

Presentation

Agenda Item #	1
Meeting Date	January 20, 2016
Prepared By	Suzanne R. Ludlow City Manager

Discussion Item	Presentation of Fiscal Year 2015 Comprehensive Annual Financial Report (CAFR)
Background	<p>As required by both Section 821 of the Charter of the City of Takoma Park and State law, an independent audit is conducted of the City's basic financial statements on an annual basis. The auditor's responsibility is to express an opinion on these financial statements based on their review.</p> <p>The Fiscal Year 2015 audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States of America. Those standards require that the auditing firm plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.</p> <p>New this year: The City changed its method of accounting for employee pension plans in the year ended June 30, 2015, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition Contribution Made Subsequent to the Measurement Date.</p> <p>The report of CohnReznick LLP states as follows:</p> <p>“In our opinion, the financial statements...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, 2015, and the respective changes in financial position and the budgetary comparison for the General, Speed Camera and Special Revenue Funds thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.”</p> <p>Management's Discussion and Analysis and historical pension information accompany the basic financial statements. They are not a required part of the basic financial statements but constitute supplementary information required by the Governmental Accounting Standards Board.</p> <p>In accordance with <i>Government Auditing Standards</i>, CohnReznick LLP also issued a report on its consideration of the City's internal control over financial reporting and on its tests of the City's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of the firm's testing of internal control over financial reporting and compliance and the results of that testing. It does not constitute an opinion on the internal control over financial reporting or on compliance. Given these limitations,</p>

the auditors did not identify any deficiencies in internal control that they considered to be material weaknesses. The auditor’s tests of compliance did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 basic financial statements.

The following are some highlights from the FY15 financial report:

- As presented in the government-wide financial statements, the assets of the City exceeded its liabilities as of June 30, 2015 by \$27,512,750 (net position). This represents an increase of \$2,031,466 from the prior year.
- As of June 30, 2015, the City’s governmental funds reported combined ending fund balances of \$15,028,696, an increase of \$312,406 or two percent from the prior year. The ending fund balances include \$4,336,807 that is available for spending at the government’s discretion (unassigned fund balance). The increase in the combined ending governmental fund balances was due primarily to the increase in unexpended speed camera fines.
- As of June 30, 2015, the General Fund (the City’s primary fund) had a total fund balance of \$11,265,305, an increase of \$41,260. The General Fund fund balance includes \$225,496 which is restricted for street improvements and \$562,529 which is nonspendable (e.g., deposits and prepaid expenditures). A portion of the General Fund fund balance, totaling \$4,871,320 or 32 percent, is committed for the following purposes:
 - Equipment Replacement \$ 3,756,833
 - Emergency 455,068
 - Facility Maintenance 659,419

The unassigned portion of the General Fund fund balance as of June 30, 2014 was \$4,336,807.

- The City’s long-term debt decreased by \$198,907 during the fiscal year. The decrease was due to the principal payments on existing debt totaling \$273,000. This decrease was offset by the \$74,093 in compensated absences. The City had \$3,348,071 in outstanding debt at June 30, 2015.

Policy	Section 821 of the Charter of the City of Takoma Park states, “The financial books and accounts of the City shall be audited annually in a manner determined by the Council but not contrary to applicable State law.”
Fiscal Impact	None
Attachments	Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015
Recommendation	Staff recommends that the City Council hear the presentation of CohnReznick LLP and staff and discuss the City’s CAFR for Fiscal Year 2015.