
Total primary government program revenues	<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>	<u>8,333,429</u>
Total primary government net expense	<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>	<u>(12,435,411)</u>
GENERAL REVENUES AND OTHER										
CHANGES IN NET POSITION										
Governmental activities:										
Taxes:										
Property taxes	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	11,381,629
Intergovernmental / unrestricted	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	2,914,276
Unrestricted investment earnings	381,114	361,755	100,962	37,163	58,265	30,901	27,012	27,248	48,663	46,947
Miscellaneous and other	216,147	238,685	190,974	137,691	240,498	167,602	67,568	14,381	113,509	(9,076)
Total primary government	<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>	<u>14,333,776</u>
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	<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>	<u>\$ 1,898,365</u>

City of Takoma Park, Maryland

Table 3

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund										
Nonspendable	\$ 16,112	\$ 6,506	\$ 8,271	\$ 12,093	\$ 7,831	\$ 562,529	\$ 70,855	\$ 581,896	\$ 464,978	\$ 383,459
Restricted	8,066,081	97,497	97,031	96,567	96,369	225,496	225,383	225,248	224,978	224,754
Committed	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	2,469,790
Assigned	-	-	-	393,893.00	2,324,965	1,269,153	1,138,984	1,193,243	-	1,539,234
Unassigned	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	5,158,361
Total general fund	<u>\$ 20,364,013</u>	<u>\$ 20,742,258</u>	<u>\$ 22,070,109</u>	<u>\$ 13,491,570</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>	<u>\$ 9,775,598</u>
Total all other governmental funds										
Restricted	\$ 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	\$ 2,141,671
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	393,893	281,858	198,759	191,032	173,128	252,718	286,956	270,757	282,846	311,814
Total	<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>	<u>\$ 2,453,485</u>

Note: In 2011, the City implemented GASB 54 and accordingly fund balances for 2010 has been revised.

City of Takoma Park, Maryland

Table 4

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
REVENUES										
Taxes	\$ 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	\$ 13,751,914
Licenses and permits	66,943	84,908	107,513	69,718	87,314	76,103	81,746	79,372	81,235	78,664
Fines and forfeitures	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	1,987,826
Use of money and property	381,114	361,755	100,962	37,163	58,265	30,901	27,012	27,248	48,663	46,947
Stimulus grant	-	-	-	-	-	-	-	-	-	9,486
Charges for services	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	1,363,478
Intergovernmental	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	5,325,155
Miscellaneous	177,661	241,079	202,638	164,720	257,720	192,746	59,856	90,293	152,662	142,001
Total revenues	31,737,681	29,537,180	27,347,591	26,935,096	27,192,235	26,273,581	25,172,974	24,628,874	23,844,667	22,705,471
EXPENDITURES										
Current:										
General government	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	3,308,640
Public safety	9,235,293	8,943,010	8,799,645	8,674,426	8,393,298	7,949,776	7,677,677	7,319,009	7,366,853	6,965,312
Public works	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	3,978,563
Housing/community development	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	1,332,775
Recreation and culture	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	2,513,391
Capital outlay	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	4,177,448
Debt service:										
Principal	599,000	587,700	529,500	298,000	1,795,202	273,000	263,500	1,412,893	1,901,052	909,268
Interest	317,403	332,369	452,948	61,898	107,224	111,948	110,029	121,537	242,355	270,587
Total expenditures	31,938,343	30,702,575	27,751,415	25,687,768	27,604,841	25,961,175	24,422,392	22,702,316	24,034,599	23,455,984
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(200,662)	(1,165,395)	(403,824)	1,247,328	(412,606)	312,406	750,582	1,926,558	(189,932)	(750,513)
OTHER FINANCING SOURCES (USES)										
Bond/loan proceeds	-	-	9,125,459	-	1,579,730	-	-	-	-	1,500,000
Sale of property	-	-	-	-	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	9,125,459	-	1,579,730	-	-	-	-	1,500,000
NET CHANGES IN FUND BALANCES	\$ (200,662)	\$ (1,165,395)	\$ 8,721,635	\$ 1,247,328	\$ 1,167,124	\$ 312,406	\$ 750,582	\$ 1,926,558	\$ (189,932)	\$ 749,487
Debt service as a percentage of noncapital expenditures	3.66%	4.02%	4.02%	1.56%	7.60%	1.68%	1.71%	7.36%	11.44%	5.86%

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
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
2011	10,858,055	460,664	62,267	-	514	2,330,225	40,189	13,751,914

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
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	100.00%
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%
2011	10,839,223	10,610,360	97.9%	117,035	10,727,395	99.0%

Note (1): In Fiscal Year 2017, 2018, and 2019, 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	
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
2011	1,868,831,518	1,868,831,518	11,113,060	11,113,060	21,189,430	21,189,430	1,901,134,008	1,901,134,008	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	
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
2011	0.5800	0.1120	0.6990	0.0610	0.0370	0.0180	1.5070

(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/2020/realproperty.pdf>

City of Takoma Park, Maryland

Table 9

Computation of Legal Debt Margin
Year Ended June 30, 2020

Fiscal year 2020 real property assessed value	<u>\$ 2,461,251,909</u>
Debt limit - 100% of assessed value	\$ 2,461,251,909
Amount of debt applicable to debt limit - legal debt margin	<u>9,202,500</u>
Legal debt margin	<u>\$ 2,452,049,409</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	Capital Leases ⁽²⁾	Ratio of Net Bonded Debt Value	Net Bonded Debt Per Capita
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
2011	16,715	1,901,134,008	6,147,455	\$ 46,508	0.33%	\$367.78

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures (Percent)</u>
2020	\$ 599,000	\$ 317,402	\$ 916,402 (1)	\$ 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%
2011	909,268	270,587	1,179,855	20,612,228	5.72%

(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, 2020

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to this Governmental Unit</u>	<u>Share of Debt</u>
Direct debt - City of Takoma Park	\$ 9,338,500	100%	\$ 9,338,500
Direct debt sub-total	<u>9,338,500</u>		<u>9,338,500</u>
Overlapping debt - Montgomery County	9,338,500	1% ⁽¹⁾	93,385
Maryland - National Capital Park and Planning Commission Montgomery County	<u>67,475,000</u>	1% ⁽¹⁾	<u>674,750</u>
Overlapping debt sub-total	<u>76,813,500</u>		<u>768,135</u>
Total direct and overlapping debt	<u><u>\$ 86,152,000</u></u>		<u><u>\$ 10,106,635</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:						
2020	17,765	\$ 101,300,000	\$ 94,591	\$ 561,120	5.5	164,245
2019	17,765	98,500,000	91,312	556,916	3.0	163,123
2018	17,765	90,840,000	85,948	562,343	3.4	161,936
2017	17,765	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
2011	16,715	71,081,967	71,681	536,636	5.2	143,309

(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 2011-2018 revised by BEA. Data for 2019-2020 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 2011-2019. Data for 2020 estimated by the Montgomery County Department of Finance based on the percent change from first half of CY2019 to the first half of CY2020.

(4) The unemployment rates for 2011 through 2019 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2018 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 FY20 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 2020			Taxpayer	Fiscal Year 2011		
	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	\$ 38,211,765	1	1.57%	Tenancy 7333 New Hampshire Ave LLC	\$ 27,090,600	1	1.42%
Saul Subsidiary I LTD Partnership	32,979,400	2	1.35%	Saul Subsidiary I LTD Partnership	22,860,233	2	1.20%
Orlo Takoma LLC	20,091,467	3	0.82%	Walgreen Company	20,131,132	3	1.06%
Park Ritchie LLC	19,446,600	4	0.80%	Park Ritchie Apartments	11,228,266	4	0.59%
MHP Parkview Towers LLP ⁽¹⁾	15,613,911	5	0.64%	Takoma Park Land LLP	10,233,200	5	0.54%
Takoma Business Center LLC	14,549,467	6	0.60%	7401 New Hampshire Avenue, LLC	9,910,700	6	0.52%
Takoma Park Land LLP	11,695,133	7	0.48%	Franklin Associates	9,420,000	7	0.50%
Takoma Tower LP	10,561,500	8	0.43%	Takoma Business Center LLC	8,451,466	8	0.44%
Hampshire Lodging Inc	9,844,567	9	0.40%	Parkview Towers Ltd	8,226,366	9	0.43%
Maple View Apartments LLC	9,456,767	10	0.39%	Hampshire Lodging Inc	7,807,666	10	0.41%
Total	\$ 182,450,577		7.48%	Total	\$ 135,359,629		7.11%

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 2020			Fiscal Year 2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Montgomery College	833	1	14.30%	485	2	8.21%
City of Takoma Park	258	2	4.43%	184	4	3.11%
Montgomery County Public School	246	5	4.22%	278	3	4.70%
Washington Adventist University (1)	150	3	2.58%	119	6	2.01%
Adventist Healthcare (TP Campus)	140	4	2.40%	-	-	-
Genesis HealthCare - Sligo Creek Center	92	6	1.58%	-	-	-
Don Bosco Cristo Rey High School	58	7	1.00%	-	-	-
Takoma Park / Silver Spring Co-Op	48	8	0.82%	-	-	-
IHOP	30	9	0.52%	-	-	-
Republic	12	10	0.21%	-	-	-
Adventist Healthcare Inc	-	-	-	1607	1	27.19%
Community Clinic, Inc.	-	-	-	130	5	2.20%
Crosswood, Inc	-	-	-	109	7	1.84%
Casa De Maryland Inc.	-	-	-	79	8	1.34%
FirstCare Nursing Services	-	-	-	60	9	1.02%
Expo Emart LLC	-	-	-	55	10	0.93%
Total	1,867		32.06%	3,106		52.55%

City of Takoma Park, Maryland

Table 16

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
FUNCTION										
General government	17.75	17.75	16.75	17.25	17.50	17.50	16.95	16.88	16.50	16.50
Public safety	67.45	66.95	65.85	65.64	62.47	62.47	61.83	61.35	59.87	59.49
Public works	37.25	37.25	37.25	37.00	37.00	36.00	34.00	34.00	33.00	33.00
Housing and community development	10.13	9.50	9.38	8.51	9.63	9.75	10.85	11.06	9.79	9.75
Recreation and culture	37.16	37.41	36.22	36.75	36.63	35.14	33.92	28.73	28.57	29.00
TOTAL	<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>	<u>147.74</u>

Source: City's Finance Department

City of Takoma Park, Maryland

Table 17

Operating Indicators by Function
Last Ten Years

Function	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public Safety:										
Crimes reported	941	716	712	481	617	664	528	550	550	565
Dispatched Calls/Events Handled	10,822	12,618	15,735	20,000	22,323	21,041	19,762	19,382	20,000	21,495
Hours-foot/bike patrol	2,941	4,362	3,925	2,200	2,263	2,200	2,500	3,000	3,000	3,500
Physical arrests	204	177	351	366	491	399	400	425	450	464
Calls for service	9,661	9,408	12,368	12,000	13,737	14,921	14,921	14,012	15,000	14,179
Traffic stops	2,157	3,020	3,367	8,000	8,585	7,593	7,593	5,370	5,000	7,105
Parking tickets processed	3,345	2,962	4,493	4,567	3,550	3,495	3,495	2,939	3,500	3,228
Criminal investigations assigned	257	520	187	195	229	239	239	214	350	310
Criminal cases closed	65	207	123	103	90	100	100	107	150	126
Warrants received for service	162	309	311	298	473	403	403	236	450	468
NCIC Validations (Wanted Items/Persons)	644	711	903	906	1,015	1,043	1,043	748	1,150	1,219
Number of new nuisance complaints	613	810	373	346	183	209	210	245	300	236
Number of nuisance complaints closed	242	807	362	310	169	119	95	200	250	145
Courtesy Notices issued	338	723	373	62	1	280	266	140	210	135
Handbill and flyers removed	1,066	1,937	2,049	1,905	3,553	9,915	3,429	1,100	1,000	1,240
Public Works:										
Permits Processed	715	605	488	498	316	297	303	204	193	133
Vehicles maintained	84	89	89	83	82	81	83	80	70	73
Tons of leaves collected	1,100	1,500	1,800	1,800	1,750	1,800	1,900	1,900	1,900	2,000
Tons of refuse collected	3,230	3,017	3,237	3,193	3,124	2,990	3,082	3,162	3,284	3,476
Tons of recyclables collected	1,218	1,336	1,320	1,328	1,420	1,506	1,679	1,489	1,470	1,544
Tons of yard waste collected	434	329	246	168	241	216	491	340	998	765
Tons of food waste collected (Note 1)	278	249	302	212	178	183	150	N/A	N/A	N/A
Streets resurfacing (miles)	1.56	0.92	1.10	0	1.81	1.70	1.76	2.00	1.00	0.40
Storm drains inspected (linear feet)	7,464	8,737	2,828	5,914	4,877	10,918	7,207	23,854	1,029	8,254
New storm drain pipes (linear feet)	977	1,641	637	598	577	272	439	450	1,027	307
Replaced storm drain pipes (linear feet)	0	7	50	0	260	150	50	88	73	125
Recreation and culture:										
Library materials circulated	86,628	115,291	108,900	94,425	96,695	113,074	116,288	114,070	115,973	118,328
Library program attendance	10,192	17,151	18,628	16,798	17,731	16,648	14,612	15,130	14,365	14,682
Housing and Community Development:										
Rental housing inspections (Note 2)	10,226	13,626	15,440	2,850	1,824	3,100	3,164	3,050	3,000	3,059
Number of rental licenses issued	328	385	386	500	402	402	436	420	420	407
Landlord certifications issued	160	197	241	225	124	234	148	195	215	199
Landlord and tenant contacts	745	540	420	N/A	2,550	2,524	2,605	2,600	2,600	2,706
Rent stabilization reports monitored	289	321	313	330	329	295	283	260	280	260
Permit letters issued	209	267	291	283	279	268	207	200	234	190
Rent increase petitions processed	0	1	1	0	1	1	2	1	4	2
General Government:										
Original City TV program hours	267.5	264	296	215	225	287	311	255	268	251

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	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Cars	56	56	45	45	45	41	46	45	45	44
Public Works:										
Sanitation collection trucks	5	5	5	5	5	5	5	5	5	6
Leaf vacuums	9	7	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	16.82
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, 2020**

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	7,162
Number of owner-occupied housing units	3,444
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, 2020
 (continued)

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

Age	2010	2000	1990	1980	1970
Under 5	1,254	1,237	1,320	955	1,367
5 – 17	2,495	2,261	2,201	2,463	3,250
18 – 24	1,361	2,094	1,567	2,447	3,284
25 – 44	5,150	6,206	7,288	5,842	4,710
45 – 64	4,787	3,972	2,551	2,616	3,950
65 – 74	973	787	928	1,071	1,163
75 and over	695	742	845	837	731
Total	16,715	17,299	16,700	16,231	18,455

City of Takoma Park, Maryland

Table 20

Schedule of Insurance in Force
June 30, 2020

Type of Coverage/Company Name	Policy Number	From	To	Limits of Coverage	Premiums
Commercial General Liability - Local Government Insurance Trust	PLP 542500	07/01/19	⁽¹⁾ 7/01/20	\$3,000,000 aggregate - \$1,000,000/occurrence	\$ 8,458
Public Officials Liability - Local Government Insurance Trust	PLP 542500	07/01/19	⁽¹⁾ 7/01/20	\$3,000,000 aggregate - \$2,500 deductible	\$ 19,886
Police Liability - Local Government Insurance Trust	PLP 542500	07/01/19	⁽¹⁾ 7/01/20	\$3,000,000 aggregate - \$2,500 deductible	\$ 26,182
Comprehensive Auto Liability - Local Government Insurance Trust	PLP 542500	07/01/19	⁽¹⁾ 7/01/20	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	\$ 65,689
Excess Liability - Local Government Insurance Trust	PLP 542500	07/01/19	⁽¹⁾ 7/01/20	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.	\$ 5,887
Building and Contents (includes boiler and machinery) Local Government Insurance Trust	PLP 542500	07/01/19	⁽¹⁾ 7/01/20	Insured to \$14,454,725, \$1,000 deductible.	\$ 12,251
Chesapeake Employers' Insurance Company - Workers' Compensation	-	07/01/19	⁽¹⁾ 7/01/20	Statutory limit	\$ 510,870
Fidelity Bond - United States Insurance Services	Various	Various	⁽¹⁾ Various	\$15,000 to \$100,000 limits	\$ 5,739

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