

*City of Takoma Park  
Maryland*



*Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2019*

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# *City of Takoma Park Maryland*



## *Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019*

*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

Tel: (301) 891-7230

Fax: (301) 270-8794

email: [SuzanneL@takomaparkmd.gov](mailto:SuzanneL@takomaparkmd.gov)



7500 Maple Avenue  
Takoma Park, MD 20912  
[www.takomaparkmd.gov](http://www.takomaparkmd.gov)

*Suzanne R. Ludlow, City Manager*

October 31, 2019

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, 2019.

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 17,768 (U. S. Census 2018 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 \$2.43 billion during Fiscal Year 2019. 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 are now increasing at a moderately fast pace.

The Washington, D.C. area has largely rebounded from the recession. Washington, D.C., and downtown Silver Spring and Hyattsville, Maryland are in the midst of a construction boom. These communities are on three sides of Takoma Park and the development pressure is affecting housing prices in Takoma Park.

Real property in the State of Maryland is reassessed on a triennial basis. The last triennial assessment occurred last winter, effective for Fiscal Year 2019. The State's estimated increase in the net assessable base for the City Fiscal Year 2019 was 1.8 percent.

The Census Bureau reported that the population of the Washington D.C. region grew by 65,908, or 1.1 percent between 2016 and 2017, to a total of over 6.2 million persons. The Census Bureau's 2018 American Community Survey now estimates a population of 6.25 million. The Bureau of Labor Statistics reported the unemployment rate in the region in August 2019 was 3.2 percent. The Montgomery County, Maryland unemployment rate was 3.2 percent in March 2019. The Census Bureau's 2018 American Community Survey estimates median household income of the area is \$102,180; median household income of Montgomery County is \$108,188.

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.

After years of planning and delays from legal challenges, 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. The transit system is to begin service in 2022.

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. Refinement of the plan 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.

Significant streetscape improvements and commercial district support activities continue to take place in the Old Takoma, Takoma-Langley Crossroads and Long Branch commercial areas. 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. While generally thriving, businesses along the Purple Line construction project are being impacted by reduced accessibility to and through the area.

To strengthen the long-term economic health of the Takoma Junction commercial area in the Old Takoma business district, the City is pursuing commercial development on the site of a City-owned parking lot. In 2015, the City selected Neighborhood Development Corporation of Washington, D.C. as the developer under a ground-lease arrangement. Site design work is underway, and the developer is currently seeking necessary approvals from Montgomery County.

The City recently became owners of the Takoma Park Recreation Center on New Hampshire Avenue through a land-swap with the County. 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 opportunities 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 is working with Washington Adventist University to ensure that the site of the former Washington Adventist Hospital is redeveloped to advance the interests of the community. The site is largely vacant since the hospital moved in August 2019, although there is an urgent care facility, a rehabilitation center that will move in the summer of 2020 and several medical offices remaining on the land 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 2019 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 2019 included the following:

- Continued preparation of a draft Housing and Economic Development Strategic Plan and solicitation of community comments on the components of the Plan.
- Completion of the Ethan Allen Gateway Project and beginning of construction on the Flower Avenue Green Street Project which include street, pedestrian safety, and stormwater improvements and that involve significant coordination with utilities, State agencies, and adjacent residential and commercial property owners.
- Transfer of ownership of the Takoma Park Recreation Center on New Hampshire Avenue from Montgomery County to the City. This transfer represents a major redevelopment opportunity for the City. We will be soliciting proposals from community engagement firms to assist with developing a vision for the site and potential future uses.

- Continued work on design planning and engineering for a proposed Library renovation and expansion, including a floodplain study.
- Continued a remarkable community-wide effort to reduce energy usage. In addition to exciting neighborhood challenges and business assistance for energy savings, the City worked with Pepco to convert all City streetlights to LED technology.

## **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, 2018. This was the twelfth 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

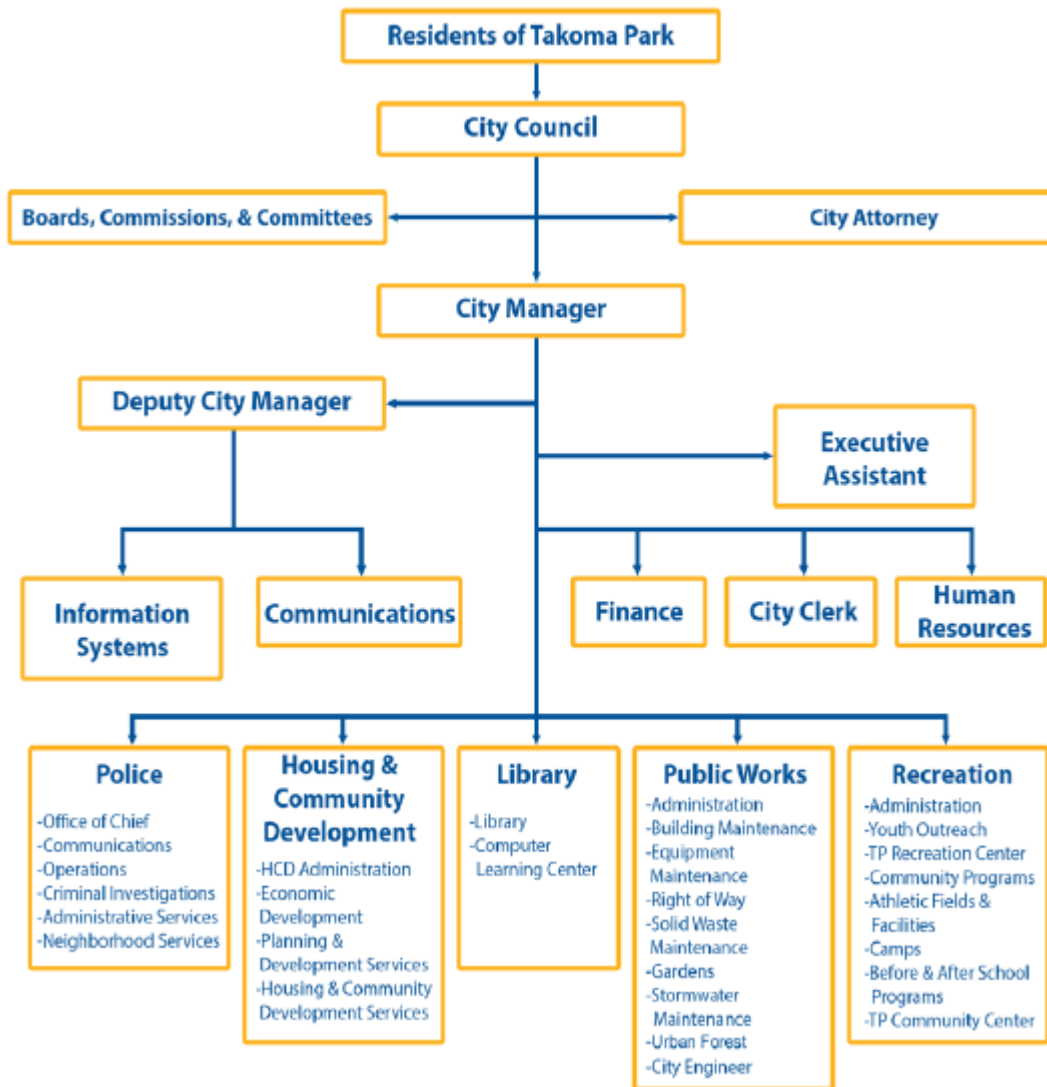
**June 30, 2018**

*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, 2019

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  
JASON DAMWEBER

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

We have audited the accompanying financial statements of the governmental activities, each major fund, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Takoma Park, Maryland, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the General, Speed Camera and Special Revenue Funds thereof and 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 - 31 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 76 - 79 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 fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules, the combining nonmajor 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the City of Takoma Park, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Takoma Park, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Takoma Park, Maryland's internal control over financial reporting and compliance.

*CohnReznick LLP*

Baltimore, Maryland  
October 31, 2019

## City of Takoma Park, Maryland

### Management's Discussion and Analysis June 30, 2019

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, 2019. 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 exceed liabilities and deferred inflows of resources at the close of the Fiscal Year 2019 by \$36,780,918 (net position). This represents an increase of \$3,782,829 from the prior year. Approximately 40 percent or \$832,976 of this variance was due to real property tax (\$740,456), and 47 percent or \$972,970 was due to increase in Operating Grants which included the Police Rebate (\$90,987), WSSC Flower Avenue Green Street (\$291,037), Ethan Allen Street project (\$454,520), and Lincoln Avenue Construction Grant (\$431,176). The increase was offset by the reduction of grant funds from Community Parks (\$178,779), and MHP Trail project (\$100,000). The remaining 13 percent or \$260,793 increase was due to unrestricted investment earnings.
- Of the City's total net position, the unrestricted net position increased from (\$4,070,092) in Fiscal Year 2018 to (\$3,614,231) in Fiscal Year 2019. The unrestricted net position is in deficit due primarily to the required reporting of the net pension liability of \$15,373,421 related to the City's two pension plans. Beginning 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, 2019, the City of Takoma Park's governmental funds reported combined ending fund balances of \$24,999,588, a decrease of \$1,165,195 or 4.66 percent, from the prior year. The decrease in fund balance was due to the loss in operations in the General Fund of \$1,327,851 and Speed Camera Fund of \$266,617. The operating loss was offset by gains in Special Revenue Fund \$345,508 and other non-major funds \$83,765. The ending fund balances of \$24,999,588 include \$6,934,380 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 both the General Fund and Speed Camera fund.
- At the end of Fiscal Year 2019, the unassigned fund balance for the General Fund was \$6,934,380 or 26 percent of total General Fund expenditures.
- The City of Takoma Park's long-term debt decreased by \$545,185 during the fiscal year. The decrease was primarily due to the annual principal payments on existing debt totaling \$587,500 and increase of \$42,315 in Compensated Absences.

#### 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.

## City of Takoma Park, Maryland

### Management's Discussion and Analysis June 30, 2019

**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 34 and 35 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 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.

## City of Takoma Park, Maryland

### Management's Discussion and Analysis June 30, 2019

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 34 - 42 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 43 and 44 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 45 - 73 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 81 - 88 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 \$36,780,918 as of June 30, 2019. 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 \$27,157,643 or 74 percent of the City's net position as of June 30, 2019. 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 \$3,614,231. 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 \$15,373,421 related 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.



**City of Takoma Park, Maryland**

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

The remaining balance of net position (\$13,237,506 or 36.0 percent) reflects the City's restricted net position, primarily comprised of monies related to the 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 \$3,782,829. Factors contributing to this growth include the increase in property tax, investment earnings, and operating grants totaling approximately \$2,091,984. Additional revenue increases of \$234,980 are related to Police Protection and Police Rebate from Montgomery County and dividend interest revenue from bank deposit account increased about \$58,498. The following table reflects the City's net position as of June 30, 2019 compared to June 30, 2018.

**Governmental Activities  
Statement of Net Position**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current and other assets	\$ 30,620,674	\$ 30,088,549
Capital assets	<u>36,809,143</u>	<u>33,179,623</u>
Total assets	<u>67,429,817</u>	<u>63,268,172</u>
Deferred outflows of resources	<u>5,642,754</u>	<u>4,841,735</u>
<b>Liabilities</b>		
Current and other liabilities	5,227,477	4,398,763
Long-term liabilities	<u>25,523,273</u>	<u>26,199,748</u>
Total liabilities	<u>30,750,750</u>	<u>30,598,511</u>
Deferred inflows of resources	<u>5,540,903</u>	<u>4,513,307</u>
<b>Net position</b>		
Net investment in capital assets	27,157,643	22,940,623
Restricted	13,237,506	14,127,558
Unrestricted	<u>(3,614,231)</u>	<u>(4,070,092)</u>
<b>Total net position</b>	<u><u>\$ 36,780,918</u></u>	<u><u>\$ 32,998,089</u></u>

**City of Takoma Park, Maryland**

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

**Governmental Activities**

Governmental activities increased the City of Takoma Park's net position by \$3,782,829 during Fiscal Year 2019, 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>2019</u>	<u>2018</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 3,202,815	\$ 3,490,951
Operating grants and contributions	6,988,573	5,990,358
Capital grants and contributions	308,675	231,324
General revenues:		
Property taxes	13,454,906	12,621,930
Intergovernmental	5,064,507	4,906,878
Miscellaneous	238,685	190,974
Unrestricted investment earnings	361,755	100,962
<b>Total revenues</b>	<u>29,619,916</u>	<u>27,533,377</u>
<b>Expenses</b>		
General Government	4,931,594	4,561,913
Public Safety	8,369,157	8,389,476
Public Works	6,721,099	6,196,806
Housing and Community Development	1,430,386	1,695,425
Recreation and Culture	4,055,202	3,734,135
Interest on long-term debt	329,649	397,077
<b>Total expenses</b>	<u>25,837,087</u>	<u>24,974,832</u>
<b>Change in net position</b>	3,782,829	2,558,544
<b>Net position, beginning of year</b>	<u>32,998,089</u>	<u>30,439,544</u>
<b>Net position, end of year</b>	<u>\$ 36,780,918</u>	<u>\$ 32,998,089</u>

Overall revenues increased \$2,086,539 from Fiscal Year 2018 to Fiscal Year 2019. In program revenues, operating grants increased \$998,215 and capital grants increased \$77,351. In general revenue, property tax revenue increased \$832,976, and intergovernmental revenues increased \$157,629. In addition, miscellaneous revenues increased \$47,711 and investment earnings increased \$260,793. The \$153,935 increase in investment earnings was primarily due to the increase in interest earned in the \$7 million unused Library bond fund.

## City of Takoma Park, Maryland

### Management's Discussion and Analysis June 30, 2019

Capital grants and contributions increased \$77,351, primarily due to the increase of \$82,945 in State and County Memorandum of Understanding (MOU) project revenue. Operating grants and contributions increased \$998,215, due to the significant increase of WSSC-Flower Avenue Green Street grant revenue (\$291,037), the Ethan Allen Street grant revenue (\$454,520) and joint program of Lincoln Avenue construction and Safe Route to School program revenue (\$431,176). The increase was offset by the revenue reduction in the MHP Trail project of \$100,000, and Community Parks and Playground of \$178,779.

Charges for services decreased \$288,136. This variance was primarily due to the \$60,124 decrease in Summon and Forfeiture revenues and the \$235,146 decrease in Speed Camera fines in the Public Safety category. This decrease was offset by the increase in Recreation revenue of \$49,519 in Summer Camp and \$31,004 from the Active-net system.

Miscellaneous revenue increased \$47,711, primarily due to extraordinary events that took place in the fiscal year. During Fiscal Year 2019, the City received donations totaling \$103,548 from the residents for the total cost of \$250,000 land purchase at Dorothy Woods. Miscellaneous revenues from sales of City property decreased \$18,961 and insurance claims decreased \$12,869, Stormwater miscellaneous income and interest income decreased \$43,321.

Expenses increased by \$862,255 from Fiscal Year 2018 to Fiscal Year 2019. General Government expenses increased \$369,681 primarily due to the \$227,523 write-off of uncollected grant reimbursement from Program Open Space and \$49,085 increase in Workers' Compensation premiums and \$55,514 increase in contract for the City's Community Survey expenditures. The remaining variance was due to increases in salary and recruitment expenditures (\$55,357) in Human Resources.

Public Safety expenses are \$20,319 less than those for Fiscal Year 2018. The variance is primarily due to \$180,393 reduction of pension expenses in Fiscal Year 2019. The decrease in net benefit was offset by the increase in salary costs of \$140,781 in the Police Chief division.

Public Works expenses increased \$524,293 primarily due to the \$55,515 increase in Stormwater engineering services expenditures, the increase of \$76,731 in pension expense, and the increase of \$78,573 in the multi-family energy grant project. In addition, the operating expenses, including depreciation cost, increased \$122,538 in Fiscal Year 2019.

Housing and Community Development expenses decreased \$265,039 due primarily to the \$130,286 decrease in contract costs in planning and development and the \$57,000 decrease in the Community Legacy Grant and other intergovernmental project expenditures.

Recreation and Culture expenses increased \$321,067 from Fiscal Year 2018 to Fiscal Year 2019. The increase was primarily due to increase of \$83,471 in pension cost, and compensated costs totaling \$18,572 in personnel and operating expenses in the Recreation, Communications and Library Departments.

Interest on long term debt decreased \$67,428 due to the one-time debt issuance cost \$156,894 paid in Fiscal Year 2018 only. The decrease in debt service expenditures was offset by the bond premium of \$125,459 including the Transportation Bond and Library Construction Bond which were issued to facilitate the Ethan Allen and Flower Avenue street projects and the renovation of the City's Library respectively.

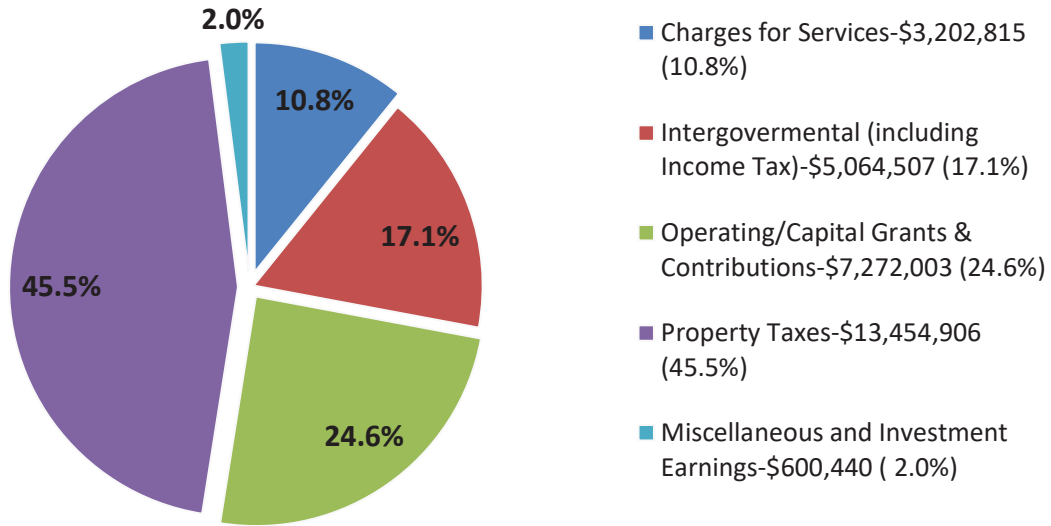
As shown previously, the cost of all governmental activities was \$25,837,087. Those who directly benefited from the services paid \$3,202,815 of the activity costs. The City also received operating and capital grants and contributions from other governments and organizations of \$7,297,248 which reduced the amount paid by City residents for certain services. The net cost of the City's governmental activities totaled \$15,337,024 and was funded with general revenues, including property taxes and intergovernmental revenues.

City of Takoma Park, Maryland

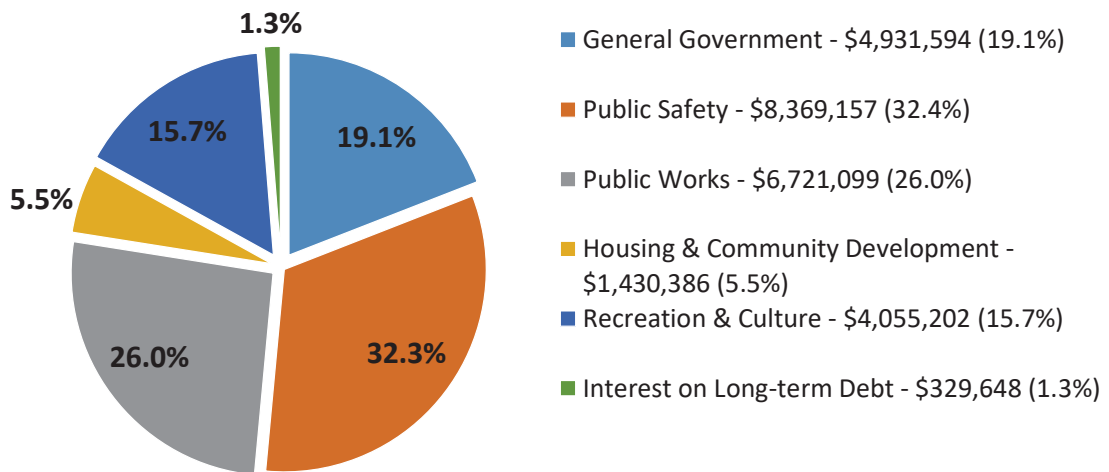
Management's Discussion and Analysis  
June 30, 2019

Governmental Activities  
Fiscal Year Ended June 30, 2019

### Revenues



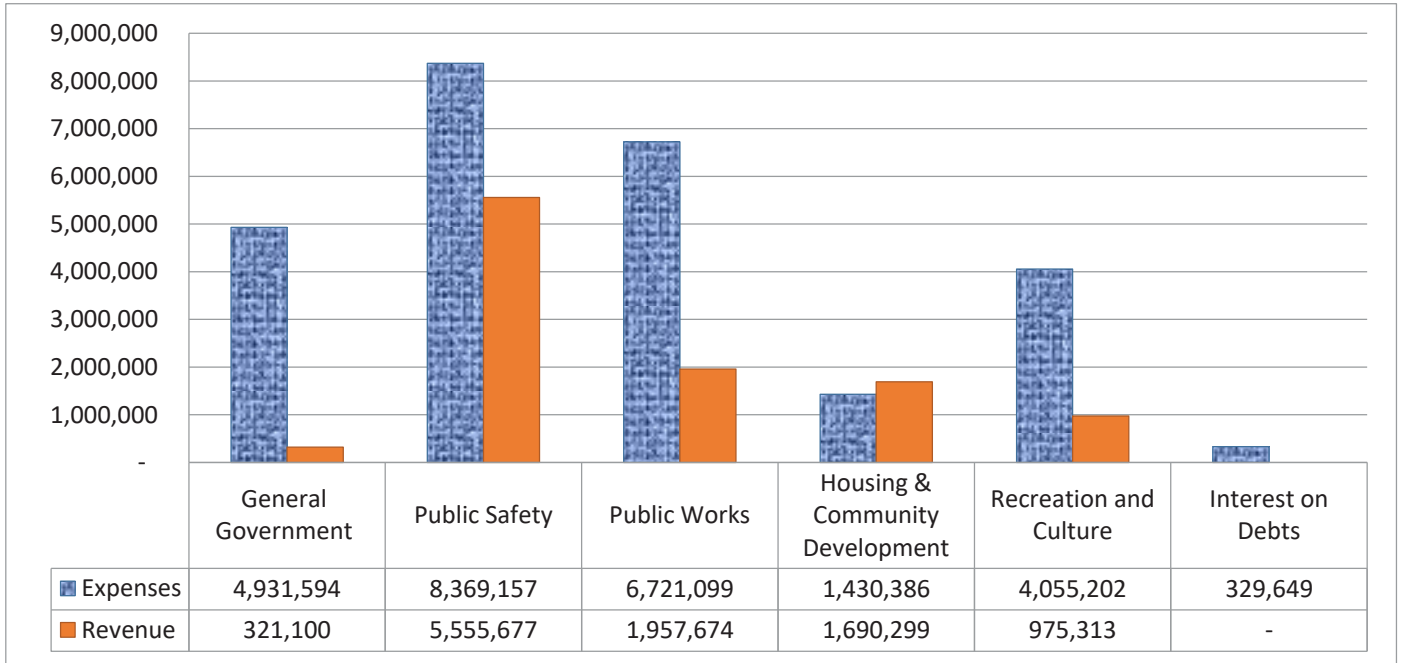
### Expenses



**City of Takoma Park, Maryland**

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

**Governmental Activities  
Comparison of Program Revenues versus Expenses  
Fiscal Year Ended June 30, 2019**



**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, 2019, the City's governmental funds had combined fund balances of \$24,999,588, a decrease of \$1,165,195 from the prior year. This decrease in fund balance is due primarily to the increases in expenditures both in General Fund and Speed Camera Fund in Fiscal Year 2019. Approximately 16 percent of the fund balance amount is restricted or considered "nonspendable" and is not available for new spending. The portion of the fund balance that is restricted or not available for spending totals \$4,079,475. The use of these funds is restricted for expenditures primarily for street improvement, speed camera and special revenue grants.

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 \$20,742,258, a decrease of \$1,327,851 from Fiscal Year 2018. The decrease is due to the increase in operating expenditures from the departments.

## City of Takoma Park, Maryland

### Management's Discussion and Analysis June 30, 2019

The General Fund balance includes \$97,497 which is restricted for street improvements and \$6,506 which is nonspendable (e.g., deposits and prepaid expenditures). A portion of the General Fund balance, totaling \$13,703,875 or 66.1 percent, is committed for the following purposes:



The unassigned portion of the General Fund's fund balance as of June 30, 2019 is \$6,934,380. The General Fund total fund balance is \$20,742,258.

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 2019 totaled \$991,915. 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 \$544,164 at June 30, 2019. 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 \$3,424,877 as of June 30, 2019. Most of the fund balance is restricted for the acquisition of cable equipment. The amount that is restricted for cable equipment is \$3,397,184. The remaining fund balance of \$27,693 is restricted for police-related expenditures allowed by the Department of Justice Equitable Sharing Program. The \$345,508 increase in the fund balance of the Special Revenue Fund is due primarily to the excess of program revenues over expenditures (\$303,790) and the transfer of City's match (\$41,718) from the General Fund to the Transportation Grant in Fiscal Year 2019.

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 \$281,858 as of June 30, 2019.

The Rehabilitation Loans and Grants Fund, which was established to account for activities related to loans and grants to assist low- and moderate-income City homeowners in rehabilitating their homes to conform to locally adopted codes, had a fund balance of \$6,431 as of June 30, 2019. 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 2019, there was no construction activity related to the community and municipal center that used this fund. The Facility Construction Fund did not have a fund balance at June 30, 2019.

## City of Takoma Park, Maryland

### Management's Discussion and Analysis June 30, 2019

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, there were net decreases totaling \$663,456 in General Fund expenditure appropriations between the original and the final budget. The largest decrease in appropriations was related to capital outlay. The net decrease in the budget for the capital outlay was \$1,004,119. These projects included Library construction (decreased \$1,000,000) and the Flower Avenue Green Street project (decreased \$853,384). The reduction in appropriations was due to project delays. The budget decreases were offset by the budget increases of other capital projects and operating cost from various departments. The increase in the project appropriation included the Ethan Allen Gateway project (\$363,320), and Flower and Sligo Creek Parkway traffic calming (\$300,000). The budget amendments also included appropriations for items such as the additional cost for police department renovation and atrium floor close-in (\$102,139), police car replacement (\$30,000), and appropriation for Public Works funding (\$50,000) for decorative streetlights.

On a budgetary basis, actual revenues for the fiscal year were more than the final amended budget by \$613,878. The increases were due to income tax, personal property and highway tax collection that exceeded the budgeted amounts by \$266,540; but in fines and forfeitures income, including municipal infractions and summons and forfeitures, the revenues were lower than the budgeted amount by \$114,198. Intergovernmental income was \$64,398 higher than the budgeted amount. In addition, actual revenues were higher than expected from use of money of \$251,745, which included the interest earned in unused bond funds in the amount of \$153,935. Recreation charges for services revenues exceeded the budgeted amount by \$111,141 which included revenues from classes (\$38,648), and summer camp (\$52,862).

Actual General Fund expenditures were \$3,840,004 less than the revised budget authorization. General Government expenditures were \$758,029 less than the final amended budget. The budget for General Government includes expenditures (e.g., insurance premiums, workers' compensation, contingencies) that relate to all City functions. Anticipated expenditures for general contingencies were \$124,682 less than budgeted. Housing Fund expenditures were \$190,000 less than budgeted and community grants were \$100,031 less than budgeted.

Contractual services and personnel costs in Legislative Government and Legal Services were \$22,548 and \$15,974 less than budgeted, respectively. Labor and employment legal service costs in regards to compensation studies were \$51,125 less than budgeted. Computer support and contractual expenditures for the digitizing of City records, and the assessment of the Information Technology functions were \$56,898 less than budgeted.

Public Safety expenditures were \$592,537 less than budgeted due to lower than expected personnel costs in the operations and criminal investigation divisions.

Public Works expenditures were \$174,562 less than budgeted. The variance was due to staff vacancies, and lower than anticipated expenditures for contractor work. In the Administration division, lower than anticipated expenditures in sustainability programs and climate resiliency contracts totaled \$144,263. In the Gardens division, lower than anticipated expenditures included salary and fringe benefits totaling \$81,840 primarily due to the vacant vegetation management supervisor position.

Housing and Community Development expenditures were \$280,894 less than budgeted. Overall personnel costs were down \$81,619 due to staff turnover and vacant positions. Contract services were down \$63,284 due to the delays in the implementation of projects that were deferred and lower than anticipated need for contracted services. Site improvement costs, including the Streetscape improvements, were \$19,691 lower than budgeted.

**City of Takoma Park, Maryland**

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

Expenditures for Recreation and Culture were \$192,744 less than budgeted. Recreation and Culture activities include those of the Recreation, Library and Communications Departments. In the Community Center division, the actual contract expenditures were \$22,549 lower than budgeted. The variance of \$44,290 in personnel costs was attributed to the shortage of part-time staff. The Library's expenditures were \$53,605 under the budgeted amount mainly due to the reduction of personnel related salaries and fringe benefits. Communications expenditures were under the budgeted \$57,930 primarily due to the cancellation of job production and the departure of part-time staff.

Capital Outlay expenditures were \$1,841,192 less than the final budgeted amounts, primarily due to project delays. Expenditures anticipated for the construction work on the Ethan Allen Streetscape and Flower Avenue Green Street projects were \$163,233 and \$191,257 lower than budgeted respectively. The Library construction project was \$347,762 less than budgeted due to project delay. Sidewalk construction costs were \$324,302 lower than budgeted. Building Maintenance expenditures were \$368,272 lower due to the delay in Police Department renovations and the Atrium close-in project.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2019, the City of Takoma Park's investment in capital assets (buildings, roads and other infrastructure, vehicles, and equipment) for its governmental activities totaled \$36,809,143 (net of accumulated depreciation). This amount represents an increase of \$3,629,520 from the prior year. The increase was attributable to asset additions totaling \$5,673,452, net of depreciation expense of \$2,011,928 and asset disposals with a book value of \$32,004. Asset additions made during the fiscal year included vehicles for Public Safety (\$152,110), equipment for Public Works (\$506,338), Recreation hardware equipment (\$6,789), Information System's equipment upgrade (\$252,248) and Media audio and video equipment (\$33,011). Infrastructure improvements totaling \$3,441,406 included new sidewalks, the Ethan Allen Gateway project, Lincoln Avenue, 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**

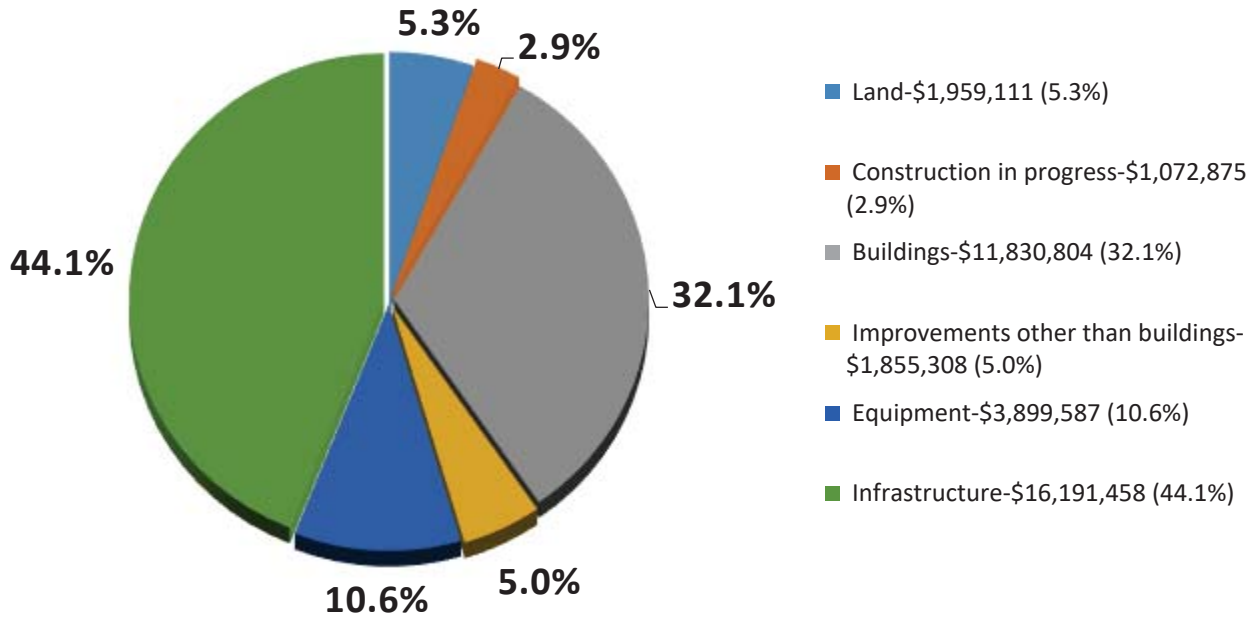
	<u>2019</u>	<u>2018</u>
<b>Capital Assets (net of depreciation)</b>		
Land	\$ 1,959,111	\$ 1,709,111
Construction in progress	1,072,875	1,007,522
Buildings	11,830,804	12,204,635
Improvements other than buildings	1,855,308	1,927,085
Infrastructure	3,899,587	3,507,524
Equipment	<u>16,191,458</u>	<u>12,823,746</u>
Total	<u>\$ 36,809,143</u>	<u>\$ 33,179,623</u>



City of Takoma Park, Maryland

Management's Discussion and Analysis  
June 30, 2019

**Capital Assets (Net of Depreciation) June 30, 2019**



Additional information on the City's capital assets can be found in Note 10 - Capital Assets and Other Property on page 56 of this report.

**Debt Administration**

At year-end, the City had \$10,748,852 in outstanding debt, a decrease of \$545,185 or about 4.8 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 (\$587,500), and net of the increase of \$42,315 in compensated absences.

The City's aggregate net pension liability totaled \$15,373,421 at year-end, a decrease of \$909,790 from the prior year. The decrease of \$909,790 is the net between \$408,442 increase in the State Pension Plan liability and \$1,318,232 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.

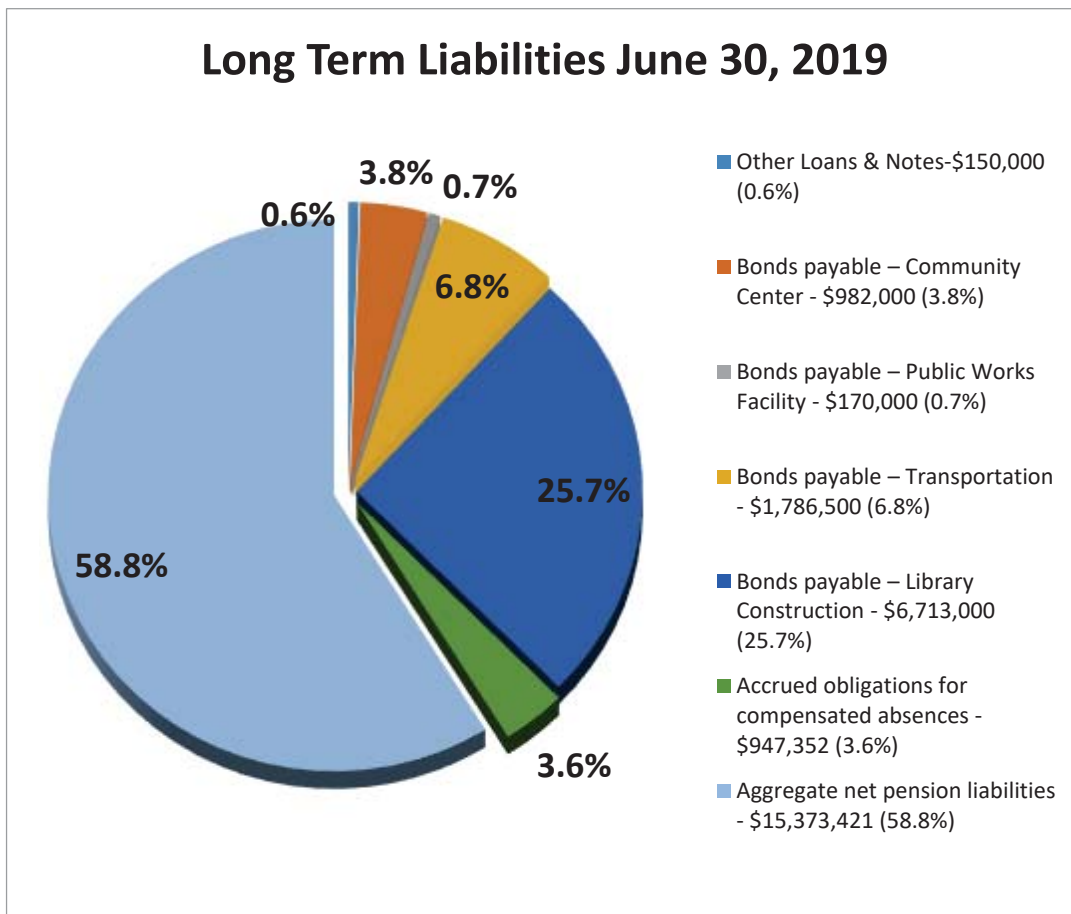
**City of Takoma Park, Maryland**

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

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>2019</u>	<u>2018</u>
<b>Long-Term Liabilities</b>		
Loan payable - Maryland Department Housing Community Development	\$ 150,000	\$ 150,000
Bond payable - Community Center (2015)	982,000	1,129,500
Bond payable - Public Works Facility	170,000	335,000
Bond payable - Library Construction (2017)	1,786,500	1,903,500
Bond payable - Transportation (2017)	6,713,000	6,871,000
Accrued obligations for compensated absences	947,352	905,037
Aggregate net pension liabilities	<u>15,373,421</u>	<u>16,283,211</u>
<b>Total</b>	<u><u>\$ 26,122,273</u></u>	<u><u>\$ 27,577,248</u></u>



## City of Takoma Park, Maryland

### Management's Discussion and Analysis June 30, 2019

Additional information on the City's long-term debt can be found in Note 11 - Non-Current Liabilities on pages 57 - 59 of this report.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATES**

The following are some highlights of the adopted budget for the fiscal year beginning July 1, 2019:

- 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.
- Anticipated revenues of \$1.3 million from the Speed Camera Program with estimated expenditures of \$1.2 million. Speed Camera Fund expenditures include operating expenditures (e.g., payments to the program contractor and Safe Speed program staff costs), and the purchase of police equipment.
- Increase in staffing level by 0.88 full-time equivalents. The increase reflects two half-time positions-Landlord-Tenant Mediator and Parking Enforcement Officer increasing to fulltime, and adjustments to part-time hours in the Recreation Department and Arts and Humanities division.
- Anticipated General Fund expenditures of \$1.25 million for street, and sidewalks. General Fund expenditures also include \$1.2 million for the Flower Avenue Green Street Project of which \$1 million will be paid by the City's Transportation Bond. The cost of Library design and renovation is expected to be \$800,000 and is funded by a \$7 million Library Bond.
- Expenditures of \$230,000 in Stormwater Fund for the construction, maintenance, and repair of storm drains, inlets, and channels, along with several bio-retention projects.
- Contribution of \$650,000 to the Equipment Replacement Reserve. Funds from the Equipment Replacement Reserve will be used to replace vehicles and equipment, including police cars, a crack-filling machine and a creation bus.
- Funding in the amount of \$3,431,071 in Special Revenue Funds for special projects, including \$2.9 million for the Flower Avenue Green Street Project, and \$190,000 funding for the New Hampshire Avenue Bikeway.
- Contribution of \$51,000 in excess of the actuarial recommended contribution amount for the Police Employees' Retirement Plan.

#### **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, 2019**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 15,121,789
Investments	3,663,290
Restricted investments	8,968,565
Accounts receivable, net	348,234
Notes receivable, net	7,774
Due from other governments	2,504,516
Other assets	6,506
Capital assets, net	
Non-depreciable	3,031,986
Depreciable	<u>33,777,157</u>
Total assets	<u>67,429,817</u>
Deferred outflows of resources - pension related	<u>5,642,754</u>
<b>Liabilities</b>	
Accounts payable	3,574,433
Accrued liabilities	370,103
Deposits and escrows held	185,542
Due to other governments	208,869
Unearned revenue	289,530
Non-current liabilities:	
Due within one year	599,000
Due in more than one year	<u>25,523,273</u>
Total liabilities	<u>30,750,750</u>
Deferred inflows of resources - pension related	<u>5,540,903</u>
<b>Net position</b>	
Net investment in capital assets	27,157,643
Restricted for:	
Public safety	544,164
Cable equipment	3,397,184
Loans	6,431
Streets	7,874,204
Emergency expenses	509,536
Housing	878,294
Justice forfeiture	27,693
Unrestricted	<u>(3,614,231)</u>
Total net position	<u><u>\$ 36,780,918</u></u>

See Notes to Financial Statements.

City of Takoma Park, Maryland

Statement of Activities  
For the Fiscal Year Ended June 30, 2019

Functions/Programs	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	\$ 4,931,594	\$ 105,965	\$ 215,135	\$ (4,610,494)
Public safety	8,369,157	1,292,509	-	(2,813,480)
Public works	6,721,099	829,347	93,540	(4,763,425)
Housing and community development	1,430,386	343,672	-	259,913
Recreation and culture	4,055,202	631,322	-	(3,079,889)
Interest on long-term debt	329,649	-	-	(329,649)
<b>Total governmental activities</b>	<b>\$ 25,837,087</b>	<b>\$ 3,202,815</b>	<b>\$ 308,675</b>	<b>(15,337,024)</b>
General revenues				
Taxes				
Property taxes, levied for general purposes				13,454,906
Intergovernmental - unrestricted				5,064,507
Miscellaneous				238,685
Unrestricted investment earnings				361,755
Total general revenues				19,119,853
Change in net position				3,782,829
Net position, beginning of year				32,998,089
Net position, end of year				<u>\$ 36,780,918</u>

See Notes to Financial Statements.

**City of Takoma Park, Maryland**

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

	General Fund	Speed Camera Fund	Special Revenue Fund	Non-Major Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 9,895,836	\$ 4,305,269	\$ -	\$ 920,684	\$ 15,121,789
Investments	3,663,290	-	-	-	3,663,290
Restricted investments	8,968,565	-	-	-	8,968,565
Receivables, net					
Taxes	312,551	-	-	-	312,551
Notes	-	-	2,501	5,273	7,774
Other	19,184	-	7,287	9,212	35,683
Due from other funds	3,662,080	5,959	2,925,686	207,534	6,801,259
Due from other governments	1,572,004	-	930,153	2,359	2,504,516
Other assets	6,506	-	-	-	6,506
<b>Total assets</b>	<b>28,100,016</b>	<b>4,311,228</b>	<b>3,865,627</b>	<b>1,145,062</b>	<b>37,421,933</b>
Deferred outflows of resources	-	-	-	-	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 28,100,016</b>	<b>\$ 4,311,228</b>	<b>\$ 3,865,627</b>	<b>\$ 1,145,062</b>	<b>\$ 37,421,933</b>
<b>Liabilities</b>					
Accounts payable	\$ 2,728,084	\$ 163,858	\$ 370,660	\$ 311,831	\$ 3,574,433
Accrued expenditures	286,550	4,026	-	2,414	292,990
Deposits and escrows held	118,317	-	8,185	59,040	185,542
Due to other funds	2,925,686	3,599,180	5,959	270,434	6,801,259
Due to other units of government	-	-	-	208,869	208,869
Unearned revenue	233,584	-	55,946	-	289,530
<b>Total liabilities</b>	<b>6,292,221</b>	<b>3,767,064</b>	<b>440,750</b>	<b>852,588</b>	<b>11,352,623</b>
Deferred inflows of resources	1,065,537	-	-	4,185	1,069,722
<b>Fund balances</b>					
Nonspendable	6,506	-	-	-	6,506
Restricted	97,497	544,164	3,424,877	6,431	4,072,969
Committed	13,703,875	-	-	-	13,703,875
Assigned	-	-	-	281,858	281,858
Unassigned	6,934,380	-	-	-	6,934,380
<b>Total fund balances</b>	<b>20,742,258</b>	<b>544,164</b>	<b>3,424,877</b>	<b>288,289</b>	<b>24,999,588</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 28,100,016</b>	<b>\$ 4,311,228</b>	<b>\$ 3,865,627</b>	<b>\$ 1,145,062</b>	<b>\$ 37,421,933</b>

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, 2019**

Total fund balances - Governmental Funds	\$ 24,999,588
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 \$65,453,663 and the accumulated depreciation is \$28,644,520.	36,809,143
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(10,748,852)
Interest on long-term debt and other expenses are not accrued in governmental funds, but rather are recognized as an expenditure when due.	(77,113)
Net pension liability is recognized as a liability on the Statement of Net Position but not in the fund financial statements.	(15,373,421)
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.	5,642,754
Deferred inflows of resources related to pension liability and earnings on pension plan investments are not reported in the fund financial statements.	(5,540,903)
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>1,069,722</u>
Total net position - Governmental Activities	<u>\$ 36,780,918</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, 2019**

	General Fund	Speed Camera Fund	Special Revenue Fund	Non-Major Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes and utility fees	\$ 17,485,511	\$ -	\$ -	\$ -	\$ 17,485,511
Licenses and permits	84,908	-	-	-	84,908
Fines and forfeitures	195,802	991,915	-	-	1,187,717
Use of money and property	326,745	34,344	-	666	361,755
Charges for services	1,228,836	-	-	707,484	1,936,320
Intergovernmental	6,213,140	-	1,858,000	168,750	8,239,890
Miscellaneous	198,393	-	38,633	4,053	241,079
<b>Total revenues</b>	<b>25,733,335</b>	<b>1,026,259</b>	<b>1,896,633</b>	<b>880,953</b>	<b>29,537,180</b>
<b>Expenditures</b>					
General government	4,456,240	-	75,664	-	4,531,904
Public safety	7,917,412	1,025,598	-	-	8,943,010
Public works	5,073,497	-	-	434,500	5,507,997
Housing and community development	1,454,808	-	503,618	-	1,958,426
Recreation and culture	3,734,326	-	-	-	3,734,326
Capital outlay	3,463,316	267,278	1,013,561	362,688	5,106,843
Debt service					
Principal	587,500	-	-	-	587,500
Interest	332,369	-	-	-	332,369
<b>Total expenditures</b>	<b>27,019,468</b>	<b>1,292,876</b>	<b>1,592,843</b>	<b>797,188</b>	<b>30,702,375</b>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(1,286,133)</u>	<u>(266,617)</u>	<u>303,790</u>	<u>83,765</u>	<u>(1,165,195)</u>
Other financing sources (uses)					
Transfers in (out)	<u>(41,718)</u>	<u>-</u>	<u>41,718</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<b><u>(41,718)</u></b>	<b><u>-</u></b>	<b><u>41,718</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net changes in fund balances</b>	<b>(1,327,851)</b>	<b>(266,617)</b>	<b>345,508</b>	<b>83,765</b>	<b>(1,165,195)</b>
Fund balances, beginning of year	<u>22,070,109</u>	<u>810,781</u>	<u>3,079,369</u>	<u>204,524</u>	<u>26,164,783</u>
Fund balances, end of year	<u><b>\$ 20,742,258</b></u>	<u><b>\$ 544,164</b></u>	<u><b>\$ 3,424,877</b></u>	<u><b>\$ 288,289</b></u>	<u><b>\$ 24,999,588</b></u>

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, 2019

Total net change in fund balances - Governmental Funds \$ (1,165,195)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$5,673,452) exceeds depreciation expense (\$2,011,928) in the period. 3,661,524

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 (\$228,935) less any accumulated depreciation (\$196,931). (32,004)

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 \$42,315. (42,315)

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 2019. 587,500

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. 683,213

Interest (expense) in the statement of activities differs from the amount reported in governmental funds due to the net increase in accrued interest. 2,720

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. 87,386

Change in net position of Governmental Activities \$ 3,782,829

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, 2019**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues				
Taxes and utility fees	\$ 17,204,857	\$ 17,204,857	\$ 17,485,511	\$ 280,654
Licenses and permits	73,604	73,604	84,908	11,304
Fines and forfeitures	310,000	310,000	195,802	(114,198)
Use of money and property	75,000	75,000	326,745	251,745
Charges for services	1,120,797	1,120,797	1,228,836	108,039
Intergovernmental	6,076,742	6,148,742	6,213,140	64,398
Miscellaneous	75,500	186,457	198,393	11,936
<b>Total revenues</b>	<b>24,936,500</b>	<b>25,119,457</b>	<b>25,733,335</b>	<b>613,878</b>
Expenditures				
Current				
General government	4,962,546	5,214,269	4,456,240	758,029
Public safety	8,469,949	8,509,949	7,917,412	592,537
Public works	5,177,819	5,248,059	5,073,497	174,562
Housing and community development	1,757,002	1,735,702	1,454,808	280,894
Recreation and culture	3,927,070	3,927,070	3,734,326	192,744
Capital outlay	6,308,627	5,304,508	3,463,316	1,841,192
Debt service	919,915	919,915	919,869	46
<b>Total expenditures</b>	<b>31,522,928</b>	<b>30,859,472</b>	<b>27,019,468</b>	<b>3,840,004</b>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<b>(6,586,428)</b>	<b>(5,740,015)</b>	<b>(1,286,133)</b>	<b>4,453,882</b>
Other financing sources (uses)				
Transfers in (out)	-	-	(41,718)	(41,718)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(41,718)</b>	<b>(41,718)</b>
<b>Net change in fund balance</b>	<b>(6,586,428)</b>	<b>(5,740,015)</b>	<b>(1,327,851)</b>	<b>4,412,164</b>
Fund balance, beginning of year	22,070,109	22,070,109	22,070,109	-
<b>Fund balance, end of year</b>	<b>\$ 15,483,681</b>	<b>\$ 16,330,094</b>	<b>\$ 20,742,258</b>	<b>\$ 4,412,164</b>

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, 2019**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues				
Fines and forfeitures	\$ 1,300,000	\$ 1,300,000	\$ 991,915	\$ (308,085)
Use of money and property - interest income	<u>16,600</u>	<u>16,600</u>	<u>34,344</u>	<u>17,744</u>
Total revenues	<u>1,316,600</u>	<u>1,316,600</u>	<u>1,026,259</u>	<u>(290,341)</u>
Expenditures				
Public safety	1,118,718	1,118,718	1,025,598	93,120
Capital outlay	<u>235,801</u>	<u>266,896</u>	<u>267,278</u>	<u>(382)</u>
Total expenditures	<u>1,354,519</u>	<u>1,385,614</u>	<u>1,292,876</u>	<u>92,738</u>
Net change in fund balance	(37,919)	(69,014)	(266,617)	(197,603)
Fund balance, beginning of year	<u>810,781</u>	<u>810,781</u>	<u>810,781</u>	<u>-</u>
Fund balance, end of year	<u>\$ 772,862</u>	<u>\$ 741,767</u>	<u>\$ 544,164</u>	<u>\$ (197,603)</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, 2019**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues				
Intergovernmental	\$ 5,014,444	\$ 3,504,392	\$ 1,858,000	\$ (1,646,392)
Miscellaneous	45,000	45,000	38,633	(6,367)
Total revenues	<u>5,059,444</u>	<u>3,549,392</u>	<u>1,896,633</u>	<u>(1,652,759)</u>
Expenditures				
General government	37,600	55,100	75,664	(20,564)
Public works	25,000	25,000	-	25,000
Housing and community development	45,000	629,846	503,618	126,228
Capital outlay	4,987,444	2,892,546	1,013,561	1,878,985
Total expenditures	<u>5,095,044</u>	<u>3,602,492</u>	<u>1,592,843</u>	<u>2,009,649</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(35,600)	(53,100)	303,790	356,890
Other financing sources (uses)				
Transfer from General Fund	-	-	41,718	41,718
Net change in fund balance	(35,600)	(53,100)	345,508	398,608
Fund balance, beginning of year	<u>3,079,369</u>	<u>3,079,369</u>	<u>3,079,369</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 3,043,769</u></u>	<u><u>\$ 3,026,269</u></u>	<u><u>\$ 3,424,877</u></u>	<u><u>\$ 398,608</u></u>

See Notes to Financial Statements.

**City of Takoma Park, Maryland**  
**Statement of Fiduciary Net Position**  
**June 30, 2019**

	Total
Assets	
Cash and cash equivalents	\$ 181,090
Investments, at fair value:	
Equities	11,397,472
Fixed income	6,010,669
Total investments	17,408,141
Total assets	17,589,231
Deferred outflows of resources	-
Liabilities	-
Deferred inflows of resources	-
Net position restricted for pensions	\$ 17,589,231

See Notes to Financial Statements.

City of Takoma Park, Maryland

Statement of Changes in Fiduciary Net Position  
For the Fiscal Year Ended June 30, 2019

	<u>Total</u>
Additions	
Employer contributions	\$ 1,238,480
Plan member contributions	<u>197,174</u>
Total contributions and other receipts	1,435,654
Net investment earnings	<u>968,921</u>
Total additions	<u>2,404,575</u>
Deductions	
Benefits and refunds paid	1,009,776
Administrative expenses	<u>79,938</u>
Total deductions	<u>1,089,714</u>
Change in net position	1,314,861
Net position held in trust for pension benefits, beginning of year	<u>16,274,370</u>
Net position held in trust for pension benefits, end of year	<u>\$ 17,589,231</u>

See Notes to Financial Statements.



## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2019

#### 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, 2019

#### **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, 2019**

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

**Cash, cash equivalents and investments**

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

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

**Receivables and payables**

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

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

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

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

**City of Takoma Park, Maryland**

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

**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**

Vested vacation is accrued when earned by employees and a liability is recorded in the government-wide financial statements. No liability is recorded for nonvesting accumulated rights to receive sick pay benefits, as the City does not pay these amounts when employees separate from service.

The City pays outstanding vacation leave at separation. The accrual of \$947,352 is included as "non-current liabilities" in the government-wide statements.

Compensated absences have generally been liquidated by the General Fund.

## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2019

#### **Deferred inflows of resources**

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

#### **Net position**

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

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

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

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

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

#### **Governmental fund balances**

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

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

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

**City of Takoma Park, Maryland**

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

**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, 2019.

**Note 3 - Cash, cash equivalents and investments**

**Cash on hand**

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

**Deposits**

At year-end, the carrying amount of the City of Takoma Park (the "City") deposits was \$15,301,503 and the corresponding bank balances were \$15,307,715. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$15,057,715 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, 2019.

**City of Takoma Park, Maryland**

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

**Investments**

At June 30, 2019, 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	\$ 10,958,774	\$ -	\$ 10,958,774	\$ -
Certificates of Deposit	Not Rated	2,266,703	874,566	1,392,137	-
Bond Trustee Account***	N/A	8,968,565	8,968,565	-	-
MLGIP***	N/A	1,396,587	1,396,587	-	-
Collective Investment Trust*	N/A	438,698	-	438,698	-
Fixed Income*	**	6,010,669	-	6,010,669	-
<b>Total investments</b>		<b>\$ 30,039,996</b>	<b>\$ 11,239,718</b>	<b>\$ 18,800,278</b>	<b>\$ -</b>

\* Included in fiduciary funds.

\*\* 68.9% of portfolio is rated AAA; 4.0% is rated AA; 11.3% is rated A and 15.8% is rated BBB.

\*\*\* Pooled investments carried at amortized cost.

**Restricted investments**

At June 30, 2019, the City's restricted investment balance included Bond Trustee Account, which restricts the use of funds for transportation projects and library renovation related to the Series 2017 bond issue.

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

Cash on hand	\$ 1,376
Carrying amount of deposits	15,301,503
Carrying amount of investments	<u>30,039,996</u>
<b>Total cash, cash equivalents and investments</b>	<b>45,342,875</b>
<b>Less fiduciary funds</b>	<b><u>17,589,231</u></b>
<b>Total cash, cash equivalents and investments per Statement of Net Position</b>	<b><u>\$ 27,753,644</u></b>
Cash and cash equivalents	\$ 15,121,789
Investments	3,663,290
Restricted investments	<u>8,968,565</u>
<b>Total cash, cash equivalents and investments per Statement of Net Position</b>	<b><u>\$ 27,753,644</u></b>

*Investment Interest Rate Risk*

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities except in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. The City's management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost for that purpose. The investments at June 30, 2019 met the City's investment policy as of that date.

**City of Takoma Park, Maryland**

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

Investment income includes the following for the year ended June 30, 2019:

Total net investment income per Statement of Activities	<u>\$ 361,755</u>
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Net investment income per the Statement of Activities of \$361,755 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	\$ 475,261
Realized gain	79,241
Unrealized gain	<u>414,419</u>
	<u>\$ 968,921</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, 2019. 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 \$1,396,587 in MLGIP, \$8,968,565 in Bond Trustee Account, \$10,958,774 in direct securities, \$2,266,703 in certificates of deposit, \$438,698 in Collective Investment Trust, and \$6,010,669 in fixed income funds. At June 30, 2019, 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, 2019**

**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, 2019:

- Amounts invested in equities of \$10,958,774 and fixed income of \$6,010,669 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 \$2,266,703 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	\$ 10,958,774	\$ -	\$ -	\$ 10,958,774
Certificates of Deposit	-	2,266,703	-	2,266,703
Fixed Income	6,010,669	-	-	6,010,669
 Total investments by fair value level	 \$ 16,969,443	 \$ 2,266,703	 \$ -	 \$ 19,236,146
 Investments carried at amortized cost:				
MLGIP				1,396,587
Bond Trustee Account				8,968,565
Collective Investment Trust				438,698
 Total investments				 \$ 30,039,996

**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 2019 was \$0.5291 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, 2019**

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, 2019, taxes receivable, net of an allowance for uncollectibles of \$126,575, amounted to \$312,551.

**Note 6 - Notes receivable, net**

Notes receivable of \$7,774 are comprised of \$2,501 and \$5,273 recorded in Special Revenue Fund and the Rehabilitation Loans and Grants Fund ("Rehabilitation Loans Fund"), respectively. 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, 2019, notes receivable - Rehabilitation Loans Fund, net of allowances for uncollectibles of \$2,233, amounted to \$5,273.

The notes receivable in the amount of \$2,501, net of allowance for uncollectible of \$0, recorded in the Special Revenue Fund as a note receivable and unearned revenue consists of an unsecured loan to a nonprofit organization for repaving and other improvements along Maple Avenue. Repayment terms call for 0% interest rate and monthly payments of \$417 beginning in January 2010 with full payment no later than December 2019. If the organization defaults on the loan the interest rate may be increased to 6%.

**Note 7 - 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 the end of the fiscal year, 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	\$ 793,496	\$ -	\$ 793,496
Property taxes receivable, General Fund	271,549	-	271,549
Charges for services, General Fund	171	-	171
Fees, General Fund	321	121,362	121,683
Stormwater receivable General Fund	4,185 -	-	4,185
Grant funds received in excess of expenditures, Special Revenue Fund	-	112,222	112,222
	<u>-</u>	<u>55,946</u>	<u>55,946</u>
	<u>\$ 1,069,722</u>	<u>\$ 289,530</u>	<u>\$ 1,359,252</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.

**City of Takoma Park, Maryland**

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

During the year ended June 30, 2019, the General Fund transferred \$41,718 to the Special Revenue Fund to provide the required matching funds for grants.

The balances at June 30, 2019 of individual fund interfund borrowings were as follows:

	Due from other Funds	Due to other Funds
General Fund	\$ 3,662,080	\$ 2,925,686
Speed Camera	5,959	3,599,180
Special Revenue	<u>2,925,686</u>	<u>5,959</u>
	<u>6,593,725</u>	<u>6,530,825</u>
Non-major funds		
Community Center	207,226	207,226
Storm Water	308	61,070
Rehab Loan	<u>-</u>	<u>2,138</u>
	<u>207,534</u>	<u>270,434</u>
Total	<u><u>\$ 6,801,259</u></u>	<u><u>\$ 6,801,259</u></u>

**Note 9 - Due from other governments**

The June 30, 2019, balance due from other governments is as follows:

State of Maryland	
Income tax	\$ 278,008
Income tax reserve	793,496
Highway user tax	22,856
Amusement tax	35,910
Police protection	141,481
State Highway Administration	947,442
Department of Natural Resources	17,318
Other	4,650
Montgomery County	
Franchise fees	214,859
Other	<u>48,496</u>
Total	<u><u>\$ 2,504,516</u></u>

**City of Takoma Park, Maryland**

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

**Note 10 - Capital assets and other property**

A summary of changes in capital assets during fiscal year 2019 follows:

	<u>Balance June 30, 2018</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Balance June 30, 2019</u>
Capital assets (not being depreciated)				
Land	\$ 1,709,111	\$ 250,000	\$ -	\$ 1,959,111
Construction in progress	<u>1,007,522</u>	<u>660,720</u>	<u>(595,367)</u>	<u>1,072,875</u>
Total non-depreciable capital assets	<u>2,716,633</u>	<u>910,720</u>	<u>(595,367)</u>	<u>3,031,986</u>
Capital assets (being depreciated)				
Buildings	19,052,984	174,624	-	19,227,608
Improvements other than buildings	3,466,403	-	-	3,466,403
Equipment	8,023,898	1,146,702	(228,935)	8,941,665
Infrastructure	<u>26,749,228</u>	<u>4,036,773</u>	<u>-</u>	<u>30,786,001</u>
Total depreciable capital assets	<u>57,292,513</u>	<u>5,358,099</u>	<u>(228,935)</u>	<u>62,421,677</u>
Less - accumulated depreciation for:				
Buildings	(6,848,349)	(548,455)	-	(7,396,804)
Improvements other than buildings	(1,539,318)	(71,777)	-	(1,611,095)
Equipment	(4,516,374)	(722,635)	196,931	(5,042,078)
Infrastructure	<u>(13,925,482)</u>	<u>(669,061)</u>	<u>-</u>	<u>(14,594,543)</u>
Total accumulated depreciation	<u>(26,829,523)</u>	<u>(2,011,928)</u>	<u>196,931</u>	<u>(28,644,520)</u>
Total capital assets being depreciated	<u>30,462,990</u>	<u>3,346,171</u>	<u>(32,004)</u>	<u>33,777,157</u>
Total capital assets	<u>\$ 33,179,623</u>	<u>\$ 4,256,891</u>	<u>\$ (627,371)</u>	<u>\$ 36,809,143</u>

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

General government	\$ 409,788
Public safety	219,657
Housing and community development	56,655
Public works	1,135,791
Recreation and culture	<u>190,037</u>
	<u>\$ 2,011,928</u>

**City of Takoma Park, Maryland**

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

**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, 2019:

	Balance June 30, 2018	Increase	Decrease	Balance June 30, 2019	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	335,000	-	(165,000)	170,000	170,000	2.97%	June 2020
Bonds payable	1,129,500	-	(147,500)	982,000	151,500	2.34%	April 2025
Bonds payable	1,903,500	-	(117,000)	1,786,500	119,500	2.78%	April 2032
Bonds payable	6,871,000	-	(158,000)	6,713,000	158,000	3.61%	April 2047
Compensated absences	905,037	57,316	(15,001)	947,352	-		
Net pension liability	16,283,211	408,442	(1,318,232)	15,373,421	-		
	<u>\$ 27,577,248</u>	<u>\$ 465,758</u>	<u>\$ (1,920,733)</u>	<u>\$ 26,122,273</u>	<u>\$ 599,000</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, 2019 is \$150,000.

Fiscal years	Principal	Interest	Total
2020	\$ -	\$ -	\$ -
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 is 2.97% annually. Principal is repaid annually and interest payments are made semiannually. The loan matures on June 15, 2020. The balance of the loan at June 30, 2019 is \$170,000. The annual installments for the repayment of the loan as of June 30, 2019 are as follows:

Fiscal years	Principal	Interest	Total
2020	<u>\$ 170,000</u>	<u>\$ 5,049</u>	<u>\$ 175,049</u>

**City of Takoma Park, Maryland**

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

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, 2019 is \$982,000. The annual installments for the repayment of the bond as of June 30, 2019 are as follows:

<u>Fiscal years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 151,500	\$ 31,220	\$ 182,720
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>\$ 982,000</u>	<u>\$ 116,235</u>	<u>\$ 1,098,235</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, 2019 is \$1,786,500. The annual installments for the repayment of the bond as of June 30, 2019 are as follows:

<u>Fiscal years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 119,500	\$ 46,894	\$ 166,394
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 - 2029	695,500	135,911	831,411
2030 - 2032	468,500	30,043	498,543
Total	<u>\$ 1,786,500</u>	<u>\$ 375,413</u>	<u>\$ 2,161,913</u>

**City of Takoma Park, Maryland**

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

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, 2019 is \$6,713,000. The annual installments for the repayment of the bond as of June 30, 2019 are as follows:

Fiscal years	Principal	Interest	Total
2020	\$ 158,000	\$ 229,488	\$ 387,488
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 - 2029	927,500	1,016,121	1,943,621
2030 - 2034	1,074,000	867,464	1,941,464
2035 - 2039	1,271,000	675,911	1,946,911
2040 - 2044	1,533,000	409,415	1,942,415
2045 - 2047	1,077,000	88,371	1,165,371
<b>Total</b>	<b>\$ 6,713,000</b>	<b>\$ 4,171,421</b>	<b>\$ 10,884,421</b>

**Note 12 - Deferred inflows of resources - governmental funds**

Deferred inflows of resources are comprised of the following amounts as of June 30, 2019:

	General Fund	Non-major fund	Total
Income taxes	\$ 793,496	\$ -	\$ 793,496
Property taxes receivable	271,549	-	271,549
Charges for services	492	-	492
Stormwater receivable	-	4,185	4,185
	<b>\$ 1,065,537</b>	<b>\$ 4,185</b>	<b>\$ 1,069,722</b>

**Note 13 - Fund balances**

Fund balances for the City's governmental funds consisted of the following as of June 30, 2019:

**Nonspendable fund balances**

Nonspendable fund balances as of June 30, 2019 are comprised of trash bins of \$6,506 in the General Fund.

**City of Takoma Park, Maryland**

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

**Restricted fund balances**

Restricted fund balances total \$4,072,969 as of June 30, 2019. The General Fund restricted fund balance at June 30, 2019 is \$97,497 pertaining to street improvements. Fund balance in the Speed Camera Fund is restricted to public safety projects. At June 30, 2019, this amount was \$544,164. Most of the fund balance in the Special Revenue Fund is restricted to cable equipment and related expenditures. At June 30, 2019, this amount was \$3,397,184. The remaining fund balance in the Special Revenue Fund of \$27,693 is restricted for police-related expenditures allowed by the Department of Justice Equitable Sharing Program for forfeitures. The amount restricted in the Rehabilitation Loans and Grants Fund related to notes receivable is \$6,431 as of June 30, 2019.

**Committed fund balances**

The General Fund has \$13,703,875 in committed fund balances as of June 30, 2019. This is comprised of the following:

Bond reserve	\$ 7,776,707
Equipment replacement reserve	3,927,428
Emergency reserve	509,536
Facility maintenance reserve	611,910
Housing fund reserve	<u>878,294</u>
	<u>\$ 13,703,875</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 \$509,536 for emergency expenses as of June 30, 2019.

**Assigned fund balances**

Assigned fund balance totaling \$281,858 as of June 30, 2019 is assigned to stormwater management projects.

**Note 14 - 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 \$6,366,145 as of the measurement date of June 30, 2018.

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 2019 contribution of \$634,587 is therefore recognized as a pension-related deferred outflow of resources.



## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2019

#### Description of plans

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

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

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

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

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

**City of Takoma Park, Maryland**

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

Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ended June 30, 2019 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 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, 2019 are based on salaries for the year ended June 30, 2018. 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		
	2019	2018	2017
Retirement plan contributions	\$ 634,587	\$ 605,034	\$ 560,772

The City contributed \$634,587 to the System for fiscal year 2019 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, 2018 rolled forward to June 30, 2019. The key assumptions used to perform the June 30, 2019 pension liability calculation for the System are as follows:

**City of Takoma Park, Maryland**

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset valuation method	5-year smoothed market
Inflation (b)	2.60% general, 3.10% wage
Salary Increases	3.10% to 9.10%, including inflation
Discount Rate (a)	7.45%
Investment Rate of Return (b)	7.45%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, (2-dimensional) mortality improvement scale
	(a) Discount rate at prior measurement date was 7.50%
	(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 2.65% to 2.60%

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

Total Pension Liability	\$ 72,808,833,000
Plan Fiduciary Net Position	<u>51,827,233,000</u>
Net Pension Liability	<u><u>\$ 20,981,600,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>71.18%</u></u>

**Investments**

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

**City of Takoma Park, Maryland**

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

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

Asset class	Target allocation	Long-term expected real rate of return
Public Equity	37%	5.80%
Private Equity	13%	6.70%
Rate Sensitive	19%	1.10%
Credit Opportunity	9%	3.60%
Real Assets	14%	4.80%
Absolute Return	8%	3.20%
	<u>100%</u>	

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

**Discount rate**

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

**Sensitivity of the net pension liability**

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the System's net pension liability and the City's proportionate share of the System's net pension liability, calculated using a single discount rate of 7.45%, a single discount rate that is 1 percentage point lower (i.e., 6.45%), and a single discount rate that is 1 percentage point higher (i.e., 8.45%).

	1% Decrease - 6.45%	Current Rate - 7.45%	1% Increase - 8.45%
The System's Net Pension Liability	\$ 30,220,704,000	\$ 20,981,600,000	\$ 13,313,808,000
The City's Proportionate Share of Net Pension Liability	\$ 9,169,445	\$ 6,366,145	\$ 4,039,622

**City of Takoma Park, Maryland**

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

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

At June 30, 2019, the City reported a liability of \$6,366,145 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by 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, 2018, the City's proportion was approximately 0.0303 percent.

For the year ended June 30, 2019, the City recognized pension expense of \$231,386. At June 30, 2019, 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	\$ 175,149	\$ -
Difference between actual and expected experience	-	486,863
Net difference between projected and actual earnings on pension plan investments	227,378	-
Change in proportionate share	849,871	218,181
Contributions subsequent to the measurement date	<u>634,587</u>	<u>-</u>
Total	<u>\$ 1,886,985</u>	<u>\$ 705,044</u>

The deferred outflow of resources of \$634,587 relating to contributions subsequent to the measurement date of June 30, 2018 will be recognized as a reduction of the City's net pension liability during the fiscal year ended June 30, 2020. 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 2018, 2017, 2016, 2015 and 2014 are being amortized over the remaining service lives ranging from 5 to 5.87 years. The net difference in investment earnings for 2018, 2017, 2016, 2015 and 2014 are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed five-year period.

**City of Takoma Park, Maryland**

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

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

Fiscal Year Ended June 30	Net
2020	\$ 372,113
2021	221,351
2022	(92,391)
2023	(16,404)
2024	62,685
Total	<u>\$ 547,354</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, 2019 were as follows:

Total Pension Liability	\$ 22,091,365
Plan Fiduciary Net Position	<u>15,725,220</u>
Net Pension Liability	<u>\$ 6,366,145</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>71.18%</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, 2019**

The annual money-weighted rate of return was 5.9% for the year ended June 30, 2019. 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, 2019, the pension plan's membership consisted of:

Active plan members	37
Inactive plan members or beneficiaries currently receiving benefits	26
Inactive plan members entitled to benefits but not yet receiving them	<u>6</u>
Total	<u><u>69</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, 2019 was \$1,238,480. The police officers contribute to the Plan based on 7% of salaries. Members' actual contributions were \$197,175 at June 30, 2019. Administrative costs are financed through investment earnings.

The annual pension cost for 2019, 2018 and 2017 was \$1,238,480, \$1,325,199 and \$1,189,854, respectively. The contributions made as a percentage of the annual pension cost for 2019, 2018, and 2017 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 2019, 2018 and 2017 were \$17,150,535, \$15,861,151 and \$13,993,308, 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, 2019**

The plan's target asset allocation and long-term expected real rate of return was the following as of June 30, 2019.

<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, 2019 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, 2019 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, 2019**

*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	\$ 12,815,223	\$ 9,007,276	\$ 5,917,007

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

	<u>2019</u>
Total pension liability	
Service cost	\$ 864
Interest	1,862
Changes of benefit terms	-
Difference between expected and actual experience	(1,745)
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(1,010)</u>
Net change in total pension liability	(29)
Total pension liability - beginning	<u>26,187</u>
Total pension liability - end	<u><u>\$ 26,158</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 1,238
Contributions - employees	197
Net investment income	944
Benefit payments, including refunds of member contributions	(1,010)
Administrative expenses	(80)
Other	<u>-</u>
Net change in plan fiduciary net position	1,289
Plan fiduciary net position - beginning	<u>15,862</u>
Plan fiduciary net position - end	<u><u>\$ 17,151</u></u>
Net pension liability	<u><u>\$ 9,007</u></u>

**City of Takoma Park, Maryland**

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

For the year ended June 30, 2019, the City recognized pension benefit of \$914,598. At June 30, 2019, 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	\$ 3,755,769	\$ -
Difference between actual and expected experience	-	4,777,655
Net difference between projected and actual earnings on pension plan investments	-	58,204
<b>Total</b>	<b><u>\$ 3,755,769</u></b>	<b><u>\$ 4,835,859</u></b>

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

Fiscal Year Ended <u>June 30</u>	<u>Net</u>
2020	\$ (34,279)
2021	(661,483)
2022	(79,049)
2023	(305,279)
<b>Total</b>	<b><u>\$ (1,080,090)</u></b>

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	\$ 72,808,833,000	\$ 26,157,811	\$ 72,834,990,811
Total fiduciary net position	\$ 51,827,233,000	\$ 17,150,535	\$ 51,844,383,535
City's proportionate share of total pension liabilities	\$ 6,366,145	\$ 9,007,276	\$ 15,373,421
Total pension assets	\$ 51,827,233,000	\$ 17,150,535	\$ 51,844,383,535
Deferred outflows related to pensions	\$ 1,886,985	\$ 3,755,769	\$ 5,642,754
Deferred inflows related to pensions	\$ 705,044	\$ 4,835,859	\$ 5,540,903
Pension expense/expenditures/(benefits) for the period	\$ 231,386	\$ (914,599)	\$ (683,213)
City's proportionate share of net pension liability	0.03034%	100%	
Measurement date of collective net pension liability	June 30, 2018	June 30, 2019	
Date of actuarial valuation	June 30, 2018	June 30, 2019	

**457 Deferred Compensation Plan**

All employees of the City Government may participate in the deferred compensation plan organized under the Internal Revenue Code Section 457, and administered by the International City Management Association Retirement Corporation ("ICMA-RC"). Under the terms of the plan, participating employees may have a portion of their salaries withheld, subject to limitations imposed by the Internal Revenue Service, and invested in the plan. All income taxes are deferred on these contributions and related earnings until the participant terminates from the plan. The City is in compliance with the Internal Revenue Code Section 457(g) requiring all assets and income of the plan to be held in trust for the

**City of Takoma Park, Maryland**

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

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, 2019, there were four 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, 2019 was \$0. The City's liability was \$0 as of June 30, 2019. The plan administrator is ICMA-RC.

**Condensed financial information**

	Pension Trust	Defined Contribution Plan	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 181,090	\$ -	\$ 181,090
Total investments	16,969,443	438,698	17,408,141
<b>Total assets</b>	<b>17,150,533</b>	<b>438,698</b>	<b>17,589,231</b>
<b>Deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 17,150,533</b>	<b>\$ 438,698</b>	<b>\$ 17,589,231</b>
<b>Net position - held in trust for pension benefits</b>	<b>\$ 17,150,533</b>	<b>\$ 438,698</b>	<b>\$ 17,589,231</b>
<b>Additions</b>			
Total contributions	\$ 1,435,654	\$ -	\$ 1,435,654
Net investment earnings	943,442	25,479	968,921
<b>Total additions</b>	<b>2,379,096</b>	<b>25,479</b>	<b>2,404,575</b>
<b>Deductions</b>			
Total deductions	1,089,714	-	1,089,714
<b>Change in net position</b>	<b>1,289,382</b>	<b>25,479</b>	<b>1,314,861</b>
<b>Net position held in trust for pension benefits, beginning of year</b>	<b>15,861,151</b>	<b>413,219</b>	<b>16,274,370</b>
<b>Net position held in trust for pension benefits, end of year</b>	<b>\$ 17,150,533</b>	<b>\$ 438,698</b>	<b>\$ 17,589,231</b>

**City of Takoma Park, Maryland**

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

**Note 15 - 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 16 - Commitments and contingent liabilities**

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.

**Note 17 - Post retirement benefits**

The City does not provide and has no liability for post-retirement benefits at June 30, 2019.

**Note 18 - 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, 2019**

**Note 19 - New accounting pronouncements**

GASB issued several pronouncements prior to the year ended June 30, 2019 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the City beginning with the fiscal year ending June 30, 2020. This Statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on 1) whether a government is controlling the assets of the activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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.

**Note 20 - 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 31, 2019 (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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total pension liability										
Service cost	\$ 864	\$ 839	\$ 809	\$ 790	\$ 543	\$ 796				
Interest	1,862	1,690	1,616	1,543	1,547	1,438				
Changes of benefit terms	-	-	-	-	-	-				
Difference between expected and actual experience	(1,745)	(115)	(645)	(562)	(1,372)	-				
Changes of assumptions	-	865	827	-	-	-				
Benefit payments, including refunds of member contributions	(1,010)	(811)	(857)	(757)	(785)	(784)				
Net change in total pension liability	(29)	2,468	1,750	1,014	(67)	1,450				
Total pension liability - beginning	26,187	23,719	21,969	20,955	21,022	19,572				
Total pension liability - end	\$ 26,158	\$ 26,187	\$ 23,719	\$ 21,969	\$ 20,955	\$ 21,022				
Plan fiduciary net position										
Contributions - employer	\$ 1,238	\$ 1,325	\$ 1,190	\$ 1,296	\$ 1,102	\$ 1,044				
Contributions - member	197	197	189	194	178	184				
Net investment income	944	1,222	1,452	90	441	1,354				
Benefit payments, including refunds of member contributions	(1,010)	(811)	(857)	(757)	(786)	(784)				
Administrative expenses	(80)	(65)	(58)	(56)	(60)	(55)				
Other	-	-	-	-	-	-				
Net change in plan fiduciary net position	1,289	1,868	1,916	767	875	1,743				
Plan fiduciary net position - beginning	15,862	13,994	12,078	11,311	10,436	8,693				
Plan fiduciary net position - end	\$ 17,151	\$ 15,862	\$ 13,994	\$ 12,078	\$ 11,311	\$ 10,436				
Net pension liability	\$ 9,007	\$ 10,325	\$ 9,725	\$ 9,891	\$ 9,644	\$ 10,586				
Plan fiduciary net position as a percentage of total pension liability	65.57%	60.57%	59.00%	54.98%	53.98%	49.64%				
Covered payroll	\$ 3,025	\$ 2,889	\$ 2,777	\$ 2,843	\$ 2,570	\$ 2,850				
Net pension liability as a percentage of covered payroll	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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,238	\$ 1,325	\$ 1,190	\$ 1,296	\$ 1,102	\$ 1,045	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually determined contribution	1,238	1,325	1,190	1,296	1,102	1,045	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 3,025	\$ 2,889	\$ 2,777	\$ 2,843	\$ 2,570	\$ 2,850				
Contributions as a percentage of covered payroll	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 2019	FY 2018	FY 2017	FY 2016	FY 2015
City's proportion (%) of collective net pension liability	0.030%	0.028%	0.029%	0.028%	0.024%
City's proportionate share (\$) of collective net pension liability	\$ 6,366,145	\$ 5,957,703	\$ 6,866,508	\$ 5,881,653	\$ 4,338,175
City's covered payroll (\$)	\$ 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	99.18%	95.94%	90.14%	79.88%	71.31%
Pension plan's fiduciary net position as a percentage of the total pension liability	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**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 634,587	\$ 605,034	\$ 560,772	\$ 566,946	\$ 596,532	\$ 571,845	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually determined contribution	634,587	605,034	560,772	566,946	596,532	571,845	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 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	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.

## **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, 2019**

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues				
Taxes				
<u>Property</u>				
Real property	\$ 12,652,357	\$ 12,652,357	\$ 12,621,746	\$ (30,611)
Business or other property	660,000	660,000	687,794	27,794
Penalty and interest	40,000	40,000	46,162	6,162
Additions and abatements	(48,000)	(48,000)	(15,833)	32,167
Total property	<u>13,304,357</u>	<u>13,304,357</u>	<u>13,339,869</u>	<u>35,512</u>
<u>Local taxes</u>				
Admission and amusement	134,000	134,000	138,280	4,280
	<u>134,000</u>	<u>134,000</u>	<u>138,280</u>	<u>4,280</u>
<u>Shared taxes</u>				
Highway	366,500	366,500	395,435	28,935
Income tax	3,400,000	3,400,000	3,611,927	211,927
Total shared taxes	<u>3,766,500</u>	<u>3,766,500</u>	<u>4,007,362</u>	<u>240,862</u>
Total taxes	<u>17,204,857</u>	<u>17,204,857</u>	<u>17,485,511</u>	<u>280,654</u>
Licenses and permits	73,604	73,604	84,908	11,304
Fines and forfeitures	310,000	310,000	195,802	(114,198)
Use of money and property				
Interest and dividends	75,000	75,000	326,745	251,745
Charges for services				
Public parking	95,000	95,000	103,160	8,160
Protective inspection fees	333,595	333,595	314,765	(18,830)
Waste collection and disposal	69,000	69,000	62,643	(6,357)
Passport	56,000	56,000	64,855	8,855
Recreation	504,400	504,400	615,541	111,141
Library fines and fees	17,000	17,000	15,781	(1,219)
Other	45,802	45,802	52,091	6,289
Total charges for services	<u>1,120,797</u>	<u>1,120,797</u>	<u>1,228,836</u>	<u>108,039</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, 2019**

	Original budget	Final budget	Actual	Variance positive (negative)
<b>Revenues (Continued)</b>				
<b>Intergovernmental revenues</b>				
Police protection	\$ 415,436	\$ 415,436	\$ 453,058	\$ 37,622
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	1,028,000	1,028,000	1,104,672	76,672
Bank share tax	5,643	5,643	5,643	-
Library Aid	164,000	164,000	186,058	22,058
Montgomery County Tax (Cable and Hotel)	775,000	775,000	771,506	(3,494)
Takoma/Langley Recreation Center	85,020	85,020	85,020	-
State Highway street project	90,000	162,000	93,540	(68,460)
<b>Total intergovernmental revenues</b>	<b>6,076,742</b>	<b>6,148,742</b>	<b>6,213,140</b>	<b>64,398</b>
Miscellaneous revenue - other	75,500	186,457	198,393	11,936
<b>Total revenues</b>	<b>24,936,500</b>	<b>25,119,457</b>	<b>25,733,335</b>	<b>613,878</b>
<b>Expenditures</b>				
<b>General government</b>				
City Council	254,115	241,615	208,526	33,089
City Manager	1,509,937	1,557,637	1,385,457	172,180
Finance	667,480	652,480	630,119	22,361
Legal	233,750	233,750	234,115	(365)
Information Systems Administration	654,682	654,682	597,784	56,898
Other - unclassified	1,642,582	1,874,105	1,400,239	473,866
<b>Total general government</b>	<b>4,962,546</b>	<b>5,214,269</b>	<b>4,456,240</b>	<b>758,029</b>
<b>Public safety</b>				
Office of the Chief	658,960	698,960	798,938	(99,978)
Communications	604,560	604,560	539,466	65,094
Patrol	4,218,158	4,218,158	3,766,346	451,812
Criminal investigations	1,680,777	1,680,777	1,441,925	238,852
Administration	833,924	833,924	950,836	(116,912)
Neighborhood	473,570	473,570	419,901	53,669
<b>Total public safety</b>	<b>8,469,949</b>	<b>8,509,949</b>	<b>7,917,412</b>	<b>592,537</b>
<b>Public works</b>				
Administration	666,569	770,569	612,515	158,054
Building Maintenance	875,330	885,330	888,039	(2,709)
Equipment Maintenance	502,946	502,946	530,805	(27,859)
Right of Way	1,139,254	1,139,254	1,135,742	3,512
Solid Waste Management	1,048,322	1,023,322	1,092,135	(68,813)
Urban forest/ City Gardens	605,878	587,118	487,544	99,574
City engineer	339,520	339,520	326,717	12,803
<b>Total public works</b>	<b>5,177,819</b>	<b>5,248,059</b>	<b>5,073,497</b>	<b>174,562</b>

**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, 2019**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Expenditures (Continued)				
Housing and Community Development	<u>\$ 1,757,002</u>	<u>\$ 1,735,702</u>	<u>\$ 1,454,808</u>	<u>\$ 280,894</u>
Recreation and culture				
Recreation	1,988,550	1,988,550	1,907,341	81,209
Library and media	<u>1,938,520</u>	<u>1,938,520</u>	<u>1,826,985</u>	<u>111,535</u>
Total recreation and culture	<u>3,927,070</u>	<u>3,927,070</u>	<u>3,734,326</u>	<u>192,744</u>
Capital outlay	<u>6,308,627</u>	<u>5,304,508</u>	<u>3,463,316</u>	<u>1,841,192</u>
Debt service				
Repayments	<u>919,915</u>	<u>919,915</u>	<u>919,869</u>	<u>46</u>
Total debt service	<u>919,915</u>	<u>919,915</u>	<u>919,869</u>	<u>46</u>
Total expenditures	<u>31,522,928</u>	<u>30,859,472</u>	<u>27,019,468</u>	<u>3,840,004</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(6,586,428)</u>	<u>(5,740,015)</u>	<u>(1,286,133)</u>	<u>4,453,882</u>
Other financing sources (uses)				
Debt issuance	-	-	-	-
Transfers				
Special revenue	<u>-</u>	<u>-</u>	<u>(41,718)</u>	<u>(41,718)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(41,718)</u>	<u>(41,718)</u>
Excess (deficiency) of revenues over expenditures	<u>(6,586,428)</u>	<u>(5,740,015)</u>	<u>(1,327,851)</u>	<u>4,412,164</u>
Appropriation of fund balance	<u>6,586,428</u>	<u>5,740,015</u>	<u>-</u>	<u>(5,740,015)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,327,851)</u>	<u>\$ (1,327,851)</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, 2019**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Licenses and permits	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Charges for services	700,000	700,000	707,484	7,484
Intergovernmental	168,750	168,750	168,750	-
Miscellaneous	10,000	10,000	4,053	(5,947)
<b>Total revenues</b>	<b>881,750</b>	<b>881,750</b>	<b>880,287</b>	<b>(1,463)</b>
Expenditures				
Public works	655,250	685,250	434,500	250,750
Capital outlay	242,456	242,456	362,688	(120,232)
<b>Total expenditures</b>	<b>897,706</b>	<b>927,706</b>	<b>797,188</b>	<b>130,518</b>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(15,956)	(45,956)	83,099	129,055
Net change in fund balance	(15,956)	(45,956)	83,099	129,055
Fund balance, beginning of year	198,759	198,759	198,759	-
Fund balance, end of year	\$ 182,803	\$ 152,803	\$ 281,858	\$ 129,055



**City of Takoma Park, Maryland**

**Non-Major Governmental Funds -  
Combining Balance Sheet  
June 30, 2019**

	Stormwater Management Fund	Facility Construction Fund	Rehabilitation loans and grants	Total nonmajor governmental funds
<b>Assets</b>				
Cash and temporary investments	\$ 708,519	\$ -	\$ 212,165	\$ 920,684
Notes receivable, net	-	-	5,273	5,273
Other receivables	9,212	-	-	9,212
Due from other funds	308	207,226	-	207,534
Due from other governments	2,359	-	-	2,359
<b>Total assets</b>	<b>720,398</b>	<b>207,226</b>	<b>217,438</b>	<b>1,145,062</b>
<b>Deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 720,398</b>	<b>\$ 207,226</b>	<b>\$ 217,438</b>	<b>\$ 1,145,062</b>
<b>Liabilities</b>				
Accounts payable	\$ 311,831	\$ -	\$ -	\$ 311,831
Accrued expenditures	2,414	-	-	2,414
Deposits and escrows held	59,040	-	-	59,040
Due to other funds	61,070	207,226	2,138	270,434
Due to other governments	-	-	208,869	208,869
<b>Total liabilities</b>	<b>434,355</b>	<b>207,226</b>	<b>211,007</b>	<b>852,588</b>
<b>Deferred inflows of resources</b>	<b>4,185</b>	<b>-</b>	<b>-</b>	<b>4,185</b>
<b>Fund balances</b>				
Restricted	-	-	6,431	6,431
Assigned	281,858	-	-	281,858
<b>Total fund balances</b>	<b>281,858</b>	<b>-</b>	<b>6,431</b>	<b>288,289</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 720,398</b>	<b>\$ 207,226</b>	<b>\$ 217,438</b>	<b>\$ 1,145,062</b>

**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, 2019**

	Stormwater Management Fund	Facility Construction Fund	Rehabilitation loans and grants	Total nonmajor governmental funds
Revenues				
Charges for service	\$ 707,484	\$ -	\$ -	\$ 707,484
Use of money and property	-	-	666	666
Intergovernmental	168,750	-	-	168,750
Miscellaneous	4,053	-	-	4,053
Total revenues	<u>880,287</u>	<u>-</u>	<u>666</u>	<u>880,953</u>
Expenditures				
Public works	434,500	-	-	434,500
Capital outlay	362,688	-	-	362,688
Total expenditures	<u>797,188</u>	<u>-</u>	<u>-</u>	<u>797,188</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>83,099</u>	<u>-</u>	<u>666</u>	<u>83,765</u>
Net change in fund balance	<u>83,099</u>	<u>-</u>	<u>666</u>	<u>83,765</u>
Fund balance, beginning of year	<u>198,759</u>	<u>-</u>	<u>5,765</u>	<u>204,524</u>
Fund balance, end of year	<u>\$ 281,858</u>	<u>\$ -</u>	<u>\$ 6,431</u>	<u>\$ 288,289</u>

**City of Takoma Park, Maryland**

**Combining Statement of Fiduciary Net Position  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)**

	Pension trust	Defined contribution plan	Totals	
			2019	2018
<b>Assets</b>				
Cash and cash equivalents	\$ 181,090	\$ -	\$ 181,090	\$ 683,121
Investments, at fair value				
Equities	10,958,774	438,698	11,397,472	9,949,401
Fixed income	6,010,669	-	6,010,669	5,641,848
<b>Total investments</b>	<b>16,969,443</b>	<b>438,698</b>	<b>17,408,141</b>	<b>15,591,249</b>
<b>Total assets</b>	<b>17,150,533</b>	<b>438,698</b>	<b>17,589,231</b>	<b>16,274,370</b>
<b>Liabilities</b>	-	-	-	-
Deferred inflows of resources	-	-	-	-
<b>Net position</b>				
Held in trust for pension benefits	<u>\$ 17,150,533</u>	<u>\$ 438,698</u>	<u>\$ 17,589,231</u>	<u>\$ 16,274,370</u>

**City of Takoma Park, Maryland**

**Combining Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)**

	Pension trust	Defined contribution plan	Totals	
			2019	2018
<b>Additions</b>				
Employer contributions	\$ 1,238,480	\$ -	\$ 1,238,480	\$ 1,325,199
Plan member contributions	197,174	-	197,174	196,589
<b>Total contributions and other receipts</b>	<b>1,435,654</b>	<b>-</b>	<b>1,435,654</b>	<b>1,521,788</b>
Investment earnings	943,442	25,479	968,921	1,255,991
<b>Total additions</b>	<b>2,379,096</b>	<b>25,479</b>	<b>2,404,575</b>	<b>2,777,779</b>
<b>Deductions</b>				
Benefit and refunds paid	1,009,776	-	1,009,776	811,171
Administrative expenses	79,938	-	79,938	64,816
<b>Total deductions</b>	<b>1,089,714</b>	<b>-</b>	<b>1,089,714</b>	<b>875,987</b>
<b>Change in net position</b>	<b>1,289,382</b>	<b>25,479</b>	<b>1,314,861</b>	<b>1,901,792</b>
Net position held in trust for pension benefits, beginning of year	15,861,151	413,219	16,274,370	14,372,578
<b>Net position held in trust for pension benefits, end of year</b>	<b>\$ 17,150,533</b>	<b>\$ 438,698</b>	<b>\$ 17,589,231</b>	<b>\$ 16,274,370</b>

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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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 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	\$ 19,250,374
Restricted	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	2,381,395
Unrestricted	(3,614,231)	(4,070,092)	(9,998,932)	(8,210,210)	(8,702,786)	6,118,342	5,711,016	4,681,714	5,825,803	8,105,697
<b>TOTAL PRIMARY GOVERNMENT NET POSITION</b>	<b>\$ 36,780,918</b>	<b>\$ 32,998,089</b>	<b>\$ 30,439,544</b>	<b>\$ 29,427,145</b>	<b>\$ 27,512,750</b>	<b>\$ 40,280,334</b>	<b>\$ 38,089,445</b>	<b>\$ 34,686,776</b>	<b>\$ 31,635,831</b>	<b>\$ 29,737,466</b>

Note: In 2013, the City implemented GASB 63 and accordingly net assets for the years 2009 through 2012 have been reclassified as net position.

City of Takoma Park, Maryland  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>EXPENSES</b>										
Governmental activities:										
General government	\$ 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	\$ 5,719,008
Public safety	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	7,563,656
Public works	6,721,099	6,196,806	6,144,871	5,332,265	5,943,464	5,532,265	5,332,321	5,107,165	5,564,151	5,099,655
Housing and community development	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	1,836,561
Recreation and culture	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	2,622,866
Interest	329,649	397,077	61,417	56,421	100,902	123,274	121,537	250,453	296,666	213,883
Total primary government expenses	25,837,087	24,974,832	26,034,832	25,501,014	24,386,228	23,036,467	21,027,610	20,606,792	20,768,840	23,055,449
<b>PROGRAM REVENUES</b>										
Governmental activities:										
Charges for services:										
General government	105,965	119,548	106,638	131,619	114,502	111,293	101,876	98,727	80,613	82,479
Public safety	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	2,424,778
Public works	829,347	831,315	546,761	539,786	554,600	535,722	555,926	507,571	484,608	485,424
Housing and community development	343,672	364,385	364,215	345,105	354,256	352,886	335,542	338,930	349,099	328,503
Recreation and culture	631,322	582,329	582,232	521,506	557,629	556,741	531,159	524,168	457,419	308,424
Operating grants and contributions	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	4,927,311
Capital grants and contributions	308,675	231,324	568,579	1,045,237	1,215,053	1,019,166	979,304	774,395	728,089	2,298,112
Total primary government program revenues	10,500,063	9,712,633	9,522,904	10,199,757	10,514,067	10,057,090	9,462,514	8,823,183	8,333,429	10,855,031
Total primary government net expense	(15,337,024)	(15,262,199)	(16,511,928)	(15,301,257)	(13,872,161)	(12,979,377)	(11,565,096)	(11,783,609)	(12,435,411)	(12,200,418)
<b>GENERAL REVENUES AND OTHER</b>										
Governmental activities:										
Taxes:										
Property taxes	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	11,085,519
Intergovernmental / unrestricted	5,064,507	4,906,878	4,648,723	4,585,582	4,140,563	3,561,666	2,791,760	3,003,680	2,914,276	2,472,591
Unrestricted investment earnings	361,755	100,962	37,163	58,265	30,901	27,012	27,248	48,663	46,947	76,217
Miscellaneous and other	238,685	190,974	137,691	240,498	167,602	67,568	14,381	113,509	(9,076)	63,069
Total primary government	19,119,853	17,820,744	17,524,327	17,215,652	15,903,627	15,170,266	14,967,765	14,834,554	14,333,776	13,697,396
<b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION</b>	\$ 3,782,829	\$ 2,558,545	\$ 1,012,399	\$ 1,914,395	\$ 2,031,466	\$ 2,190,889	\$ 3,402,669	\$ 3,050,945	\$ 1,898,365	\$ 1,496,978

City of Takoma Park, Maryland

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>General Fund</b>										
Nonspendable	\$ 6,506	\$ 8,271	\$ 12,093	\$ 7,831	\$ 562,529	\$ 70,855	\$ 581,896	\$ 464,978	\$ 383,459	\$ 54,627
Restricted	97,497	97,031	96,567	96,369	225,496	225,383	225,248	224,978	224,754	224,372
Committed	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	2,157,023
Assigned	-	-	-	2,324,965	1,269,153	1,138,984	1,193,243	-	1,539,234	3,417,680
Unassigned	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	3,481,662
Total general fund	\$ 20,742,258	\$ 22,070,109	\$ 13,097,677	\$ 12,251,861	\$ 11,265,305	\$ 11,224,045	\$ 11,199,139	\$ 9,083,455	\$ 9,775,598	\$ 9,335,364
<b>Total all other governmental funds</b>										
Restricted	\$ 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	\$ 1,678,614
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	281,858	198,759	191,032	173,128	252,718	286,956	270,757	282,846	311,814	465,618
Total	\$ 4,257,330	\$ 4,094,674	\$ 4,345,471	\$ 3,943,959	\$ 3,735,729	\$ 3,492,245	\$ 2,766,569	\$ 2,955,696	\$ 2,453,485	\$ 2,144,232

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

City of Takoma Park, Maryland

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>REVENUES</b>										
Taxes	\$ 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	\$ 13,287,014
Licenses and permits	84,908	107,513	69,718	87,314	76,103	81,746	79,372	81,235	78,664	75,030
Fines and forfeitures	1,187,717	1,481,042	1,835,972	2,044,381	2,058,764	1,955,306	1,626,287	2,269,843	1,987,826	2,376,632
Use of money and property	361,755	100,962	37,163	58,265	30,901	27,012	27,248	48,663	46,947	76,217
Stimulus grant	-	-	-	-	-	-	-	-	9,486	180,225
Charges for services	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	1,364,673
Intergovernmental	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	7,046,959
Miscellaneous	241,079	202,638	164,720	257,720	192,746	59,856	90,293	152,662	142,001	299,362
Total revenues	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	24,706,112
<b>EXPENDITURES</b>										
Current:										
General government	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	5,357,962
Public safety	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	7,115,499
Public works	5,507,997	5,188,251	4,884,405	4,976,535	4,610,949	4,609,589	4,085,967	3,879,854	3,978,563	4,136,274
Housing/community development	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	1,751,912
Recreation and culture	3,734,326	3,532,092	3,431,228	3,270,987	3,104,779	2,940,692	2,602,741	2,444,878	2,545,391	2,545,113
Capital outlay	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	3,306,507
Debt service:										
Principal	587,500	529,500	298,000	1,795,202	273,000	263,500	1,412,893	1,901,052	909,268	665,769
Interest	332,369	452,948	61,898	107,224	111,948	110,029	121,537	242,355	270,587	212,634
Total expenditures	30,702,375	27,751,415	25,687,768	27,604,841	25,961,175	24,422,392	22,702,316	24,034,599	23,455,984	25,090,670
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(1,165,195)	(403,824)	1,247,328	(412,606)	312,406	750,582	1,926,558	(189,932)	(750,513)	(384,558)
<b>OTHER FINANCING SOURCES (USES)</b>										
Bond/loan proceeds	-	9,125,459	-	1,579,730	-	-	-	-	1,500,000	1,494,484
Sale of property	-	-	-	-	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	-	-	-	-	-	-
Total other financing sources	-	9,125,459	-	1,579,730	-	-	-	-	1,500,000	1,494,484
<b>NET CHANGES IN FUND BALANCES</b>	\$ (1,165,195)	\$ 8,721,635	\$ 1,247,328	\$ 1,167,124	\$ 312,406	\$ 750,582	\$ 1,926,558	\$ (189,932)	\$ 749,487	\$ 1,109,926
Debt service as a percentage of noncapital expenditures	3.76%	4.02%	1.56%	7.60%	1.68%	1.71%	7.36%	11.44%	5.86%	3.93%

City of Takoma Park, Maryland

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
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
2010	10,556,622	470,012	61,172	-	614	2,138,384	60,210	13,287,014

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
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%
2010	10,595,358	10,538,917	99.5%	54,514	10,593,431	100.0%

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.

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	
	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	Total Tax Rate
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
2010	1,826,785,810	1,826,785,810	10,919,000	10,919,000	20,707,720	20,707,720	1,858,412,530	1,858,412,530	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

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

Fiscal Year	Direct Tax Rate <sup>(1)</sup> Takoma Park General	Overlapping Tax Rates <sup>(1)</sup>						Direct and Overlapping Total
		State of Maryland	Montgomery County	National Capital Planning Commission	Transit District	Recreation Areas		
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	
2010	0.5800	0.1120	0.6830	0.0690	0.0370	0.0190	1.5000	

(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/2018/realproperty.pdf>



Computation of Legal Debt Margin  
Year Ended June 30, 2019

Fiscal year 2019 real property assessed value	<u>\$ 2,418,294,183</u>
Debt limit - 100% of assessed value	\$ 2,418,294,183
Amount of debt applicable to debt limit - legal debt margin	<u>9,801,500</u>
Legal debt margin	<u>\$ 2,408,492,683</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.

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

Year	Population <sup>(1)</sup>	Assessed Value	Bonded Debt	Capital Leases <sup>(2)</sup>	Ratio of Net Bonded Debt Value	Net Bonded Debt Per Capita
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
2010	17,299	1,858,412,530	5,398,992	201,979	0.30%	\$312.10

(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**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>	<b>Total General Governmental Expenditures</b>	<b>Ratio of Debt Service to General Governmental Expenditures (Percent)</b>
2019	\$ 587,500	332,368	\$ 919,868 (1)	\$ 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%
2010	665,769	212,634	878,403	20,336,802	4.32%

(1) City issued 2017 Series Bond including Transportation and Library Bonds  
Source: City's financial records.

Computation of Direct and Overlapping Debt<sup>(2)</sup>  
June 30, 2019

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to this Governmental Unit</u>	<u>Share of Debt</u>
Direct debt - City of Takoma Park	<u>\$ 9,801,500</u>	100%	<u>\$ 9,801,500</u>
Direct debt sub-total	<u>9,801,500</u>		<u>9,801,500</u>
Overlapping debt - Montgomery County	9,801,500	1% <sup>(1)</sup>	98,015
Maryland - National Capital Park and Planning Commission Montgomery County	<u>62,340,000</u>	1% <sup>(1)</sup>	<u>623,400</u>
Overlapping debt sub-total	<u>72,141,500</u>		<u>721,415</u>
<b>Total direct and overlapping debt</b>	<u><u>\$ 81,943,000</u></u>		<u><u>\$ 10,522,915</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 <sup>(1)</sup>	Personal Income <sup>(2)</sup> (thousands)	Per Capita Income <sup>(2)</sup>	Labor Force <sup>(3)</sup>	Unemployment Rate <sup>(4)</sup>	Registered Pupils <sup>(5)</sup>
Montgomery County:						
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
2010	17,299	67,890,159	69,559	532,549	5.6	140,500

(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 2009-2016 revised by BEA. Data for 2017-2018 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 2009-2017. Data for 2018 estimated by the Montgomery County Department of Finance based on the percent change from first half of CY2017 to the first half of CY2018.

(4) The unemployment rates for 2009 through 2017 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 average of the monthly unemployment rates for the first half of 2018.

(5) Montgomery County Executive's Recommended FY19 Operating Budget, Office of Management and Budget, Montgomery County, page 5 - 16.

City of Takoma Park, Maryland

Table 14

Principal Property Taxpayers  
Current Fiscal Year and Nine Years Ago

Taxpayer	Fiscal Year 2019			Fiscal Year 2010		
	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	\$ 34,837,700	1	1.45%	\$ 21,217,900	1	1.14%
Saul Subsidiary I LTD Partnership	32,500,000	2	1.36%	20,920,600	2	1.13%
Orlo Takoma LLC	19,637,200	3	0.82%	10,250,000	3	0.55%
Park Ritchie LLC	18,519,900	4	0.77%	9,442,300	4	0.50%
MHP Parkview Towers LLP <sup>(1)</sup>	13,432,718	5	0.56%	9,000,000	5	0.48%
Takoma Business Center LLC	13,340,800	6	0.56%	8,091,500	6	0.44%
Takoma Park Land LLP	11,011,600	7	0.46%	7,748,700	7	0.42%
Potomac Electric Power Company <sup>(2)</sup>	10,492,510	8	0.44%	7,734,000	8	0.42%
Maple View Apartments LLC	9,123,900	9	0.38%	7,500,000	9	0.40%
Hampshire Lodging Inc	9,041,300	10	0.38%	6,675,220	10	0.36%
Total	\$ 171,937,628		7.18%	\$ 108,580,220		5.84%

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.
- (2) Represents the assessed valuation for operating real and personal property taxes.

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 2019			Fiscal Year 2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Washington Adventist Hospital	1,318	1	23.61%	2,000	1	52.45%
Montgomery College	833	2	14.92%	308	2	8.08%
City of Takoma Park	258	5	4.62%	235	3	6.16%
Montgomery County Public School	246	3	4.41%	119	7	3.12%
Washington Adventist University	150	4	2.69%	192	4	5.04%
Genesis HealthCare - Sligo Creek Center	92	6	1.65%	-	-	-
Republic	58	7	1.04%	-	-	-
Don Bosco Cristo Rey High School	58	8	1.04%	-	-	-
IHOP	52	9	0.93%	-	-	-
Takoma Park / Silver Spring Co-Op	50	10	0.90%	-	-	-
Adventist Healthcare Inc	-	-	-	150	5	3.93%
Wackenhut Corporation (G4S)	-	-	-	120	6	3.15%
Casa De Maryland Inc.	-	-	-	79	8	2.07%
FirstCare Nursing Services	-	-	-	60	9	1.57%
Expo Emart LLC	-	-	-	55	10	1.44%
<b>Total</b>	<b>3,115</b>		<b>55.81%</b>	<b>3,318</b>		<b>87.01%</b>

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>FUNCTION</b>										
General government	17.75	16.75	17.25	17.50	17.50	16.95	16.88	16.50	16.50	18.00
Public safety	66.95	65.85	65.64	62.47	62.47	61.83	61.35	59.87	59.49	60.69
Public works	37.25	37.25	37.00	37.00	36.00	34.00	34.00	33.00	33.00	33.38
Housing and community development	9.50	9.38	8.51	9.63	9.75	10.85	11.06	9.79	9.75	10.25
Recreation and culture	37.41	36.22	36.75	36.63	35.14	33.92	28.73	28.57	29.00	32.17
<b>TOTAL</b>	<b>168.86</b>	<b>165.45</b>	<b>165.15</b>	<b>163.23</b>	<b>160.86</b>	<b>157.55</b>	<b>152.02</b>	<b>147.73</b>	<b>147.74</b>	<b>154.49</b>

Source: City's Finance Department



City of Takoma Park, Maryland

Table 17

Operating Indicators by Function  
Last Ten Years

Function	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Public Safety:</b>										
Crimes reported	716	712	481	617	664	528	550	550	565	653
Dispatched Calls/Events Handled	12,618	15,735	20,000	22,323	21,041	19,762	19,382	20,000	21,495	20,500
Hours-foot/bike patrol	4,362	3,925	2,200	2,263	2,200	2,500	3,000	3,000	3,500	3,600
Physical arrests	177	351	366	491	399	400	425	450	464	450
Calls for service	9,408	12,368	12,000	13,737	14,921	14,921	14,012	15,000	14,179	15,000
Traffic stops	3,020	3,367	8,000	7,585	7,593	7,593	5,370	5,000	7,105	5,300
Parking tickets processed	2,962	4,493	4,567	3,550	3,495	3,495	2,939	3,500	3,228	4,000
Criminal investigations assigned	520	187	195	229	239	239	214	350	310	400
Criminal cases closed	207	123	103	90	100	100	107	150	126	140
Warrants received for service	309	311	298	473	403	403	236	450	468	440
NCIC Validations (Wanted Items/Persons)	711	903	906	1,015	1,043	1,043	748	1,150	1,219	1,150
Number of new nuisance complaints	810	373	346	183	209	210	245	300	236	364
Number of nuisance complaints closed	807	362	310	169	119	95	200	250	145	364
Courtesy Notices issued	723	373	62	1	280	266	140	210	307	290
Handbill and flyers removed	1,937	2,049	1,905	3,553	9,915	3,429	1,100	1,000	1,240	737
<b>Public Works:</b>										
Permits Processed	605	488	498	316	297	303	204	193	133	229
Vehicles maintained	89	89	83	82	81	83	80	70	73	74
Tons of leaves collected	1,500	1,800	1,800	1,750	1,800	1,900	1,900	1,900	2,000	2,100
Tons of refuse collected	3,017	3,237	3,193	3,124	2,990	3,082	3,162	3,284	3,476	3,550
Tons of recyclables collected	1,336	1,320	1,328	1,420	1,506	1,679	1,489	1,470	1,544	1,500
Tons of yard waste collected	329	246	168	241	216	491	340	998	765	250
Tons of food waste collected (Note 1)	249	302	212	178	183	150	N/A	N/A	N/A	N/A
Streets resurfacing (miles)	0.92	1.10	0	1.81	1.70	1.76	2.00	1.00	0.40	0.43
Storm drains inspected (linear feet)	8,737	2,828	5,914	4,877	10,918	7,207	23,854	1,029	8,254	11,000
New storm drain pipes (linear feet)	1,641	637	598	577	272	439	450	1,027	307	N/A
Replaced storm drain pipes (linear feet)	7	50	0	260	150	50	88	73	125	50
<b>Recreation and culture:</b>										
Library materials circulated	115,291	108,900	94,425	96,695	113,074	116,288	114,070	115,973	118,328	105,344
Library program attendance	17,151	18,628	16,798	17,731	16,648	14,612	15,130	14,365	14,682	14,963
<b>Housing and Community Development:</b>										
Rental housing inspections (Note 2)	13,626	15,440	2,850	1,824	3,100	3,164	3,050	3,000	3,059	2,936
Number of rental licenses issued	385	386	500	402	402	436	420	420	407	431
Landlord certifications issued	197	241	225	148	234	148	195	215	199	132
Landlord and tenant contacts	540	420	N/A	2,550	2,524	2,605	2,600	2,600	2,706	2,642
Rent stabilization reports monitored	321	313	330	329	295	283	260	280	260	251
Permit letters issued	267	291	283	279	268	207	200	234	190	178
Rent increase petitions processed	1	1	0	1	1	2	1	4	2	1
<b>General Government:</b>										
Original City TV program hours	264	296	215	225	287	311	255	268	251	207

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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Public Safety:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Cars	56	45	45	45	41	46	45	45	44	42
<b>Public Works:</b>										
Sanitation collection trucks	5	5	5	5	5	5	5	5	6	4
Leaf vacuums	7	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	16.82	16.72
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
<b>Recreation and Culture:</b>										
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.



Miscellaneous Statistical Data  
 June 30, 2019  
 (continued)

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

<u>Age</u>	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
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
<b>Total</b>	<b>16,715</b>	<b>17,299</b>	<b>16,700</b>	<b>16,231</b>	<b>18,455</b>

City of Takoma Park, Maryland

Table 20

Schedule of Insurance in Force  
June 30, 2019

Type of Coverage/Company Name	Policy Number	From	To	Limits of Coverage	Premiums
Commercial General Liability - Local Government Insurance Trust	PLP 542500	07/01/18	(1) 7/01/19	\$3,000,000 aggregate - \$1,000,000/occurrence	\$ 9,557
Public Officials Liability - Local Government Insurance Trust	PLP 542500	07/01/18	(1) 7/01/19	\$3,000,000 aggregate - \$2,500 deductible	\$ 16,945
Police Liability - Local Government Insurance Trust	PLP 542500	07/01/18	(1) 7/01/19	\$3,000,000 aggregate - \$2,500 deductible	\$ 27,005
Comprehensive Auto Liability - Local Government Insurance Trust	PLP 542500	07/01/18	(1) 7/01/19	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	\$ 51,978
Excess Liability - Local Government Insurance Trust	PLP 542500	07/01/18	(1) 7/01/19	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.	\$ 5,427
Building and Contents (includes boiler and machinery) Local Government Insurance Trust	PLP 542500	07/01/18	(1) 7/01/19	Insured to \$14,454,725, \$1,000 deductible.	\$ 16,391
Chesapeake Employers' Insurance Company - Workers' Compensation	-	07/01/18	(1) 7/01/19	Statutory limit	\$ 623,508
Fidelity Bond - United States Insurance Services	Various	Various	(1) Various	\$15,000 to \$100,000 limits	\$ 3,169

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