

# *City of Takoma Park Maryland*



*Comprehensive Annual Financial Report  
Year Ended June 30, 2006*

# *City of Takoma Park Maryland*



## *Comprehensive Annual Financial Report Year Ended June 30, 2006*

*Prepared by: City of Takoma Park, Maryland*

*Barbara B. Matthews  
City Manager*

*Yovonda D. Brooks, CPA  
Director of Finance*

# CITY OF TAKOMA PARK, MARYLAND

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## **INTRODUCTORY SECTION**

# The City of Takoma Park

Office of the City Manager

Telephone: 301.891.7100

Fax: 301.270.8794

Email: [BarbaraM@takomagov.org](mailto:BarbaraM@takomagov.org)



7500 Maple Avenue  
Takoma Park, MD 20912

Barbara B. Matthews, City Manager

November 13, 2006

Honorable Members of the City Council  
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, 2006. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. 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.

Clifton Gunderson 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 unqualified opinion that the presentation of the basic financial statements conforms to accounting principles generally accepted in the United States. 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.

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## **PROFILE OF THE GOVERNMENT**

The City of Takoma Park is approximately 2.4 square miles in size and is located in Montgomery County near the border of Washington, D.C. The City was incorporated in 1890 and currently has a population of 18,540 (U. S. Census 2005 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. Six Councilmembers are elected by wards. The Mayor is elected at large. The City Council's responsibilities include 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 housing and property inspections, solid waste and recycling collection, storm drainage maintenance, street maintenance, snow removal, street lighting, parks and recreation, and police protection.

## **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 Columbia Union College are located in Takoma Park. Takoma Park 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. Baltimore and Annapolis are a short distance away via I-495 and I-95.

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. Total assessed real and personal property value for Takoma Park was estimated at \$1,189,913,444 during fiscal year 2006. The City's assessable tax base continues to grow, primarily due to the increase in the assessed value of its real property. According to the 2000 census, the City had 2,797 single-family owner-occupied homes with a median value of \$189,200 at that time. Multi-family residential structures house 55% of Takoma Park's households. Housing values have risen

sharply since 2000; for example, the rate of change in the Consumer Price Index for housing in the region increased from 3.5% between 2003 and 2004 to 3.8% between 2004 and 2005.

Montgomery County reported an unemployment rate of 2.8% for fiscal year 2006. The Metropolitan Washington Council of Governments reported that the region grew by 312,600 persons between 2001 and 2005, with the inner suburbs growing by 5.2%. The region added 119,342 jobs during this period. The 2000 Census showed the median family income for the City of Takoma Park at \$63,434 with a per capita income of \$26,437 (in 1999 dollars). In the region, personal income grew by an average annual rate of 5.7% between 2000 and 2004.

The City is working to increase the health of its commercial districts—the City’s Old Town area in the Takoma Park Historic District, and the much larger Takoma/Langley Crossroads area near the intersection of University Boulevard and New Hampshire Avenue. There have been no storefront vacancies in either commercial district for several years. Nevertheless, officials and business organizations have identified a number of improvements that are needed—as well as opportunities worth investigating—to promote long-term economic health and stability.

Significant streetscaping work has taken place in the Old Town area and is nearing completion. The business association has a Maryland Main Street designation. The Takoma/Langley Crossroads area is the planned location for a major station of the “Purple Line” (also known as the “Bi-County Transitway”), a light rail or bus rapid transit system under design by the State of Maryland to cross Montgomery and Prince George’s County. Revitalization planning efforts for the Crossroads are underway in a joint effort of the planning agencies in both counties and the City of Takoma Park.

## **MAJOR INITIATIVES**

City activities in fiscal year 2006 were largely focused on five major policy areas, which were formally adopted by the City Council mid-way through the fiscal year. These policy areas were:

- Completion of the Community Center project and analysis of a proposed gymnasium addition
- Fairer tax duplication payments from Montgomery County
- Redevelopment of the New Hampshire Avenue corridor
- Promotion of appropriate development in all areas of the City of Takoma Park
- Preservation of affordable housing in Takoma Park



Major accomplishments related to the aforementioned priority areas during fiscal year 2006 included the following:

- Phases One and Two of the Community Center were substantially complete as of June 30, 2006. Technical studies related to the proposed gymnasium were concluded. A Request for Proposal for a feasibility study of the proposed gymnasium addition was issued. State bond bill funds in the amount of \$360,000 were secured for the project.
- The Council reviewed the status of the implementation recommendations of the Tax and Service Duplication Issues (TASDI) Committee related to obtaining fairer tax duplication payments from Montgomery County. Outreach efforts were directed to current and incoming officials in Montgomery County.
- An inventory of businesses along New Hampshire Avenue and University Boulevard in the State-designated Long Branch/Takoma Park economic revitalization area/enterprise zone was completed. An outreach program, including a Financial Incentives Fair, was initiated to provide information on government incentives for businesses located in the enterprise zone. A series of focus groups were held to learn about business and property owner needs with respect to economic development. City Councilmembers and representatives from Montgomery and Prince George's Counties were given a tour of the New Hampshire Avenue Corridor.
- Considerable resources were devoted to area development issues, especially related to a proposed townhouse development and related transit facility changes at the Takoma Metrorail station. In this effort, the City and its traffic consultant intensively studied the plans, prepared reports and issued findings and recommendations.

A number of activities were undertaken towards the preservation of affordable housing in Takoma Park, including:

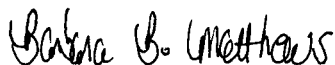
- The City assisted in the organization of tenant associations at the following rental facilities:
  - ❑ 719-21 Erie Avenue
  - ❑ 701-703 Ethan Allen Avenue
  - ❑ 8508-10 Flower Avenue
  - ❑ 8624-26 Flower Avenue
  - ❑ 7600 Maple Avenue
  - ❑ 7333 and 7401 New Hampshire Avenue
  - ❑ 1001-03 University Boulevard East

- The City facilitated the investigation of the feasibility of the purchase of the following rental facilities by either the tenant association representing the residents or a developer selected by the association to act on their behalf:
  - ❑ 719-23 Erie Avenue
  - ❑ 701-703 Ethan Allen Avenue
  - ❑ 8508-10 Flower Avenue
  - ❑ 8624-26 Flower Avenue
  - ❑ 641 Houston Avenue
  - ❑ 7333 and 7401 New Hampshire Avenue
  - ❑ 1001-03 University Boulevard East
- Regulations and other legal documents required for the implementation of the Tenant Opportunity to Purchase Revolving Loan Fund were developed. The program was marketed to registered tenants associations, and two applications for funding were processed.
- The City's Housing and Community Development Department reviewed the laws and regulations governing rent control/rent stabilization ordinances in the United States and Canada and prepared presentation materials for consideration and discussion at fifteen City Council meetings and a public hearing over a seven-month period.

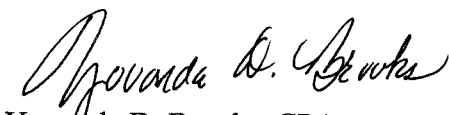
#### ACKNOWLEDGEMENTS

The preparation of this annual report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to everyone who assisted and contributed to its preparation. We are also grateful to the City's independent auditor, Clifton Gunderson LLP, for the professional assistance and advice it 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,

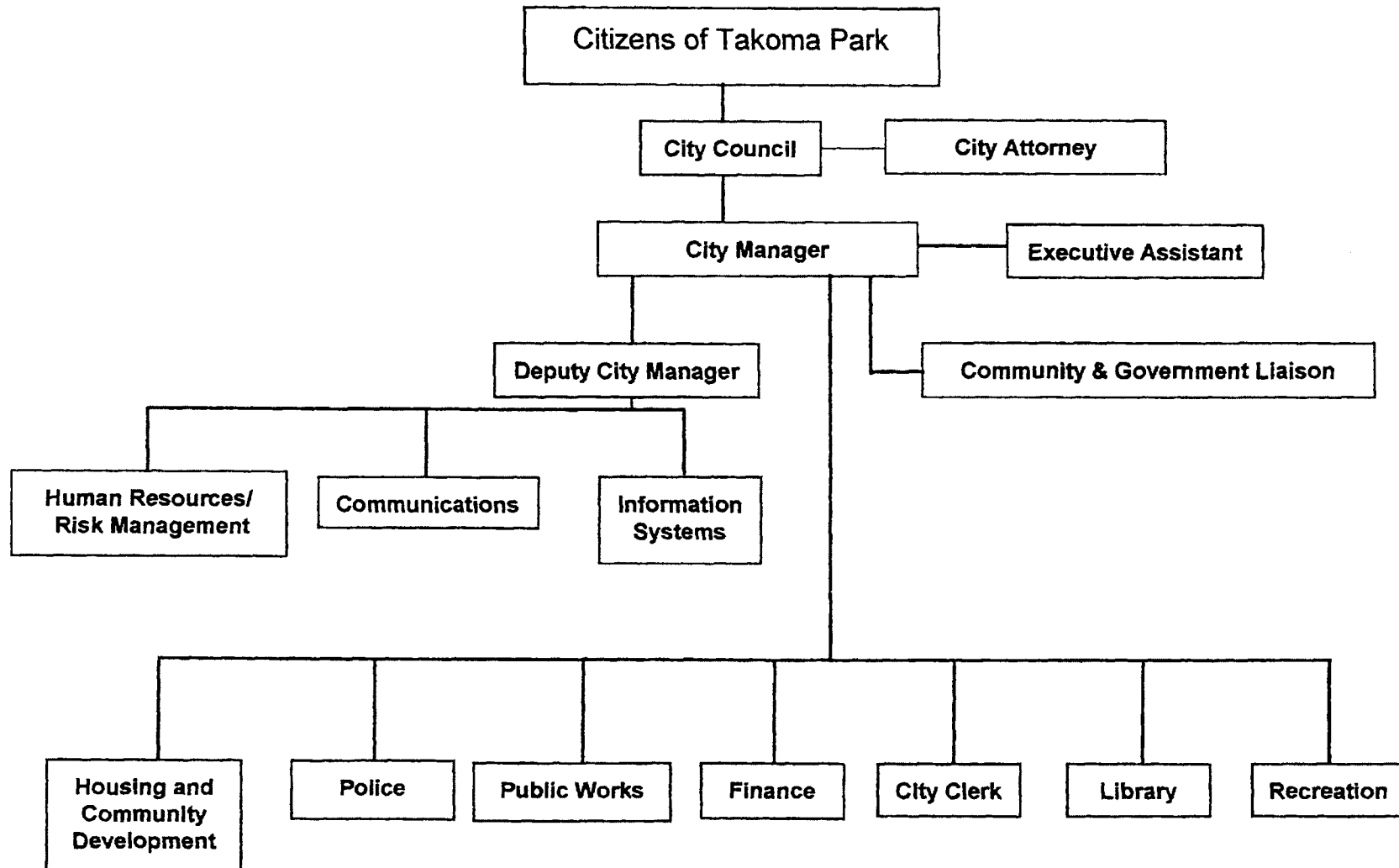


Barbara B. Matthews  
City Manager



Yovonda D. Brooks, CPA  
Director of Finance

# City of Takoma Park, Maryland



**CITY OF TAKOMA PARK, MARYLAND  
LIST OF CITY OFFICIALS  
Year Ended June 30, 2006**

**MAYOR**

KATHRYN PORTER

**CITY COUNCIL**

JOY AUSTIN-LANE	TERRY SEAMENS
COLLEEN CLAY	MARC ELRICH
BRUCE R. WILLIAMS	DOUG BARRY

**CITY MANAGER**

BARBARA B. MATTHEWS

**DIRECTOR OF FINANCE**

YOVONDA D. BROOKS, CPA

**INDEPENDENT AUDITORS**

CLIFTON GUNDERSON LLP

*Prepared by the Finance Department*

## **FINANCIAL SECTION**

## **Independent Auditor's Report**

The Honorable Mayor  
and Members of City Council  
City of Takoma Park, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Takoma Park, Maryland as of and for the year then ended June 30, 2006 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 at June 30, 2006, and the respective changes in financial position and the budgetary comparison for the General, Community Center and Special Revenue funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and historical pension information as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2006, on our consideration of the City of Takoma Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Takoma Park's basic financial statements. The accompanying supplemental information, such as the introductory section, combining and individual nonmajor fund financial statements and statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other data, listed under the introductory and statistical sections in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clifton Henderson LLP*

Baltimore, Maryland  
September 25, 2006

**CITY OF TAKOMA PARK, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

As management of the City of Takoma Park, Maryland (the "City"), we offer this overview and analysis of the City's financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented herein in conjunction with the accompanying transmittal letter and financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Takoma Park exceeded its liabilities at the close of the fiscal year 2006 by \$17,954,956 (net assets). This represents an increase of \$3,607,479 from the prior year. Of the City's total net assets, \$4,210,070 may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets).
- As of June 30, 2006, the City of Takoma Park's governmental funds reported combined ending fund balances of \$5,463,223, a decrease of \$297,069 from the prior year. Of this amount, \$2,469,009 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the fiscal year, the undesignated fund balance for the General Fund was \$2,325,305.
- The City of Takoma Park's long-term debt decreased by \$590,426 during the fiscal year.

**OVERVIEW OF FINANCIAL STATEMENTS**

GASB Statement No. 34 requires the utilization of dual focus financial reporting. Information is presented on a government-wide basis and on a fund basis.

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

**Government-Wide Financial Statements.** The government-wide financial statements, which include the Statement of Net Assets 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 and reported as either governmental or business-type activities. Governmental activities include basic services such as police, public works, recreation, community development, and general government administration. The City currently does not have any business-type activities.

The government-wide financial statements can be found on pages 21 and 22 of this report.

**Statement of Net Assets.** The Statement of Net Assets presents information on all of the City of Takoma Park's assets and liabilities, with the difference between the two reported as net assets. Net assets are further separated into those amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Takoma Park is improving or deteriorating.



**CITY OF TAKOMA PARK, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

**Statement of Activities.** The Statement of Activities presents information on how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 tax revenue and earned but unused vacation leave).

**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 a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 23 - 29 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.

The basic fiduciary fund financial statements can be found on pages 30 and 31 of this report.

**Summary of Significant Accounting Policies and Notes to the Financial Statements.** The summary and notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The summary of significant accounting policies and notes to the financial statements can be found on pages 32 - 51 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Takoma Park's budgetary comparisons. Supplemental information can be found on pages 52 - 59 of this report.

**CITY OF TAKOMA PARK, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

**THE CITY AS A WHOLE**

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Takoma Park, assets exceeded liabilities by \$17,954,956 as of June 30, 2006.

By far the largest portion of the City of Takoma Park's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. This investment totaled \$12,220,247, or 68 percent of the City's net assets as of June 30, 2006. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Unrestricted net assets equaled \$4,210,070. This category represents the net assets of the City not included elsewhere.

The City of Takoma Park's net assets increased by \$3,607,479 during the fiscal year. The following table reflects the City's net assets as of June 30, 2006 compared to June 30, 2005.

**Governmental Activities**

	<b>2006</b>	<b>2005</b>
<b>Net assets</b>		
<b>Assets</b>		
Current and other assets	\$ 8,129,017	\$ 9,406,665
Capital assets	<u>18,613,025</u>	<u>15,337,084</u>
Total assets	<u>26,742,042</u>	<u>24,743,749</u>
<b>Liabilities</b>		
Current and other liabilities	1,771,701	2,790,461
Long-term liabilities	<u>7,015,385</u>	<u>7,605,811</u>
Total liabilities	<u>8,787,086</u>	<u>10,396,272</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	12,220,247	9,053,902
Restricted	1,524,639	4,065,550
Unrestricted	<u>4,210,070</u>	<u>1,228,025</u>
<b>Total net assets</b>	<u>\$17,954,956</u>	<u>\$14,347,477</u>

**CITY OF TAKOMA PARK, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

**Governmental Activities**

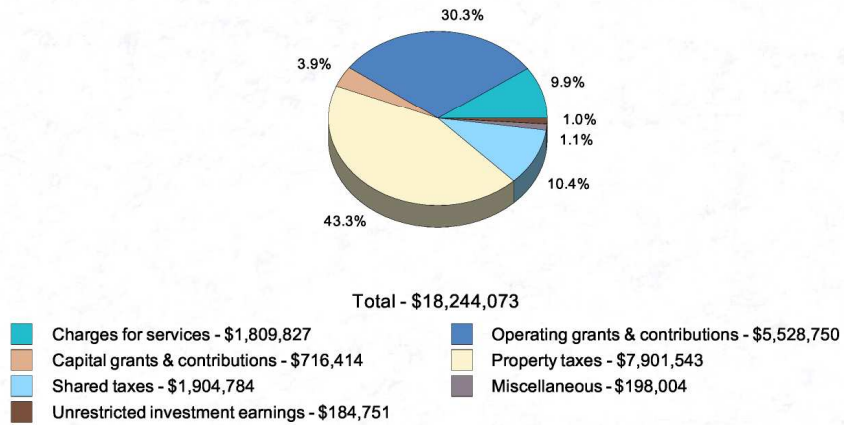
Governmental activities increased the City of Takoma Park's net assets by \$3,607,479 during fiscal year 2006. The key elements of this increase are shown below. Information for the prior fiscal year is provided for comparative purposes.

<b>Governmental Activities</b>	<b>2006</b>	<b>2005</b>
<b>Change in Net Assets</b>		
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,809,827	\$ 1,956,323
Operating grants and contributions	5,528,750	5,055,228
Capital grants and contributions	716,414	2,586,088
General revenues:		
Property taxes	7,901,543	7,630,236
Shared taxes	1,904,784	1,740,886
Net loss on disposal of assets	(49,152)	-
Miscellaneous	247,156	215,261
Unrestricted investment earnings	<u>184,751</u>	<u>130,409</u>
Total revenues	<u>18,244,073</u>	<u>19,314,431</u>
<b>Expenses</b>		
General government	2,162,783	2,375,234
Public safety	4,726,609	4,520,348
Public works	3,651,129	4,059,898
Housing and community development	1,005,222	917,685
Recreation and culture	2,170,734	1,966,910
Non-departmental	656,738	653,907
Interest on long-term debt	<u>263,379</u>	<u>210,411</u>
Total expenses	<u>14,636,594</u>	<u>14,704,393</u>
<b>Change in net assets</b>	3,607,479	4,610,038
<b>Net assets, beginning of year</b>	<u>14,347,477</u>	<u>9,737,439</u>
<b>Net assets, end of year</b>	<u>\$17,954,956</u>	<u>\$14,347,477</u>

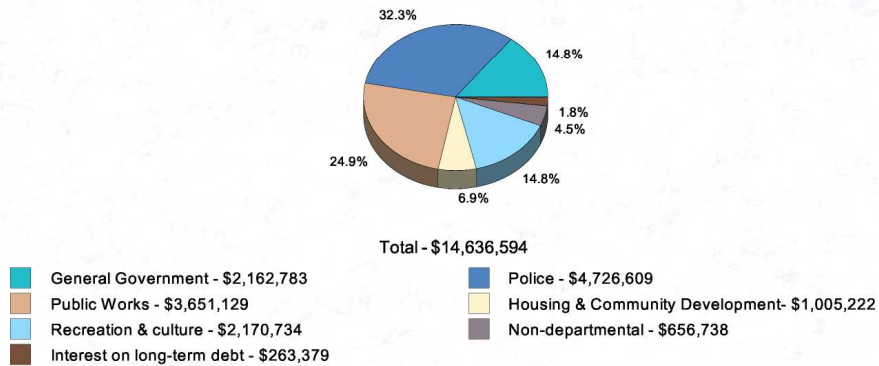
As shown above, the cost of all governmental activities was \$14,636,594. Those who directly benefited from the services (\$1,809,827) paid some activity costs. The City also received operating and capital grants and contributions from other governments and organizations (\$6,245,164), which reduced the amount paid by Takoma Park residents for certain services. The net cost of the City's governmental activities equaled \$6,581,603.

**CITY OF TAKOMA PARK, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

## Governmental Activities Revenues



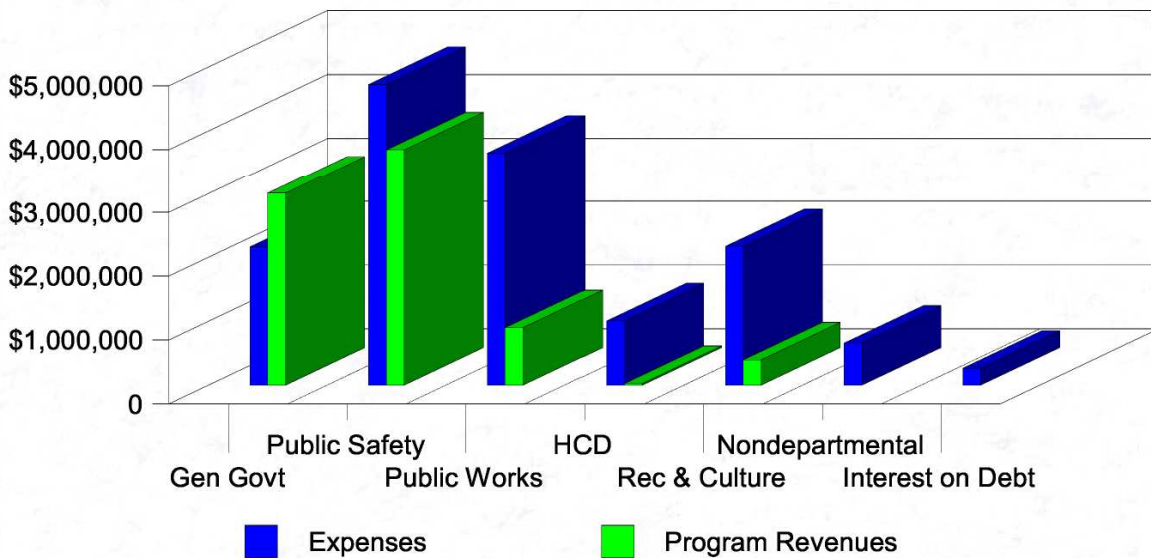
## Governmental Activities Expenses



**CITY OF TAKOMA PARK, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

## Statement of Activities

### Comparison of Program Revenues vs Expenses



#### Financial Analysis of the City's Funds

As of June 30, 2006, the City's governmental funds had combined fund balances of \$5,463,223, a decrease of \$297,069 from the prior year. Approximately 32 percent of this amount is reserved to indicate that it is not available for new spending. The reserved portion of the fund balance totals \$1,771,573.

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 \$4,880,496. Of this amount, \$1,332,550 or about 27 percent is reserved for the following purposes:

- Equipment replacement                      \$    882,643
- Emergency                                        332,560
- Street improvements                          117,347

Additional monies (\$1,222,641) are unreserved but designated for the subsequent fiscal year. The undesignated portion of the fund equals \$2,325,305.

**CITY OF TAKOMA PARK, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

In addition to the General Fund, the City has two other major funds. The Community Center Fund, which was established to track financial activity related to construction of the facility, had a fund balance of zero as of June 30, 2006. The Special Revenue Fund, which was established to track grant activity, had a fund balance of \$308,562 as of June 30, 2006.

The City's non-major funds had a combined fund balance of \$274,165 as of year-end. This represents an increase of \$53,815 from the prior year for the same non-major funds. Non-major funds account for such activities as storm water management and the rehabilitation loans and grants.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

On a budgetary basis, actual revenues for the fiscal year exceeded budget by \$323,232. Higher than anticipated revenues from income tax accounted for the majority of the variance. Property taxes as well as revenues from fines and forfeitures, investment earnings, and charges for services performed better than expected.

Actual expenditures were \$1,811,159 less than the revised budget authorization. Expenditures for all departments were less than anticipated, particularly in capital outlay and the non-departmental budgetary unit. Savings in non-departmental expenditures were due primarily to the reduction of insurance costs and less than anticipated expenditures for contingencies and other administrative costs. The expenditures for capital outlay were \$559,422 less than the budgeted amount because of delays in the completion of some of the scheduled projects.

**COMMUNITY CENTER FUND BUDGETARY HIGHLIGHTS**

During fiscal year 2006, the City expected to receive State funding in the amount of \$807,365. However, due to certain administrative requirements, certain bond bill proceeds would not be received until fiscal year 2007. The original budget was therefore revised to reduce the amount of State funds and to increase the transfer from the General Fund to the Community Center Fund. The final budget reflects an anticipated deficiency of revenues of \$366,535. The actual deficiency after transferring approximately \$799,400 from the General Fund was \$366,485, which was absorbed by the beginning fund balance.

**CITY OF TAKOMA PARK, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

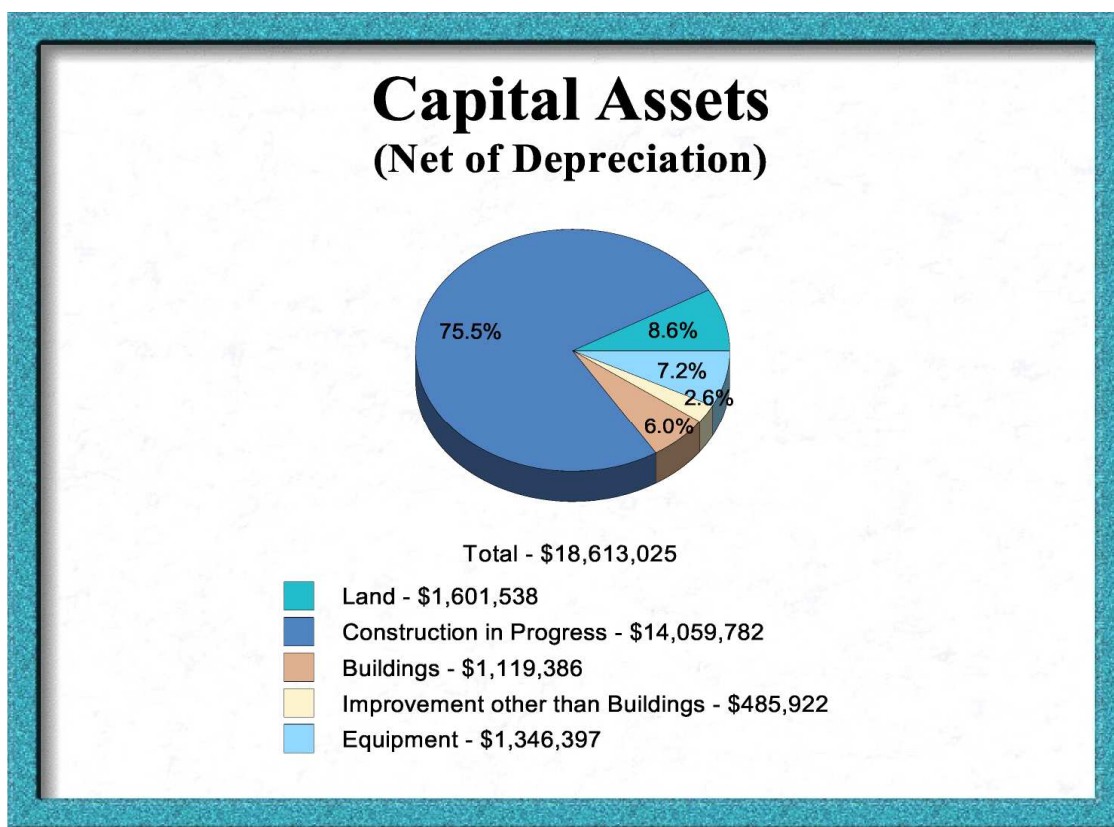
**Capital Assets**

As of June 30, 2006, the City of Takoma Park had \$18,613,025 invested in a broad range of capital assets, including buildings, roads and other infrastructure, vehicles, and equipment. This amount represents a net increase of \$3,275,941 or 21 percent, from the prior year. The vast majority of this increase was attributable to the on-going construction of the new Community Center.

Further information on the City's capital assets is shown below. Additional information can be found in Note 8 on page 42 of this report.

**Governmental Activities**

	<u>2006</u>	<u>2005</u>
<b>Capital Assets (net of depreciation)</b>		
Land	\$ 1,601,538	\$ 1,781,269
Construction in progress	14,059,782	10,536,173
Buildings	1,119,386	1,220,632
Improvements other than buildings	485,922	529,599
Equipment	<u>1,346,397</u>	<u>1,269,411</u>
<b>Total</b>	<u>\$18,613,025</u>	<u>\$15,337,084</u>





**CITY OF TAKOMA PARK, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

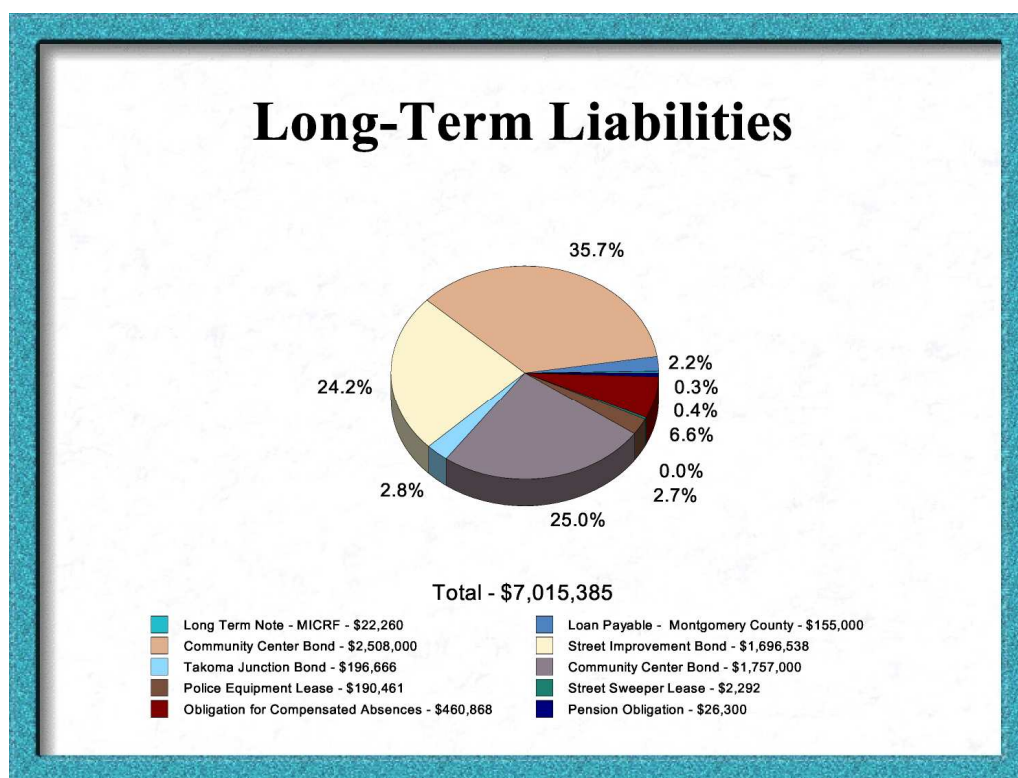
**Debt**

At year-end, the City had \$7,015,385 in outstanding debt, a decrease of 7.8 percent. This amount is comprised of long-term notes and bonds, capital leases, and accrued obligations for compensated absences.

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. Additional information on the City's debt can be found in Note 9 on page 43 - 46 of this report.

**Governmental Activities**

	<b>2006</b>	<b>2005</b>
<b>Long-Term Liabilities</b>		
Long-term note – MICRF	\$ 22,260	\$ 27,260
Loan payable – Montgomery County	155,000	205,000
Bonds payable – Community Center	2,508,000	2,600,000
Bonds payable – Street improvements	1,696,538	2,005,000
Bonds payable – Takoma Junction	196,666	216,832
Bonds payable – Community Center	1,757,000	1,833,700
Capital lease payable – Police equipment	190,461	243,983
Capital lease payable – Street sweeper	2,292	8,963
Accrued obligations for compensated absences	460,868	446,092
Net pension obligation	<u>26,300</u>	<u>18,981</u>
<b>Total</b>	<u><b>\$ 7,015,385</b></u>	<u><b>\$ 7,605,811</b></u>





**CITY OF TAKOMA PARK, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

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

The following are some highlights of the adopted budget for the fiscal year beginning July 1, 2006:

- The tax rate for real property will remain at \$.63 per \$100 of assessed valuation.
- Revenues from taxes and utility fees are expected to increase by approximately \$920,000, primarily due to the increase in the City's real property tax base, which accounts for approximately \$800,000 of this increase.
- Increase of full-time equivalent staffing of 3.1, which includes an additional code enforcement officer to better service the New Hampshire Avenue corridor.
- Includes funding for the expansion of the police take-home car program to enhance employee retention and recruitment.
- Includes \$100,000 for pedestrian safety initiatives.
- Stormwater Management Fund revenues reflect the new base rate of \$48; the previous rate was \$28.68.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, 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.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF TAKOMA PARK, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,804,087
Investments	2,926,773
Accounts receivable, net	429,388
Notes receivable, net	122,725
Due from other units of government	2,835,849
Other assets	10,195
Capital assets, net:	
Non-depreciable	15,661,320
Depreciable	2,951,705
	<hr/>
Total assets	26,742,042
	<hr/>
<b>LIABILITIES</b>	
Accounts payable	1,205,772
Accrued liabilities	312,248
Deposits and escrows held	76,382
Due to other governments	150,301
Deferred revenue	26,998
Non-current liabilities:	
Due within one year	782,139
Due in more than one year	6,233,246
	<hr/>
Total liabilities	8,787,086
	<hr/>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	12,220,247
Restricted	1,524,639
Unrestricted	4,210,070
	<hr/>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 17,954,956</u></u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**CITY OF TAKOMA PARK, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and Changes</u> <u>in Net Assets</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities:					
General government	\$ 2,162,783	\$ 537,608	\$ 1,753,431	\$ 716,414	\$ 844,670
Public safety	4,726,609	190,287	3,513,582	-	(1,022,740)
Public works	3,651,129	831,409	67,731	-	(2,751,989)
Housing and community development	1,005,222	614	24,956	-	(979,652)
Recreation and culture	2,170,734	249,909	169,050	-	(1,751,775)
Nondepartmental	656,738	-	-	-	(656,738)
Interest on long-term debt	263,379	-	-	-	(263,379)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 14,636,594</b>	<b>\$ 1,809,827</b>	<b>\$ 5,528,750</b>	<b>\$ 716,414</b>	<b>(6,581,603)</b>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					7,901,543
Shared taxes					1,904,784
Net loss on disposal of assets					(49,152)
Miscellaneous					247,156
Unrestricted investment earnings					184,751
Total general revenues					<u>10,189,082</u>
<b>CHANGE IN NET ASSETS</b>					3,607,479
<b>NET ASSETS, BEGINNING OF YEAR</b>					<u>14,347,477</u>
<b>NET ASSETS, END OF YEAR</b>					<u>\$ 17,954,956</u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**CITY OF TAKOMA PARK, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2006**

	<u>General Fund</u>	<u>Community Center Fund</u>	<u>Special Revenue Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,340,001	\$ -	\$ -	\$ 490,952	\$ 1,830,953
Investments	2,926,773	-	-	-	2,926,773
Receivables, net:					
Taxes	203,612	-	-	-	203,612
Notes	-	-	-	122,725	122,725
Other	138,444	-	-	87,332	225,776
Due from other funds	1,293,823	200,000	2,292,907	308	3,787,038
Due from other units of government	937,812	579,690	1,318,347	-	2,835,849
Other assets	9,366	-	829	-	10,195
<b>TOTAL ASSETS</b>	<u><u>\$ 6,849,831</u></u>	<u><u>\$ 779,690</u></u>	<u><u>\$ 3,612,083</u></u>	<u><u>\$ 701,317</u></u>	<u><u>\$ 11,942,921</u></u>
<b>LIABILITIES</b>					
Accounts payable	\$ 716,856	\$ 415,648	\$ 87,661	\$ 12,471	\$ 1,232,636
Accrued liabilities	254,205	-	1,500	758	256,463
Deposits and escrows held	60,335	-	8,185	7,862	76,382
Due to other funds	-	364,042	3,158,578	264,418	3,787,038
Due to other units of government	-	-	45,734	104,567	150,301
Deferred revenue	803,760	-	1,863	37,076	842,699
Compensated absences payable	134,179	-	-	-	134,179
Total liabilities	<u>1,969,335</u>	<u>779,690</u>	<u>3,303,521</u>	<u>427,152</u>	<u>6,479,698</u>
<b>FUND BALANCES</b>					
Reserved	1,332,550	-	308,436	130,587	1,771,573
Unreserved:					
Designated for:					
Subsequent years' expenditures	1,222,641	-	-	-	1,222,641
Undesignated	2,325,305	-	126	143,578	2,469,009
Total fund balances	<u>4,880,496</u>	<u>-</u>	<u>308,562</u>	<u>274,165</u>	<u>5,463,223</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 6,849,831</u></u>	<u><u>\$ 779,690</u></u>	<u><u>\$ 3,612,083</u></u>	<u><u>\$ 701,317</u></u>	<u><u>\$ 11,942,921</u></u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**CITY OF TAKOMA PARK, MARYLAND**  
**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2006**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	\$ 5,463,223
Amounts reported for governmental activities in the Statement of Net Assets 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 \$23,077,649 and the accumulated depreciation is \$4,464,624.	18,613,025
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(6,881,206)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(55,787)
Certain receivables are offset by deferred revenue in the governmental funds since they are not available to pay for current-period expenditures. This is the amount of deferred revenue related to these receivables.	<u>815,701</u>
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 17,954,956</u></u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and 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, 2006**

	<b>General Fund</b>	<b>Community Center Fund</b>	<b>Special Revenue Fund</b>	<b>Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes and utility fees	\$ 10,306,405	\$ -	\$ -	\$ -	\$ 10,306,405
Licenses and permits	62,415	-	-	-	62,415
Fines and forfeitures	190,287	-	-	-	190,287
Use of money and property	184,748	-	-	3	184,751
Charges for services	725,102	-	-	282,111	1,007,213
Intergovernmental	4,543,682	591,414	1,110,068	-	6,245,164
Miscellaneous	247,158	-	-	-	247,158
Total revenues	<u>16,259,797</u>	<u>591,414</u>	<u>1,110,068</u>	<u>282,114</u>	<u>18,243,393</u>
<b>EXPENDITURES</b>					
General government	1,746,817	-	261,644	32,112	2,040,573
Public safety	4,536,969	-	122,497	-	4,659,466
Public works	3,374,145	-	-	106,581	3,480,726
Housing and community development	978,292	-	24,955	-	1,003,247
Recreation and culture	2,084,182	-	45,672	-	2,129,854
Non-departmental	395,025	-	-	-	395,025
Capital outlay	1,643,140	1,757,346	636,925	89,606	4,127,017
Debt Service:					
Principal	612,522	-	-	-	612,522
Interest	249,983	-	-	-	249,983
Total expenditures	<u>15,621,075</u>	<u>1,757,346</u>	<u>1,091,693</u>	<u>228,299</u>	<u>18,698,413</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>638,722</u>	<u>(1,165,932)</u>	<u>18,375</u>	<u>53,815</u>	<u>(455,020)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of property	157,951	-	-	-	157,951
Transfers in (out)	<u>(801,268)</u>	<u>799,447</u>	<u>1,821</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(643,317)</u>	<u>799,447</u>	<u>1,821</u>	<u>-</u>	<u>157,951</u>
<b>NET CHANGE IN FUND BALANCES</b>	(4,595)	(366,485)	20,196	53,815	(297,069)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>4,885,091</u>	<u>366,485</u>	<u>288,366</u>	<u>220,350</u>	<u>5,760,292</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 4,880,496</u>	<u>\$ -</u>	<u>\$ 308,562</u>	<u>\$ 274,165</u>	<u>\$ 5,463,223</u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**CITY OF TAKOMA PARK, MARYLAND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES FUND BALANCES OF THE GOVERNMENT FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2006**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (297,069)

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 of \$3,847,208 exceeds depreciation expense of \$(382,257) in the period. 3,464,951

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, vacation leave earned exceeded amounts used by \$20,356. (20,356)

Long-term debt repayments are an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the Statement of Net Assets. This is  
the amount of long-term debt repayments for 2006. 612,522

In the Statement of Activities, only the gain (loss) on the sale of property is  
reported, whereas in the governmental funds, the proceeds from sales  
increase financial resources. Other land activity that has no impact on  
financial resources is also included in the Statement of Activities.

Sale of land	\$ (157,951)	
Net loss on disposal of assets	(49,152)	
Other adjustments	<u>18,093</u>	
Net adjustment		(189,010)

Interest expense in the Statement of Activities differs from the amount reported in  
governmental funds due to the net increase in accrued interest. (6,074)

Net pension obligation is not an expenditure in the governmental funds until paid,  
whereas they are expensed in the Statement of Activities when occurred. (7,319)

Under the modified accrual basis of accounting, revenues are not recognized  
unless they are deemed "available" to finance current expenditures. Accrual-basis  
recognition is not limited by availability, so certain revenues need to be reduced  
by the amounts that were unavailable at the beginning of the year and increased  
by the amounts that were unavailable at the end of the year. This adjustment  
records a net increase in "unavailable" revenues at the end of the year over  
the amount at the beginning of the year. 49,834

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 3,607,479

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.



**CITY OF TAKOMA PARK, MARYLAND**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**BUDGETARY AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts - Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes and utility fees	\$ 9,975,839	\$ 9,975,839	\$ 10,306,405	\$ 330,566
Licenses and permits	66,854	66,854	62,415	(4,439)
Fines and forfeitures	160,000	184,000	190,287	6,287
Use of money and property	105,000	105,000	184,748	79,748
Charges for services	685,700	685,700	725,102	39,402
Intergovernmental	4,440,346	4,440,346	4,543,682	103,336
Miscellaneous	75,333	478,826	247,158	(231,668)
Total revenues	<u>15,509,072</u>	<u>15,936,565</u>	<u>16,259,797</u>	<u>323,232</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,929,889	1,940,949	1,746,817	194,132
Public safety	4,613,481	4,642,381	4,536,969	105,412
Public works	3,420,064	3,451,797	3,374,145	77,652
Housing and community development	1,076,921	1,091,921	978,292	113,629
Recreation and culture	2,323,325	2,323,325	2,084,182	239,143
Non-departmental	1,030,976	886,815	395,025	491,790
Capital outlay	1,576,020	2,202,562	1,643,140	559,422
Debt service	892,484	892,484	862,505	29,979
Total expenditures	<u>16,863,160</u>	<u>17,432,234</u>	<u>15,621,075</u>	<u>1,811,159</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(1,354,088)</u>	<u>(1,495,669)</u>	<u>638,722</u>	<u>2,134,391</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	400,000	155,000	157,951	2,951
Transfers in/(out)	<u>(403,309)</u>	<u>(1,061,661)</u>	<u>(801,268)</u>	<u>260,393</u>
Total other financing sources (uses)	<u>(3,309)</u>	<u>(906,661)</u>	<u>(643,317)</u>	<u>263,344</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,357,397)</u>	<u>(2,402,330)</u>	<u>(4,595)</u>	<u>2,397,735</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>4,885,091</u>	<u>4,885,091</u>	<u>4,885,091</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,527,694</u>	<u>\$ 2,482,761</u>	<u>\$ 4,880,496</u>	<u>\$ 2,397,735</u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**CITY OF TAKOMA PARK, MARYLAND  
COMMUNITY CENTER FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGETARY AND ACTUAL (NON-GAAP)  
For the Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental - grants and contracts	\$ 807,365	\$ 591,414	\$ 591,414	\$ -
Total revenues	<u>807,365</u>	<u>591,414</u>	<u>591,414</u>	<u>-</u>
<b>EXPENDITURES</b>				
General government	42,993	78,166	69,741	(8,425)
Site improvement	-	-	7,642	7,642
Contracts	-	-	24,444	24,444
Construction cost	1,394,144	1,927,010	1,655,519	(271,491)
Total expenditures	<u>1,437,137</u>	<u>2,005,176</u>	<u>1,757,346</u>	<u>(247,830)</u>
Excess (deficiency) of revenues over expenditures	<u>(629,772)</u>	<u>(1,413,762)</u>	<u>(1,165,932)</u>	<u>247,830</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from General Fund	<u>400,000</u>	<u>1,047,227</u>	<u>799,447</u>	<u>(247,780)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(229,772)</u>	<u>(366,535)</u>	<u>(366,485)</u>	<u>50</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>366,485</u>	<u>366,485</u>	<u>366,485</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 136,713</u>	<u>\$ (50)</u>	<u>\$ -</u>	<u>\$ 50</u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**CITY OF TAKOMA PARK, MARYLAND**  
**SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**BUDGETARY AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental - grants and contracts	\$ 1,459,966	\$ 2,262,607	\$ 1,110,068	\$ (1,152,539)
Total revenues	<u>1,459,966</u>	<u>2,262,607</u>	<u>1,110,068</u>	<u>(1,152,539)</u>
<b>EXPENDITURES</b>				
General government	100,000	642,000	261,644	380,356
Public safety	310,000	245,686	122,497	123,189
Public works	696,028	846,028	-	846,028
Housing and community development	300,000	365,050	24,955	340,095
Recreation and culture	57,247	178,277	45,672	132,605
Capital outlay	-	-	636,925	(636,925)
Total expenditures	<u>1,463,275</u>	<u>2,277,041</u>	<u>1,091,693</u>	<u>1,185,348</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(3,309)	(14,434)	18,375	32,809
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from General Fund	<u>3,309</u>	<u>14,434</u>	<u>1,821</u>	<u>(12,613)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	20,196	20,196
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>288,366</u>	<u>288,366</u>	<u>288,366</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 288,366</u>	<u>\$ 288,366</u>	<u>\$ 308,562</u>	<u>\$ 20,196</u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**CITY OF TAKOMA PARK, MARYLAND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2006**

	<b>Pension Trust</b>	<b>Defined Contribution Plan</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,206,537	\$ 16,016	\$ 2,222,553
Investments, at fair value:			
Domestic equities	-	50,787	50,787
Corporate bonds	1,164,602	11,758	1,176,360
International equities	-	6,016	6,016
Total investments	<u>1,164,602</u>	<u>68,561</u>	<u>1,233,163</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,371,139</u></u>	<u><u>\$ 84,577</u></u>	<u><u>\$ 3,455,716</u></u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	<u><u>\$ 3,371,139</u></u>	<u><u>\$ 84,577</u></u>	<u><u>\$ 3,455,716</u></u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**CITY OF TAKOMA PARK, MARYLAND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Pension Trust</u>	<u>Defined Contribution Plan</u>	<u>Total</u>
<b>ADDITIONS</b>			
Employer contributions	\$ 535,092	\$ 5,132	\$ 540,224
Plan member contributions	119,270	-	119,270
Total contributions	<u>654,362</u>	<u>5,132</u>	<u>659,494</u>
Investment income	238,896	15,486	254,382
Less investment expenses	18,091	-	18,091
Net investment income	<u>220,805</u>	<u>15,486</u>	<u>236,291</u>
Total additions	<u>875,167</u>	<u>20,618</u>	<u>895,785</u>
<b>DEDUCTIONS</b>			
Benefit and refunds paid	353,038	-	353,038
Administrative expenses	<u>45,259</u>	<u>-</u>	<u>45,259</u>
Total deductions	<u>398,297</u>	<u>-</u>	<u>398,297</u>
<b>CHANGE IN NET ASSETS</b>	476,870	20,618	497,488
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR</b>	<u>2,894,269</u>	<u>63,959</u>	<u>2,958,228</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR</b>	<u><u>\$ 3,371,139</u></u>	<u><u>\$ 84,577</u></u>	<u><u>\$ 3,455,716</u></u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**CITY OF TAKOMA PARK, MARYLAND**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

The accounting policies of 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 of Takoma Park, Maryland (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 to be construed to mean both the City and its inhabitants. Since inception, the City has operated under the Council-Manager form of government. Services provided include refuse, streets and drainage, recreation and parks, police, planning and zoning, community development, and housing services.

For financial reporting purposes, in conformance with accounting principles generally accepted in the United States of America, the reporting entity includes the Mayor and City Council, the primary government and the following fiduciary funds.

City of Takoma Park Public Safety Employees Pension Plan (Pension Trust)  
City of Takoma Park Employees 401(k) 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(k) 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 Assets and the Statement of Changes in Net Assets report information on all of the non-fiduciary activities of the City. Eliminations have been made to remove the effect of interfund activity from these statements. 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**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

**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 flow of economic 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; the General, Community Center and Special Revenue Funds. 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 Community Center Fund was established to track the financial activity related to construction of the City's community center. The Special Revenue Fund was established to track the City's grant activity.

The effect of interfund activity has been eliminated from the government-wide financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

**ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

**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. 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. Investments are reported at fair value. Net assets available for benefits used to calculate the unfunded pension obligation 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><b>Real Property</b></u>	<u><b>Personal and Corporate</b></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	1%	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**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

**ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)**

**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 fund in the government-wide financial statements. As allowed by GASB No. 34, the City has not yet included infrastructure assets which were in existence at July 1, 2003. The City will include them within the timeframe allowed by GASB No. 34. The City defines capital assets as those which have an individual acquisition cost or donated value of at least \$5,000 and an estimated useful life of three years or more. Such assets are valued at historical or estimated historical cost if actual is not available. Donated assets are stated at their donated 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.

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. Accumulated depreciation is reported in the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows

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

**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 Assets. 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 or accumulated 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 all outstanding vacation leave at separation. The accrual is included in "non-current liabilities" in the government-wide statements and is \$460,868. A liability for vacation pay is recorded in the governmental fund financial statements only if they are due and payable.

**CITY OF TAKOMA PARK, MARYLAND**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

**ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)**

**Net Assets/Fund Equity**

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as invested in capital (net of related debt), restricted and unrestricted.

- *Invested in capital assets, net of related debt* - This category groups all capital assets including infrastructure into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted net assets* - This category presents external restrictions imposed by creditors, grantors or laws and regulations of other governments.
- *Unrestricted net assets* - This category presents the net assets of the City not included elsewhere.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent management's tentative plans for their usage. These plans are subject to change.

This information is an integral part of the  
accompanying financial statements.

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 – 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, an amount (not less than 2% of total budgeted revenue) is included as part of the proposed expenditures as unappropriated reserves. The account is maintained to meet extraordinary or unanticipated expenditures as directed by the Council.
4. Subsequent to passage of the budget ordinance, the City Council may approve supplemental expenditures.
5. Management may make adjustments to the budget up to \$10,000 without approval of the governing body.
6. At the end of the fiscal year, unencumbered appropriations lapse.
7. The budget for the General, Community Center, Special Revenue and Stormwater Management Funds are adopted on a basis consistent with budget estimates. Budgetary control is maintained at the fund level.
8. The budget information presented in the accompanying basic financial statements includes all budget ordinances and amendments as approved by the Mayor and City Council for the fiscal year ending June 30, 2006. No annual budget and actual comparisons are presented in the basic financial statements for governmental funds utilizing project based budgets.

**Reconciliation of Government-wide Statement of Net Assets  
and Governmental Fund Balance Sheet**

The government-wide statements include a reconciliation between *fund balance – total governmental funds* and *net asset – governmental activities* as reported in the government-wide Statement of Net Assets. One aspect of that reconciliation is long-term liabilities. Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the Statement of Net Assets.

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 2 – CASH AND INVESTMENTS**

**A. Cash on Hand**

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

**B. Deposits**

At year-end, the carrying amount of the City of Takoma Park (the City) deposits was \$334,859 and the corresponding bank balances were \$559,646. Of the bank balance, \$100,000 was covered by Federal Depository Insurance and \$459,646 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, 2006. The City has a contractual arrangement with the bank for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented.

**C. Investments**

At June 30, 2006, the City's investment balances by type were as follows:

	<b>Fair Value</b>	<b>Investment Maturities (in Year)</b>		
		<b>Less than 1</b>	<b>1 – 5</b>	<b>More than 5</b>
Repurchase agreements	\$ 1,467,852	\$ 1,467,852	\$ -	\$ -
Maryland Local Government Investment Pool	1,522,636	1,522,636	-	-
Money Market Mutual Funds*	2,255,440	2,255,440	-	-
Domestic Equities*	50,787	-	-	50,787
Corporate Bonds*	1,273,516	97,156	-	1,176,360
U.S. Government Agency Bonds	1,274,094	-	1,274,094	-
International Funds*	<u>6,016</u>	<u>-</u>	<u>-</u>	<u>6,016</u>
<b>Total investments</b>	<u>\$ 7,850,341</u>	<u>\$ 5,343,084</u>	<u>\$ 1,274,094</u>	<u>\$ 1,233,163</u>

\* Included in Fiduciary Funds.

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

**D. Reconciliation of cash and investments as shown on the Statement of Net Assets:**

Cash on hand	\$ 1,376
Carrying amount of deposits	334,859
Carrying amount of investments	<u>7,850,341</u>
Total cash and investments	8,186,576
Less amounts in fiduciary funds	<u>3,455,716</u>
<b>Total cash and investments per Statement of Net Assets</b>	<b><u>\$ 4,730,860</u></b>
 Cash and cash equivalents	 \$ 1,804,087
Investments	<u>2,926,773</u>
<b>Total cash and investments per Statement of Net Assets</b>	<b><u>\$ 4,730,860</u></b>

*Investment 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. 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, 2006, met the City's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2006:

<b>Total net investment income per Statement of Activities</b>	<b><u>\$ 184,751</u></b>
--	--------------------------

*Credit Risk*

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 and is rated AAAM by Standard & Poors, its highest rating for money market mutual funds. 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.

*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 \$1,467,852 in repurchase agreements, \$1,522,636 in MLGIP and \$4,859,853 in direct securities. At June 30, 2006, all of the City's investments were insured or registered, or for which the securities were held by the City or its agent in the City's name or were invested in the MLGIP.

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 3 – PROPERTY TAXES**

Real and personal property taxes are levied at rates enacted by the Mayor and 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 and personal property tax rate for fiscal year 2006 was \$0.63 per \$100 and \$1.575 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.

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, 2006 taxes receivable, net of an allowance for uncollectibles of \$173,742 amounted to \$203,612.

**NOTE 4 – NOTES RECEIVABLES, NET**

Notes receivable recorded in the non-major funds 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. These notes are amortized over periods in excess of one year and, therefore, a reservation of fund balance has been provided to reflect the non-current nature of these receivables (see Note 10). At June 30, 2006, notes receivable – Rehabilitation Fund, net of allowances for uncollectibles of \$3,001 amounted to \$122,725.

**NOTE 5 – DEFERRED/UNEARNED REVENUES**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the deferred 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	\$ 543,599	\$ -	\$ 543,599
Property taxes receivable, General Fund	165,183	-	165,183
Charges for services, General Fund	69,842	-	69,842
Stormwater receivable, non-major funds	37,077	-	37,077
Grant funds in excess of expenditures			
General Fund	-	25,135	25,135
Special Revenue Fund	-	1,863	1,863
<b>Total</b>	<u>\$ 815,701</u>	<u>\$ 26,998</u>	<u>\$ 842,699</u>

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

The General Fund periodically advances funds to the Special Revenue Fund and the Community Center Fund to cover operating cash deficits.

Transfers were made to the Special Revenue Fund to provide the required matching funds for federal grants. Transfers were also made to the Community Center Fund to subsidize the City's community center construction costs.

The balances at June 30, 2006 of individual fund interfund borrowings were as follows:

	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
General Fund	\$ 1,293,823	\$ -
Special Revenue Fund	2,292,907	3,158,578
Community Center Fund	<u>200,000</u>	<u>364,042</u>
	<u>3,786,730</u>	<u>3,522,620</u>
Non-major funds:		
Rehabilitation loans and grants	-	3,342
Stormwater management	<u>308</u>	<u>261,076</u>
	<u>308</u>	<u>264,418</u>
<b>Total</b>	<u><u>\$ 3,787,038</u></u>	<u><u>\$ 3,787,038</u></u>

**NOTE 7 – DUE FROM OTHER GOVERNMENTS**

The June 30, 2006 General Fund, Community Center Fund, Special Revenue Fund and non-major funds balance of due from other governments is as follows:

State of Maryland:	
Income tax	\$ 202,185
Income tax reserve	543,599
Highway user tax	91,353
Montgomery County - grants	92,040
Other	<u>1,906,672</u>
<b>Total</b>	<u><u>\$ 2,835,849</u></u>

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 8 – CAPITAL ASSETS AND OTHER PROPERTY**

A summary of changes in capital assets during fiscal year 2006 follows:

	<b>Balance June 30, 2005</b>	<b>Additions</b>	<b>Deletions and Adjustments</b>	<b>Balance June 30, 2006</b>
Capital assets (not being depreciated)				
Land	\$ 1,781,269	\$ -	\$ (179,731)	\$ 1,601,538
Construction in progress	10,536,173	3,523,609	-	14,059,782
Total non-depreciable capital assets	<u>12,317,442</u>	<u>3,523,609</u>	<u>(179,731)</u>	<u>15,661,320</u>
Capital assets (being depreciated)				
Buildings	2,974,641	-	-	2,974,641
Improvements other than buildings	1,149,382	-	-	1,149,382
Equipment	3,130,132	323,599	(161,425)	3,292,306
Total depreciable capital assets	<u>7,254,155</u>	<u>323,599</u>	<u>(161,425)</u>	<u>7,416,329</u>
Total assets at cost	<u>19,571,597</u>	<u>3,847,208</u>	<u>(341,156)</u>	<u>23,077,649</u>
Less – accumulated depreciation for:				
Buildings	(1,754,009)	(101,246)	-	(1,855,255)
Improvements other than buildings	(619,783)	(43,677)	-	(663,460)
Equipment	<u>(1,860,721)</u>	<u>(237,334)</u>	<u>152,146</u>	<u>(1,945,909)</u>
Total accumulated depreciation	<u>(4,234,513)</u>	<u>(382,257)</u>	<u>152,146</u>	<u>(4,464,624)</u>
<b>Total capital assets</b>	<u>\$ 15,337,084</u>	<u>\$ 3,464,951</u>	<u>\$ (189,010)</u>	<u>\$ 18,613,025</u>

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

General government	\$ 101,856
Public safety	67,143
Public works	170,403
Housing and community development	1,975
Recreation and culture	<u>40,880</u>
	<u>\$ 382,257</u>



**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 9 – NON-CURRENT LIABILITIES**

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2006:

	<u>Balance June 30, 2005</u>	<u>Net Increase (Decrease)</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>	<u>Coupon Interest Rate</u>	<u>Date of Maturity</u>
Notes payable:						
Long-term note – Maryland Industrial and Commercial Redevelopment Fund (MICRF)	\$ 27,260	\$ (5,000)	\$ 22,260	\$ 5,000	0.00%	February 2011
Loan payable – Montgomery County	205,000	(50,000)	155,000	50,000	0.00%	June 2009
Other long-term liabilities:						
Bonds payable	216,832	(20,166)	196,666	20,167	5.98%	September 2007
Bonds payable	1,833,700	(76,700)	1,757,000	78,400	Variable	May 2022
Bonds payable	2,005,000	(308,462)	1,696,538	308,462	3.34%	July 2011
Bonds payable	2,600,000	(92,000)	2,508,000	94,500	Variable	May 2025
Capital lease payable	243,983	(53,522)	190,461	62,839	4.24%	September 2009
Capital lease payable	8,963	(6,671)	2,292	2,292	4.24%	September 2006
Accrued obligations for compensated absences	446,092	14,776	460,868	134,179		-
Net pension obligation	<u>18,981</u>	<u>7,319</u>	<u>26,300</u>	<u>26,300</u>		-
<b>Total non-current liabilities</b>	<u>\$ 7,605,811</u>	<u>\$ (590,426)</u>	<u>\$ 7,015,385</u>	<u>\$ 782,139</u>		

**A. Notes and Bonds**

On February 3, 2003, the City and State renegotiated the remaining balance of a MICRF loan. Under the new terms, the loan has a 0.0% interest rate and matures in February 2011. The principal is to be repaid in eight annual installments of \$5,000 and one final payment of \$2,260.

<u>Fiscal Years</u>	<u>Principal</u>
2007	\$ 5,000
2008	5,000
2009	5,000
2010	5,000
2011	<u>2,260</u>
<b>Total</b>	<u>\$ 22,260</u>

The City entered into a Memorandum of Understanding Agreement with Montgomery County, Maryland during fiscal year 2000 related to certain infrastructure repair work in the area of Pinecrest. Under this agreement, the County made an interest free loan to the City in the amount of \$455,000 to be used for the infrastructure repair work. As repayment by the County, the County will reduce its annual Municipal Tax Duplication payments to the City for a period of nine years beginning in fiscal year 2000.

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 9 – NON-CURRENT LIABILITIES (CONTINUED)**

The reductions will be made as follows:

<u>Fiscal Years</u>	
2007	\$ 50,000
2008	50,000
2009	<u>55,000</u>
<b>Total</b>	<b><u>\$ 155,000</u></b>

In 1995, the City borrowed \$315,000 to purchase property located in Takoma Junction. The original loan was refinanced in 1998. In 2005, the maturity date of the loan was extended until September 15, 2008. The extension provided for an annual payment of \$20,167 at an interest rate of 6.00% with a balloon payment due at maturity.

The annual installments for the repayment of the loan as of June 30, 2006 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 20,167	\$ 11,592	\$ 31,759
2008	<u>176,499</u>	<u>11,065</u>	<u>187,564</u>
<b>Total</b>	<b><u>\$ 196,666</u></b>	<b><u>\$ 22,657</u></b>	<b><u>\$ 219,323</u></b>

On April 16, 2002, the City participated in a bond issuance with the Maryland Department of Housing and Community Development in the amount of \$2,048,700 to be used for the construction of a community center. The principal is to be repaid in variable amounts increasing each year until bond is paid. Principal payment is based on variable interest rate.

The annual installments for the repayment of the bond as of June 30, 2006 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 78,400	\$ 75,976	\$ 154,376
2008	81,900	73,390	155,290
2009	85,300	70,524	155,824
2010	87,100	67,368	154,468
2011	92,500	64,014	156,514
2012 – 2016	523,200	260,340	783,540
2017 – 2021	657,300	132,712	790,012
2022	<u>151,300</u>	<u>7,262</u>	<u>158,562</u>
<b>Total</b>	<b><u>\$ 1,757,000</u></b>	<b><u>\$ 751,586</u></b>	<b><u>\$ 2,508,586</u></b>

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 9 – NON-CURRENT LIABILITIES (CONTINUED)**

On July 15, 2004 the City issued bonds in the amount of \$2,005,000 to be used for street improvement construction projects. The principal is to be repaid with semi-annual payments of \$154,231 at a 3.34% interest rate.

The annual installments for the repayment of the bond as of June 30, 2006 are as follows:

<b>Fiscal Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 308,462	\$ 49,089	\$ 357,551
2008	308,462	43,783	352,245
2009	308,462	33,484	341,946
2010	308,462	23,481	331,943
2011	308,462	12,878	321,340
2012	<u>154,228</u>	<u>2,576</u>	<u>156,804</u>
<b>Total</b>	<b><u>\$ 1,696,538</u></b>	<b><u>\$ 165,291</u></b>	<b><u>\$ 1,861,829</u></b>

On May 26, 2005 the City issued bonds in the amount of \$2,600,000 to be used for the community center construction project. The principal is to be repaid in variable amounts, increasing each year until the bond is paid. Principal payment is based on variable interest rates.

The annual installments for the repayment of the bond as of June 30, 2006 are as follows:

<b>Fiscal Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 94,500	\$ 105,832	\$ 200,332
2008	97,500	102,100	199,600
2009	100,500	98,248	198,748
2010	103,500	94,278	197,778
2011	107,000	87,943	194,943
2012 – 2016	594,000	333,516	927,516
2017 – 2021	719,500	245,674	965,174
2022 – 2025	<u>691,500</u>	<u>74,226</u>	<u>765,726</u>
<b>Total</b>	<b><u>\$ 2,508,000</u></b>	<b><u>\$ 1,141,817</u></b>	<b><u>\$ 3,649,817</u></b>

**B. Capital Lease**

The City has entered into two capital lease agreements for the purchase of equipment. The equipment underlying these agreements is police equipment with an original cost of \$380,000 and a street sweeping machine with an original cost of \$19,475. The minimum lease payments as of June 30, 2006 are as follows:

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 9 – NON-CURRENT LIABILITIES (CONTINUED)**

<b>Fiscal Year</b>	<b>Police Equipment</b>	<b>Street Sweeper</b>	<b>Total</b>
2007	\$ 62,839	\$ 2,309	\$ 65,148
2008	62,839	-	62,839
2009	62,839	-	62,839
2010	<u>15,712</u>	<u>-</u>	<u>15,712</u>
Total payments	204,229	2,309	206,538
Interest portion	<u>(13,768)</u>	<u>(17)</u>	<u>(13,785)</u>
<b>Present value of lease payments</b>	<u>\$ 190,461</u>	<u>\$ 2,292</u>	<u>\$ 192,753</u>

**NOTE 10 – FUND BALANCES**

The fund balance of the governmental funds is reserved for the following:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Non-major Funds</b>
Notes receivable	\$ -	\$ -	\$ 122,725
Emergency assistance	-	-	7,862
Equipment replacement	882,643	-	-
Emergency	332,560	-	-
Capital expenditures	<u>117,347</u>	<u>308,436</u>	<u>-</u>
<b>Total</b>	<u>\$ 1,332,550</u>	<u>\$ 308,436</u>	<u>\$ 130,587</u>

The City has reserved \$882,643 and \$332,560 at June 30, 2006 for equipment replacement and emergency, respectively, in compliance with the City Charter. The Charter requires a reservation for replacement of major pieces of equipment whose cost is a minimum of 5% of annual General Fund revenues. The Charter also requires a minimum reservation of \$250,000 to cover emergencies, plus a percentage increase each year, equal to the percentage increase in the Consumer Price Index. Amounts are to be used for future equipment replacement and emergencies as deemed necessary by the Mayor and City Council.

In 2005 the City issued bonds in the amount of \$2,005,000 for street improvements. The amount of \$117,347 was unspent at June 30, 2006. The balance was reserved for future street improvements. The City has reserved \$308,436 for cable equipment expenditures.

The fund balance of the Non-major - Rehabilitation Fund is reserved for the non-current nature of notes receivable in the amount of \$122,725.

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 10 – FUND BALANCES (CONTINUED)**

The emergency assistance fund was established by the City Council in fiscal year 2001. The purpose of the Fund is to provide financial assistance to the City residents for temporary housing, medical assistance, utility payments, food, clothing, etc. At June 30, 2006, the balance of the fund was \$7,862.

**NOTE 11 – RETIREMENT PLANS**

**A. Description of Plans**

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

The Employees Retirement System of the State of Maryland (Retirement System) was established October 1, 1941. The Retirement System covers most employees hired prior to January 1, 1980, who have not elected to transfer into the Pension System.

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 Retirement System, a member 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 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 may also take early retirement with reduced benefits at age 55 with 15 years of service. A member 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.

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.

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 11 – RETIREMENT PLANS (CONTINUED)**

**A. Description of Plans (Continued)**

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: actuarial value of assets; total actuarial accrued liability; unfunded actuarial accrued liability, if any; and funded liability ratio. 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 5 percent, 2 percent and 4 percent, respectively.

Required contributions under the plans that are not funded by employee contributions 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 ending June 30, 2006 are based on salaries for the year ending June 30, 2005. 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. The contributions for the fiscal years ending June 30<sup>th</sup> were as follows:

	<b>Fiscal Year Ending June 30</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
Retirement plan contributions	<u>\$ 322,558</u>	<u>\$ 344,319</u>	<u>\$ 243,810</u>

**B. Public Safety Employee Pension Plan**

*General*

This Pension Plan is a single-employer contributory defined benefit pension plan established by City ordinance. The plan is governed by the City of Takoma Park which is responsible for the management of plan assets. The City has delegated the authority to manage plan assets to Mercantile - Safe Deposit & Trust Company.

*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.

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 11 – RETIREMENT COMMITMENTS (CONTINUED)**

**B. Public Safety Employee Pension Plan (Continued)**

*Method Used to Value Investments*

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

*Plan Membership*

As of July 1, 2006, the pension plan's membership consisted of:

Active employees	35
Retirees and beneficiaries currently receiving benefits	11
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
<b>Total</b>	<u><u>47</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.

Contributions to the Plan made by the City are based on an actuarially determined rate. The police officers contribute to the Plan based on 7% of salaries. Member's actual contributions were \$119,297 at June 30, 2006. Administrative costs are financed through investment earnings.

The contribution requirements of the City are established and may be amended by the City Council. The actuarially required contribution rate and the amount paid into the Plan for the year ended June 30, 2006 was \$535,092.

**Annual Pension Cost and Net Pension Obligation**

The City's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 535,092
Interest on NPO	<u>7,319</u>
Annual pension cost	542,411
Contributions made	<u>(535,092)</u>
Increase in net pension obligation	7,319
Net pension obligation, beginning of year	<u>18,981</u>
<b>Net pension obligation, end of year</b>	<u><u>\$ 26,300</u></u>

**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 11 – RETIREMENT COMMITMENTS (CONTINUED)**

**B. Public Safety Employee Pension Plan (Continued)**

**Annual Pension Cost and Net Pension Obligation (Continued)**

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2005 using the projected unit credit method. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases at 5.5% compounded annually per year. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of assets was determined using the market value method. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at June 30, 2001 was 20 years, which is reestablished each year.

**C. 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 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 taxes are deferred on these contributions and related earnings until the participant terminates from the plan. The City is in compliance with the Internal Revenue Code Section 457(g) requiring all assets and income of the plan to be held in trust for the exclusive benefit of participants and their beneficiaries. Management’s involvement with the plan is limited to transferring amounts withheld from payroll to the Plan Administrator. Management has little administrative involvement with the plan and does not perform the investing function for the plan. Accordingly, the fair value of the plan assets are not reflected in the City’s financial statements.

**D. 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. At June 30, 2006, there were two plan participants. The City is required to contribute \$5,000 for one participant and the other participant’s contribution was based on 6% of the monthly contributed compensation, which average \$642 per month. Plan provisions and contribution requirements are established and may be amended by the City of Takoma Park Council. The City’s contribution to the plan for the year ended June 30, 2006 was \$5,132.



**CITY OF TAKOMA PARK, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES**

The City participates in certain federally-assisted grant programs, the principal of which are 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.

**NOTE 13 – POST RETIREMENT BENEFITS**

The City does not provide, and therefore has no liability for, post-retirement benefits at June 30, 2006.

**NOTE 14 – 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 became 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 Montgomery County Self Insurance Plan. 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.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF TAKOMA PARK, MARYLAND  
REQUIRED SUPPLEMENTAL INFORMATION  
PUBLIC SAFETY EMPLOYEE PENSION FUND  
SCHEDULE OF FUNDING PROGRESS  
June 30, 2002 – 2005**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (b-a/c)</b>
June 30, 2005	\$ 2,849,268	\$ 9,127,442	\$ 6,278,174	31.2%	\$ 1,857,977	241.7%
June 30, 2004	2,388,059	8,309,009	5,920,950	29.0%	1,876,807	315.0%
June 30, 2003	1,860,531	7,245,960	5,385,429	25.7%	1,856,566	290.1%
June 30, 2002	1,434,950	5,934,249	4,499,299	24.2%	1,923,210	233.9%

**PUBLIC SAFETY EMPLOYEE PENSION FUND  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
June 30, 2002 – 2005**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>
June 30, 2005	\$ 535,092	99.0%
June 30, 2004	456,645	98.8%
June 30, 2003	398,453	0.0%
June 30, 2002	343,348	99.7%

## **SUPPLEMENTAL INFORMATION**

**CITY OF TAKOMA PARK, MARYLAND**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**OTHER FINANCING SOURCES (USES) – BUDGET AND ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes:				
<u>Property</u>				
Real property	\$ 7,247,406	\$ 7,247,406	\$ 7,369,473	\$ 122,067
Business or other property	527,175	527,175	490,667	(36,508)
Penalty and interest	32,000	32,000	10,325	(21,675)
Additions and abatements	-	-	(58,142)	(58,142)
Total property	<u>7,806,581</u>	<u>7,806,581</u>	<u>7,812,323</u>	<u>5,742</u>
<u>Local taxes</u>				
Admission and amusement	100	100	486	386
	<u>100</u>	<u>100</u>	<u>486</u>	<u>386</u>
<u>Shared taxes</u>				
Highway	598,158	598,158	588,812	(9,346)
Income tax	1,571,000	1,571,000	1,904,784	333,784
Total shared taxes	<u>2,169,158</u>	<u>2,169,158</u>	<u>2,493,596</u>	<u>324,438</u>
Total taxes	<u>9,975,839</u>	<u>9,975,839</u>	<u>10,306,405</u>	<u>330,566</u>
Licenses and permits	<u>66,854</u>	<u>66,854</u>	<u>62,415</u>	<u>(4,439)</u>
Fines and forfeitures	<u>160,000</u>	<u>184,000</u>	<u>190,287</u>	<u>6,287</u>
Use of Money and Property:				
Interest and dividends	<u>105,000</u>	<u>105,000</u>	<u>184,748</u>	<u>79,748</u>
Total use of money and property	<u>105,000</u>	<u>105,000</u>	<u>184,748</u>	<u>79,748</u>
Charges for Services:				
Public parking	54,000	54,000	32,027	(21,973)
Protective inspection fees	220,000	220,000	289,416	69,416
Waste collection and disposal	76,000	76,000	53,316	(22,684)
Passport	30,000	30,000	29,904	(96)
Recreation	210,000	210,000	236,740	26,740
Washington suburban	25,000	25,000	19,754	(5,246)
Bond admin fee	26,000	26,000	-	(26,000)
Library fines and fees	15,000	15,000	13,169	(1,831)
Other	<u>29,700</u>	<u>29,700</u>	<u>50,776</u>	<u>21,076</u>
Total charges for services	<u>685,700</u>	<u>685,700</u>	<u>725,102</u>	<u>39,402</u>

**CITY OF TAKOMA PARK, MARYLAND**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**OTHER FINANCING SOURCES (USES) – BUDGET AND ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**For the Fiscal Year Ended June 30, 2006**  
(Continued)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES (Continued)</b>				
Intergovernmental Revenues:				
Police protection	\$ 450,000	\$ 450,000	\$ 479,340	\$ 29,340
In lieu of Police	2,344,286	2,344,286	2,322,023	(22,263)
In lieu of County services	632,184	632,184	632,184	-
Police rebate	552,183	552,183	564,669	12,486
Bank share tax	5,643	5,643	5,643	-
Library aid	89,670	89,670	103,573	13,903
Montgomery County tax	266,380	266,380	336,250	69,870
Takoma/Langley Recreation Center	100,000	100,000	100,000	-
Total intergovernmental revenues	<u>4,440,346</u>	<u>4,440,346</u>	<u>4,543,682</u>	<u>103,336</u>
 Miscellaneous revenue - other	 75,333	 478,826	 247,158	 (231,668)
 Total revenues	 <u>15,509,072</u>	 <u>15,936,565</u>	 <u>16,259,797</u>	 <u>323,232</u>
<b>EXPENDITURES</b>				
General Government:				
Mayor and Council	96,400	96,400	76,539	19,861
City administrator	1,024,823	1,024,823	904,520	120,303
Finance	406,350	406,350	374,881	31,469
Law	164,150	164,150	143,366	20,784
Systems administration	238,166	249,226	247,511	1,715
Total general government	<u>1,929,889</u>	<u>1,940,949</u>	<u>1,746,817</u>	<u>194,132</u>
 Public Safety:				
Office of the chief	302,637	326,637	359,575	(32,938)
Community services	376,492	376,492	242,742	133,750
Patrol	2,654,709	2,659,609	2,797,796	(138,187)
Criminal investigations	655,955	655,955	556,196	99,759
Administration	623,688	623,688	580,660	43,028
Total public safety	<u>4,613,481</u>	<u>4,642,381</u>	<u>4,536,969</u>	<u>105,412</u>
 Public Works:				
Administration	288,557	288,557	245,631	42,926
Building maintenance	592,380	609,113	656,605	(47,492)
Equipment maintenance	454,210	454,210	441,290	12,920
Right of way	806,150	806,150	763,563	42,587
Solid waste management	751,213	751,213	744,225	6,988
Urban forest/City gardens	354,324	369,324	380,544	(11,220)
City engineer	173,230	173,230	142,287	30,943
Total public works	<u>3,420,064</u>	<u>3,451,797</u>	<u>3,374,145</u>	<u>77,652</u>

**CITY OF TAKOMA PARK, MARYLAND**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**OTHER FINANCING SOURCES (USES) – BUDGET AND ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**For the Fiscal Year Ended June 30, 2006**  
(Continued)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>EXPENDITURES (Continued)</b>				
Housing and Community Development:				
Administration	\$ 1,076,921	\$ 1,091,921	\$ 978,292	\$ 113,629
Recreation and Culture:				
Administration	1,109,234	1,109,234	930,601	178,633
Library and media	1,214,091	1,214,091	1,153,581	60,510
Total recreation and culture	2,323,325	2,323,325	2,084,182	239,143
Non-departmental (primarily insurance)	1,030,976	886,815	395,025	491,790
Capital outlay	1,576,020	2,202,562	1,643,140	559,422
Debt Service:				
Repayments	892,484	892,484	862,505	29,979
Total debt service	892,484	892,484	862,505	29,979
Total expenditures	16,863,160	17,432,234	15,621,075	1,811,159
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(1,354,088)	(1,495,669)	638,722	2,134,391
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	400,000	155,000	157,951	2,951
Transfers to:				
Special Revenue	(3,309)	(14,434)	(1,821)	12,613
Community Center	(400,000)	(1,047,227)	(799,447)	247,780
Total other financing sources (uses)	(3,309)	(906,661)	(643,317)	263,344
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES - GAAP BASIS</b>	(1,357,397)	(2,402,330)	(4,595)	2,397,735
<b>APPROPRIATION OF FUND BALANCE</b>	1,357,397	2,402,330	4,595	(2,397,735)
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	\$ -	\$ -	\$ -	\$ -

**CITY OF TAKOMA PARK, MARYLAND**  
**NON-MAJOR FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2006**  
(With Comparative Totals for 2005)

	<b>Stormwater Management</b>	<b>Rehabilitation Loans and Grants</b>	<b>Totals</b>	
			<b>2006</b>	<b>2005</b>
<b>ASSETS</b>				
Cash and temporary investments	\$ 383,043	\$ 107,909	\$ 490,952	\$ 262,410
Notes receivable, net	-	122,725	122,725	154,361
Other receivables	87,332	-	87,332	96,341
Due from General Fund	-	-	-	22,686
Due from other funds	308	-	308	70,176
<b>TOTAL ASSETS</b>	<b>\$ 470,683</b>	<b>\$ 230,634</b>	<b>\$ 701,317</b>	<b>\$ 605,974</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 12,471	\$ -	\$ 12,471	\$ 8,056
Accrued payroll	758	-	758	-
Deposits and escrows held	7,862	-	7,862	-
Due to General Fund	-	-	-	3,034
Due to other funds	261,076	3,342	264,418	200,308
Due to other governments	-	104,567	104,567	98,503
Deferred revenue	37,076	-	37,076	75,723
Total liabilities	319,243	107,909	427,152	385,624
<b>FUND BALANCES</b>				
Reserved for emergency assistance	7,862	-	7,862	-
Reserved for notes receivable	-	122,725	122,725	154,361
Total reserved	7,862	122,725	130,587	154,361
Unreserved, undesignated	143,578	-	143,578	65,989
Total fund balances	151,440	122,725	274,165	220,350
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 470,683</b>	<b>\$ 230,634</b>	<b>\$ 701,317</b>	<b>\$ 605,974</b>



**CITY OF TAKOMA PARK, MARYLAND**  
**NON-MAJOR FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2006**  
(With Comparative Totals for 2005)

	<b>Stormwater Management</b>	<b>Rehabilitation Loans and Grants</b>	<b>Totals</b>	
			<b>2006</b>	<b>2005</b>
<b>REVENUES</b>				
Use of money and property - interest income	\$ -	\$ 3	\$ 3	\$ 615
Charges for services	281,243	868	282,111	194,272
Total revenues	<u>281,243</u>	<u>871</u>	<u>282,114</u>	<u>194,887</u>
<b>EXPENDITURES</b>				
General government	-	32,112	32,112	85,784
Public works	106,581	-	106,581	281,228
Capital outlay	89,606	-	89,606	-
Total expenditures	<u>196,187</u>	<u>32,112</u>	<u>228,299</u>	<u>367,012</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	85,056	(31,241)	53,815	(172,125)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>66,384</u>	<u>153,966</u>	<u>220,350</u>	<u>392,475</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 151,440</u>	<u>\$ 122,725</u>	<u>\$ 274,165</u>	<u>\$ 220,350</u>

## **STATISTICAL SECTION**

Table 1

**CITY OF TAKOMA PARK, MARYLAND**  
**NET ASSETS BY COMPONENT**  
**LAST FOUR FISCAL YEARS**  
**(Accrual Basis of Accounting)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt	\$ 12,220,247	\$ 9,053,902	\$ 6,361,971	\$ 2,465,056
Restricted	1,524,639	4,065,550	1,677,812	1,617,967
Unrestricted	<u>4,210,070</u>	<u>1,228,025</u>	<u>1,697,656</u>	<u>4,913,094</u>
<b>TOTAL PRIMARY GOVERNMENT NET ASSETS</b>	<u>\$ 17,954,956</u>	<u>\$ 14,347,477</u>	<u>\$ 9,737,439</u>	<u>\$ 8,996,117</u>

Table 2

**CITY OF TAKOMA PARK, MARYLAND**  
**CHANGES IN NET ASSETS**  
**LAST FOUR FISCAL YEARS**  
**(Accrual Basis of Accounting)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 2,162,783	\$ 2,375,234	\$ 2,543,571	\$ 2,738,005
Public safety	4,726,609	4,520,348	4,374,347	4,115,905
Public works	3,651,129	4,059,898	4,174,364	3,499,188
Housing and community development	1,005,222	917,685	1,214,972	763,328
Recreation and culture	2,170,734	1,966,910	2,209,011	2,006,076
Non-departmental	656,738	653,907	637,546	981,302
Interest	263,379	210,411	106,551	106,606
	<u>14,636,594</u>	<u>14,704,393</u>	<u>15,260,362</u>	<u>14,210,410</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
General government	537,608	456,113	40,866	27,163
Public safety	190,287	179,322	104,539	130,455
Public works	831,409	764,039	340,060	561,748
Housing and community development	614	314,486	204,222	
Recreation and culture	249,909	242,363	188,933	221,713
Operating grants and contributions	5,528,750	5,055,228	5,716,825	4,534,872
Capital grants and contributions	716,414	2,586,088	986,403	239,970
	<u>8,054,991</u>	<u>9,597,639</u>	<u>7,581,848</u>	<u>5,715,921</u>
Total primary government program revenues	<u>8,054,991</u>	<u>9,597,639</u>	<u>7,581,848</u>	<u>5,715,921</u>
Total primary government net expense	<u>(6,581,603)</u>	<u>(5,106,754)</u>	<u>(7,678,514)</u>	<u>(8,494,489)</u>
<b>GENERAL REVENUES AND OTHER</b>				
<b>CHANGES IN NET ASSETS</b>				
Governmental activities:				
Taxes:				
Property taxes	7,901,543	7,630,236	6,634,987	6,112,206
Shared taxes	1,904,784	1,740,886	1,583,275	1,449,812
Investment earnings	184,751	130,409	67,832	191,071
Miscellaneous and other	198,004	215,261	133,742	630,506
	<u>10,189,082</u>	<u>9,716,792</u>	<u>8,419,836</u>	<u>8,383,595</u>
Total primary government	<u>10,189,082</u>	<u>9,716,792</u>	<u>8,419,836</u>	<u>8,383,595</u>
<b>TOTAL PRIMARY GOVERNMENT</b>				
<b>CHANGE IN NET ASSETS</b>	<u>\$ 3,607,479</u>	<u>\$ 4,610,038</u>	<u>\$ 741,322</u>	<u>\$ (110,894)</u>

Table 3

**CITY OF TAKOMA PARK, MARYLAND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Modified Accrual Basis of Accounting)**

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>REVENUES</b>										
Property taxes	\$ 10,306,405	\$ 9,826,025	\$ 8,618,452	\$ 8,115,007	\$ 7,952,305	\$ 7,475,316	\$ 6,805,093	\$ 6,710,193	\$ 6,434,281	\$ 7,016,301
Licenses and permits	62,415	63,610	63,862	31,928	35,720	58,808	62,931	57,548	54,244	35,891
Fines and forfeitures	190,287	179,323	104,539	130,455	70,948	65,199	91,108	95,507	78,231	106,559
Investment earnings	184,751	130,409	67,832	191,072	187,311	326,060	289,274	201,304	182,200	197,663
Charges for services	1,007,213	1,136,197	773,186	784,312	704,096	723,073	767,870	742,662	736,469	710,990
Intergovernmental	6,245,164	7,641,316	6,004,235	4,342,372	4,004,899	5,047,829	3,530,652	3,655,682	3,170,628	2,670,917
Miscellaneous	247,158	215,261	382,952	652,055	150,470	168,259	306,543	197,123	234,155	174,384
Total revenues	<u>18,243,393</u>	<u>19,192,141</u>	<u>16,015,058</u>	<u>14,247,201</u>	<u>13,105,749</u>	<u>13,864,544</u>	<u>11,853,471</u>	<u>11,660,019</u>	<u>10,890,208</u>	<u>10,912,705</u>
<b>EXPENDITURES</b>										
Current:										
General government	2,040,573	1,990,373	2,432,670	2,613,903	1,550,891	1,332,838	1,221,221	1,169,797	1,117,963	1,158,048
Public safety	4,659,466	4,489,515	4,292,117	4,044,399	3,827,164	3,644,243	3,651,666	3,305,933	3,132,713	3,024,822
Public works	3,480,726	3,895,853	3,997,466	3,355,898	2,865,254	4,294,887	3,305,849	2,854,632	2,754,795	2,689,575
Housing/community development	1,003,247	1,112,569	1,212,228	758,430	1,069,886	1,265,699	949,947	986,332	1,006,908	1,078,032
Recreation and culture	2,129,854	2,001,449	2,159,158	1,975,967	2,049,767	1,675,491	1,689,589	1,605,112	1,446,407	1,148,876
Nondepartmental	395,025	607,466	606,117	403,593	375,403	432,579	461,884	397,504	455,788	1,237,021
Capital outlay	4,127,017	6,958,497	3,943,729	1,110,105	1,033,833	427,335	443,692	666,083	568,941	1,335,360
Debt service:										
Principal	612,522	205,984	200,317	1,095,680	257,321	212,097	234,769	198,637	474,928	69,559
Interest	249,983	167,946	106,771	103,392	70,642	76,328	87,412	78,369	99,323	68,681
Total expenditures	<u>18,698,413</u>	<u>21,429,652</u>	<u>18,950,573</u>	<u>15,461,367</u>	<u>13,100,161</u>	<u>13,361,497</u>	<u>12,046,029</u>	<u>11,262,399</u>	<u>11,057,766</u>	<u>11,809,974</u>
Excess (deficiency) of revenues over expenditures before other financing sources	<u>(455,020)</u>	<u>(2,237,511)</u>	<u>(2,935,515)</u>	<u>(1,214,166)</u>	<u>5,588</u>	<u>503,047</u>	<u>(192,558)</u>	<u>397,620</u>	<u>(167,558)</u>	<u>(897,269)</u>
<b>OTHER FINANCING SOURCES</b>										
Bond/Loan proceeds	-	4,605,000	19,475	380,000	2,104,550	-	555,495	195,699	321,933	975,067
Sale of property	157,951	-	-	-	-	-	-	-	-	(114,723)
Total other financing sources	<u>157,951</u>	<u>4,605,000</u>	<u>19,475</u>	<u>380,000</u>	<u>2,104,550</u>	<u>-</u>	<u>555,495</u>	<u>195,699</u>	<u>321,933</u>	<u>860,344</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u><u>\$ (297,069)</u></u>	<u><u>\$ 2,367,489</u></u>	<u><u>\$ (2,916,040)</u></u>	<u><u>\$ (834,166)</u></u>	<u><u>\$ 2,110,138</u></u>	<u><u>\$ 503,047</u></u>	<u><u>\$ 362,937</u></u>	<u><u>\$ 593,319</u></u>	<u><u>\$ 154,375</u></u>	<u><u>\$ (36,925)</u></u>
Debt service as a percentage of noncapital expenditures	5.92%	2.58%	2.05%	8.36%	2.72%	2.23%	2.78%	2.61%	5.47%	1.32%

Table 4

**CITY OF TAKOMA PARK, MARYLAND**  
**GENERAL FUND TAX REVENUE BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(Modified Accrual Basis of Accounting)**

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Utility and Personal Property</b>	<b>Penalties and Interest on Delinquent Tax</b>	<b>Additions and Abatements</b>	<b>Amusement Tax</b>	<b>Income Tax</b>	<b>Highway Tax</b>	<b>Total</b>
2006	\$ 7,369,473	\$ 490,667	\$ 10,325	\$ (58,142)	\$ 486	\$ 1,904,784	\$ 588,812	\$ 10,306,405
2005	6,923,415	575,799	41,668	13,532	108	1,740,886	530,617	9,826,025
2004	6,054,625	608,613	39,162	(16,389)	38	1,583,275	349,128	8,618,452
2003	5,680,412	472,828	30,964	70,071	-	1,449,812	410,920	8,115,007
2002	5,201,068	540,974	62,561	209,476	19	1,506,694	431,513	7,952,305
2001	4,848,513	668,769	34,374	26,739	88	1,465,976	430,857	7,475,316
2000	4,637,051	395,769	28,470	(8,781)	885	1,337,548	414,151	6,805,093
1999	4,665,438	376,862	18,160	8,184	856	1,235,417	405,276	6,710,193
1998	4,560,836	341,692	14,242	(11,915)	9,443	1,109,648	410,335	6,434,281
1997	5,171,176	442,481	26,802	(33,011)	1,036	1,053,022	354,795	7,016,301

Source: City's financial records.

Table 5

**CITY OF TAKOMA PARK, MARYLAND  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections and Credits</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections and Credits</b>	<b>Total Tax Collections and Credits</b>	<b>Percent of Total Tax Collections to Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percent of Delinquent Taxes to Tax Levy</b>
2006	\$ 7,747,197	\$ 7,674,253	99.0%	\$ -	\$ 7,674,253	99.0%	\$ 72,944	1.0%
2005	7,415,063	7,322,124	98.7	-	7,322,124	98.7	92,939	1.3
2004	6,659,214	6,551,640	98.4	31,938	6,583,578	98.9	75,636	1.1
2003	6,245,222	6,190,738	99.1	13,056	6,203,794	99.3	41,428	0.7
2002	5,757,152	5,487,781	95.3	245,526	5,733,307	99.6	23,845	0.4
2001	5,517,282	5,228,045	94.8	267,105	5,495,150	99.6	22,132	0.4
2000	5,032,820	4,905,604	97.5	73,520	4,979,124	98.9	53,696	1.1
1999	5,042,300	4,908,528	97.4	104,575	5,013,103	99.4	29,197	0.6
1998	4,902,528	4,781,482	97.5	100,457	4,881,939	99.6	20,589	0.4
1997	5,613,657	5,513,109	98.2	81,880	5,594,989	99.7	18,668	0.3

Note: The above information relates to property tax levies and collections in the General Fund.  
Total collections include adjustments in "total tax levy" in year prior to original tax levy.

Source: City's Finance Department.

Table 6

**CITY OF TAKOMA PARK, MARYLAND**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

	Real Property		Public Utilities		Personal Property		Total		Ratio of Total Assessed to Total
Fiscal Year	Assessed Value	Estimated Actual Value <sup>(1)</sup>	Assessed Value	Estimated Actual Value <sup>(2)</sup>	Assessed Value	Estimated Actual Value <sup>(2)</sup>	Assessed Value	Estimated Actual Value	Estimated Actual Value <sup>(3)</sup>
2006	\$1,159,577,994	\$1,159,577,994	\$ 9,507,450	\$ 9,507,450	\$ 20,828,000	\$ 20,828,000	\$ 1,189,913,444	\$ 1,189,913,444	100.0
2005	1,040,717,919	1,040,717,919	10,670,330	10,670,330	22,440,290	22,440,290	1,073,828,539	1,073,828,539	100.0
2004	934,275,038	934,275,038	10,708,000	10,708,000	24,642,630	24,642,630	969,625,688	969,625,688	100.0
2003	869,676,011	869,676,011	10,930,630	10,930,630	19,263,630	19,263,630	899,870,271	899,870,271	100.0
2002	815,876,168	815,876,168	12,151,340	12,151,340	20,199,252	20,199,252	848,226,760	848,226,760	100.0
2001	306,615,639	766,539,098	11,178,318	11,178,318	18,618,660	18,618,660	336,412,617	796,336,076	42.2
2000	293,484,215	733,710,538	11,421,013	11,421,013	13,627,658	13,627,658	318,532,886	758,759,209	41.9
1999	295,280,886	738,202,215	11,015,253	11,015,253	12,836,772	12,836,772	319,132,911	762,054,240	41.9
1998	297,122,870	742,807,175	11,374,790	11,374,790	10,885,280	10,885,280	319,382,940	765,067,245	41.8
1997	293,816,817	734,542,043	11,399,100	11,399,100	13,741,851	13,741,851	318,957,768	759,682,994	42.0

- (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.
- (3) Prior to FY 2002, real property was assessed at 40% of estimated full value. Pursuant to a change in State law, the FY 2002 assessed values reflect the conversion to full value assessment of real property.

Source: State of Maryland Department of Assessment and Taxation.



Table 7

**CITY OF TAKOMA PARK, MARYLAND**  
**PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**  
**(Per \$100 of Assessed Value)**

			Taxes Rates <sup>(1)</sup>						
Fiscal Year	Takoma Park General <sup>(3)</sup>	Takoma Park Fire Service	State of Maryland	Montgomery County	Maryland-National Capital Park and Planning Commission	Transit District	Recreation Areas	Total <sup>(2)</sup>	
2006	\$ 0.6300	\$ -	\$ 0.1320	\$ 0.6790	\$ 0.0840	\$ 0.0420	\$ 0.0250	\$ 1.5920	
2005	0.6600	-	0.1320	0.7340	0.0800	0.0440	0.0250	1.6750	
2004	0.6600	-	0.1320	0.7510	0.0810	0.0440	0.0220	1.6900	
2003	0.6600	-	0.0840	0.8710	0.0870	0.0380	0.0200	1.7600	
2002	0.6420 <sup>(3)</sup>	-	0.0840	0.8500	0.0910	0.0500	0.0270	1.7440	
2001	1.6050	-	0.2100	2.1500	0.2230	0.1000	0.0690	4.3570	
2000	1.5800	-	0.2100	2.1530	0.2190	0.1020	0.0670	4.3310	
1999	1.5800	-	0.2100	2.1860	0.2180	0.1020	0.0620	4.3580	
1998	1.5350	-	0.2100	2.2240	0.2180	0.0910	0.0540	4.3320	
1997	1.5100	0.2500	0.2100	1.9900	0.2210	0.0780	0.0490	4.3080	

Fiscal Year <sup>(2)</sup>	Takoma Park General	Takoma Park Fire Service	State of Maryland	Prince George’s County	Maryland-National Capital Park and Planning Commission	WSSC	Total
1997	\$ 1.5100	\$ 0.2500	\$ 0.2100	\$ 2.3260	\$ 0.6100	\$ 0.0650	\$ 4.9710

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

(2) On July 1, 1997, (fiscal year 1998) the City of Takoma Park was unified into one county, Montgomery County.

(3) Prior to FY 2002, real property was assessed at 40% of estimated full value. Pursuant to a change in State law, the FY 2002 tax rates reflect the conversion to full value assessments of real property. Personal property and public utility rates are presented in parenthesis.

Source: State of Maryland Department of Assessment and Taxation.

**CITY OF TAKOMA PARK, MARYLAND  
COMPUTATION OF LEGAL DEBT MARGIN  
Year Ended June 30, 2006**

Fiscal year 2006 real property assessed value	<u>\$ 1,189,913,444</u>
Debt limit - 100% of assessed value	\$ 1,189,913,444
Amount of debt applicable to debt limit - legal debt margin	<u>6,528,217</u>
Legal debt margin	<u>\$ 1,183,385,227</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 Section 31 to 37 inclusive, of Article 23A of the Annotated Code of Maryland (1998 edition, as amended), title "Municipal Corporations," sub-title "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 of and the interest on all bonds, notes or other evidences of indebtedness issued under the authority of this Charter, whether or not such pledge be stated in the bonds, notes or other evidences of indebtedness, or in the ordinance authorizing their issuance.

- (1) Prior to FY 2002, real property was assessed at 40% of estimated full value. Pursuant to a change in State law, the FY2002 assessed values reflect the conversion to full value assessments of real property.

**CITY OF TAKOMA PARK, MARYLAND**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED**  
**VALUE AND NET BONDED DEBT PER CAPITA**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population <sup>(1)</sup></b>	<b>Assessed Value <sup>(2)</sup></b>	<b>Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2006	17,299	\$ 1,189,913,444	\$ 6,528,217	0.55%	\$ 377.38
2005	17,299	1,073,828,539	7,140,738	0.67	412.78
2004	17,299	969,625,688	2,741,845	0.28	158.50
2003	17,299	899,870,271	2,922,687	0.32	168.95
2002	17,299	848,226,760	3,627,826	0.43	209.71
2001	17,299	336,412,617	1,780,597	0.53	102.93
2000	17,299	318,532,886	1,992,694	0.63	115.20
1999	17,505	319,132,911	1,671,968	0.52	95.51
1998	17,505	319,382,940	1,674,906	0.52	95.68
1997	17,505	318,957,768	1,827,900	0.57	104.40

(2) Prior to FY 2002, real property was assessed at 40% of estimated full value. Pursuant to a change in State law, the FY 2002 assessed value reflects the conversion to full value assessment of real property.

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

**CITY OF TAKOMA PARK, MARYLAND**  
**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>
2006	\$ 612,521	\$ 249,984	\$ 862,505	\$ 18,698,413	4.61%
2005	205,984	167,946	373,930	21,429,652	1.74
2004	200,317	106,771	307,088	18,950,573	1.62
2003	1,095,680	103,392	1,190,072 <sup>(2)</sup>	15,461,367	7.70
2002	257,321	70,642	327,963	13,100,161	2.50
2001	212,097	76,328	288,425	13,361,497	2.16
2000	234,769	87,412	322,181	12,046,029	2.67
1999	198,637	78,369	277,006	11,262,399	2.46
1998	474,928	99,323	574,251 <sup>(1)</sup>	11,057,766	5.19
1997	69,559	68,681	138,240	11,809,974	1.17

(1) Paid off two Maryland Industrial and Commercial Redevelopment Fund loans.

(2) Paid off MEDCO Bonds.

Source: City's financial records.

**CITY OF TAKOMA PARK, MARYLAND**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT <sup>(2)</sup>**  
**June 30, 2006**

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to this Governmental Unit</u>	<u>Share of Debt</u>
Direct debt – City of Takoma Park, Maryland	\$ 6,528,217	100.00%	\$ 6,528,217
Montgomery County	1,724,519,978	1.00% <sup>(1)</sup>	17,245,200
Maryland-National Capital Park and Planning Commission Montgomery County	<u>38,111,743</u>	1.00% <sup>(1)</sup>	<u>381,117</u>
<b>Total direct and overlapping debt</b>	<u><u>\$ 1,769,159,938</u></u>		<u><u>\$ 24,154,534</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  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population <sup>(1)</sup></b>	<b>Per Capita Income <sup>(2) (3)</sup></b>	<b>Labor Force <sup>(2) (3)</sup></b>	<b>Unemployment Force <sup>(2) (3)</sup></b>	<b>Registered Pupils <sup>(2) (3)</sup></b>
Prince George's County:					
1997	5,961	N/A	463,690	4.6%	122,831
Montgomery County:					
2006	17,299	\$ 61,805	521,858	2.8	139,387
2005	17,299	57,400	507,020	3.5	140,902
2004	17,299	55,200	497,217	3.1	139,203
2003	17,299	52,854	501,389	2.6	138,891
2002	17,299	51,699	595,062	3.5	136,832
2001	17,299	50,986	489,015	3.1	134,180
2000	17,299	49,647	487,251	2.6	130,689
1999	17,505	45,283	478,946	1.9	127,852
1998	17,505	43,165	472,944	2.2	125,035
1997	11,544	40,001	466,600	2.4	122,505

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

(2) This information is not available for the City of Takoma Park, Maryland on a separate basis. The best available information is provided by the Finance Department of Prince George's County, Maryland and the Finance Department of Montgomery County, Maryland. On July 1, 1997, (fiscal year 1998) the City of Takoma Park was unified into one county, Montgomery County.

(3) Per Capita Income, Unemployment Force, and Labor Force data for the years 1997-2003 have been revised. Registered Pupils have been revised for the year 2002-2004.

Source: U.S. Census Bureau.

Table 13

**CITY OF TAKOMA PARK, MARYLAND  
PRINCIPAL TAXPAYERS  
Year Ended June 30, 2006**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>2005 <sup>(1)</sup> Assessed Valuation</b>	<b>Percentage Total Assessed Valuation</b>
1. Takoma Langley Improvements	Commercial	\$ 15,202,424	1.28%
2. Saul Subsidiary I LTD Partnership	Commercial/Rental	12,524,932	1.05
3. Hampshire Place/Hampshire Lodging LLC	Commercial	10,736,232	0.90
4. Oxon Equities Corp.	Rental Property	10,579,964	0.89
5. Franklin Associates	Rental Property	9,992,432	0.84
6. Park Ritchie Apartments	Rental Property	8,067,898	0.68
7. Potomac Electric Power Company	Electrical Utility	6,520,710	0.55
8. Takoma Business Center	Commercial	6,199,566	0.52
9. Takoma Tower	Rental Property	5,695,398	0.48
10. Maple View Apartments LLC	Rental Property	<u>4,904,000</u>	<u>0.41</u>
<b>Total</b>		<u><u>\$ 90,423,556</u></u>	<u><u>7.60%</u></u>

- (1) Prior to FY 2002, real property was assessed at 40% of estimated full value. Pursuant to a change in State law, the FY 2002 assessed values reflect the conversion to full value assessments of real property.

Source: State of Maryland Department of Assessment and Taxation.

Table 14

**CITY OF TAKOMA PARK, MARYLAND**  
**FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN YEARS**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>FUNCTION</b>										
General government	15.00	15.50	17.25	15.50	14.00	12.75	11.75	13.13	14.63	14.63
Public safety	57.47	57.47	57.97	56.97	56.19	56.44	55.44	55.44	54.44	54.44
Public works	33.79	33.07	32.07	32.07	33.47	32.99	36.00	39.00	39.00	39.00
Housing and community development	8.81	9.81	11.81	14.11	12.80	14.60	14.05	15.05	14.05	14.50
Recreation	7.63	7.63	7.63	8.49	8.49	8.49	8.84	9.48	8.27	7.77
Library and media	<u>12.50</u>	<u>11.75</u>	<u>11.64</u>	<u>11.77</u>	<u>11.18</u>	<u>10.64</u>	<u>9.26</u>	<u>9.27</u>	<u>8.52</u>	<u>8.38</u>
<b>TOTAL</b>	<u><u>135.20</u></u>	<u><u>135.23</u></u>	<u><u>138.37</u></u>	<u><u>138.91</u></u>	<u><u>136.13</u></u>	<u><u>135.91</u></u>	<u><u>135.34</u></u>	<u><u>141.37</u></u>	<u><u>138.91</u></u>	<u><u>138.72</u></u>



**CITY OF TAKOMA PARK, MARYLAND  
MISCELLANEOUS STATISTICAL DATA  
June 30, 2006**

Date of incorporation	1890
Date of adoption of City Charter	1890
Revision of City Charter	2002
Form of government	Council - Manager
Area - square miles	2.4
Miles of streets and sidewalks:	
Streets	33.89
Sidewalks	27.87
Housing:	
Number of apartment units	3,868
Number of single family homes	3,305
Fire and rescue services	Montgomery County Fire Department
Police protection:	
Number of stations	1
Number of authorized police	41
Municipal water plant (Washington Suburban Sanitary Commission)	None
Telephone, natural gas and electricity services are furnished by private corporations	
Recreation and parks - number of acres	8.98

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

**CITY OF TAKOMA PARK, MARYLAND  
MISCELLANEOUS STATISTICAL DATA**

**June 30, 2006**

(Continued)

Number of schools:

Elementary	2
Intermediate	1
Private	3
Colleges	2

Election:

Registered voters	10,275
Number of votes cast - November, 2001	2,538
Percentage voting	25%

Population by age group

(Source: U.S. Census Bureau)

<b>Age</b>	<b>1970</b>	<b>1980</b>	<b>1990</b>	<b>2000</b>
Under 5	1,367	955	1,345	1,237
5 – 17	3,250	2,463	2,340	2,261
18 – 24	3,284	2,447	1,683	2,094
25 – 44	4,710	5,842	7,613	8,952
45 – 64	3,950	2,616	2,669	2,013
65 – 74	1,163	1,071	988	513
75 and over	<u>731</u>	<u>837</u>	<u>867</u>	<u>229</u>
<b>Total</b>	<u><u>18,455</u></u>	<u><u>16,231</u></u>	<u><u>17,505</u></u>	<u><u>17,299</u></u>

**CITY OF TAKOMA PARK, MARYLAND**  
**SCHEDULE OF INSURANCE IN FORCE**  
**June 30, 2006**

<b>Type of Coverage/Company Name</b>	<b>Policy Number</b>	<b>From</b>	<b>To</b>	<b>Limits of Coverage</b>	<b>Premiums</b>
Commercial General Liability – Local Government Insurance Trust	TAKO-01-PLP	7/01/05	<sup>(1)</sup> 7/01/06	\$2,000,000 aggregate – \$1,000,000, occurrence	\$ 19,617
Public Officials Liability – Local Government Insurance Trust	TAKO-01-PLP	7/01/05	<sup>(1)</sup> 7/01/06	\$1,000,000 aggregate – \$2,500 deductible	Included in above
Public Liability – Local Government Insurance Trust	TAKO-01-PLP	7/01/05	<sup>(1)</sup> 7/01/06	\$1,000,000 aggregate – \$2,500 deductible	Included in above
Comprehensive Auto Liability – Local Government Insurance Trust	TAKO-01-PLP	7/01/05	<sup>(1)</sup> 7/01/06	Physical damage: Comprehensive – \$250 deductible Collision – \$500 deductible Bodily injury – no deductible BI & PD \$1,000,000 aggregate	\$ 19,959
Excess Liability – Local Government Insurance Trust	TAKO-01-XSL	7/01/05	<sup>(1)</sup> 7/01/06	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	\$ 4,397
Building and Contents (includes boiler and machinery) Local Government Insurance Trust	TAKO-01-PRO	7/01/05	<sup>(1)</sup> 7/01/06	Insured to \$5,000,000, \$1,000 deductible.	\$ 9,397
Montgomery County – Self Insurance Program – Workers' Compensation	-	7/01/05	<sup>(1)</sup> 7/01/06	Statutory limit	\$ 428,960
Fidelity Bond – Travelers	Various	7/01/05	<sup>(1)</sup> 7/01/06	\$2,500 deductible	\$ 6,025

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