

City of Takoma Park Maryland



*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010*

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City of Takoma Park Maryland



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2010

Prepared by: City of Takoma Park, Maryland

*Barbara B. Matthews
City Manager*

*Yovonda D. Brooks, CPA
Director of Finance*

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CITY OF TAKOMA PARK, MARYLAND

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INTRODUCTORY SECTION

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City of Takoma Park

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7500 Maple Avenue
Takoma Park, MD 20912

Barbara B. Matthews, City Manager

October 29, 2010

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

The City's Charter, Section 821, requires that the financial books and accounts of the City be audited annually in accordance with applicable State laws and the requirements of the City Council. The City Council has elected to have its financial statements prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a certified public accountant. We hereby issue the comprehensive annual financial report (CAFR) for the year ended June 30, 2010.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and changes in financial position of the City; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been provided.

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 of America. In conducting the audit, the auditors performed tests of the accounting records and such other procedures as were considered necessary in the circumstances to provide a reasonable basis for the opinion on the financial statements.

The auditors also assessed the accounting principles used and the significant estimates made by management, as well as evaluated the overall financial statement presentation.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the Financial Section of this report.

PROFILE OF THE GOVERNMENT

The City of Takoma Park is approximately 2.4 square miles in size and is located in Montgomery County, Maryland on the border of Washington, D.C. The City was incorporated in 1890 and currently has a population of 18,027 (U. S. Census 2009 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 Washington Adventist University are located in Takoma Park. The City has a large historic district, two major commercial districts, many parks, and attractive, walkable neighborhoods. The City is located along the Red Line of the region's Metrorail system and is well served by bus systems and bicycle trails. Offices, attractions, and entertainment are close by in adjacent Washington, D.C. and Silver Spring, Maryland. Baltimore and Annapolis are a short distance away via I-95 and Maryland Route 50, respectively.

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 \$1.86 billion during fiscal year 2010. The City's assessable base has grown, primarily due to the increase in the assessed value of its real property. However, the reassessment of real property in 2010 reflected a change from the rapid growth in property values seen in recent years. According to the 2000 Census, the City had 2,797 single-family owner-occupied homes. Housing values have risen sharply since 2000. According to the 2000 census, the median value of a single-family home was \$189,200. The median sales price of

single-family homes in the Takoma Park area was \$450,000 in 2006, according to the Maryland-National Capital Park and Planning Commission. According to the *Washington Post*, the median sales price of homes in the 20912 zip code (which comprises most of the City of Takoma Park) was \$410,000 based on the sale of 123 homes in 2008. Multi-family residential structures house 54% of Takoma Park's households.

Real property in the State of Maryland is reassessed on a triennial basis. Fiscal year 2010 was the third year of the phase in of assessed values established in 2006. All real property in Takoma Park was reassessed during 2010, with the new values impacting the fiscal year 2011 budget. With the recent decline in the regional housing market, City has experienced a modest increase in assessed values and is expected to face difficult choices relative to service delivery in the years to come.

The Metropolitan Washington Council of Governments reported that the region grew by 252,600 persons between 2004 and 2008, with the inner suburbs growing by 2.5%. The region added 131,879 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 7.7% between 2003 and 2007.

While the Washington, D.C. area has fared better than other parts of the United States, it has been impacted by the downturn in the economy. The City has experienced a decline in certain revenue sources as a result, including investment income, State Police Protection aid and Highway User Revenues. Montgomery County reported a projected unemployment rate of 5.7% for fiscal year 2010. Takoma Park residents are likely among those who have lost their jobs, impacting income tax receipts. Because it will take some time for the country and the region to recover from the economic downturn, the City will focus on the continuation and maintenance of core services in the next fiscal year.

The City is working in partnership with the business associations to increase the health of its commercial districts—the City's Old Takoma 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. 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.

In recent years, significant streetscape improvements have taken place in the Old Takoma area. 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," a light rail 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 collaborative effort of the planning agencies in both counties and the City of Takoma Park. The area was designated as a Maryland Enterprise Zone in 2005, providing tax incentives to new and expanding businesses.

LONG-TERM FINANCIAL PLANNING

The renovation of the Public Works facility is anticipated to get underway at the beginning of fiscal year 2011. The current facility is too small, poorly insulated, and has drainage problems and inadequate storage. The renovation project will allow Public Works to become more operationally efficient and functional. Construction costs are estimated to be \$3 million and will be partially

financed through the issuance of general obligation bonds, increasing the City's bonded indebtedness. To minimize interest costs, the City is planning for a ten-year issuance. It is anticipated that the timing and structure of the issuance would be such that the first debt service payment would be made in fiscal year 2011.

The City of Takoma Park Police Employees' Retirement Plan covers sworn police officers who are employed on a regular full-time basis. Plan provisions include retirement, disability, and death benefits to plan members and their beneficiaries. Since its inception in 2001, the Plan has experienced a higher than expected rate of disability awards, resulting in a steadily increasing City contribution rate. During fiscal year 2009, the City modified the existing Plan in an attempt to address the rate of disability. No applications for disability benefits have been received since the Plan modification, and the City contribution rate has been relatively stable since enactment of the change.

Both the City of Takoma Park Police Employees' Retirement Plan and the State of Maryland Employees Contributory Pension System, which covers the City's non-sworn staff, have been impacted by the downturn in the stock market, resulting in a decline in asset values. This may impact the City's future contribution rate to both plans.

In accordance with the City Charter, certain monies are set aside for the scheduled replacement of vehicles and equipment. These funds are accounted for in the Equipment Replacement Reserve. Ideally, the City should contribute over \$1 million to the Equipment Replacement Reserve on an annual basis; the high contribution amount is partially attributable to inadequate funding of the Equipment Replacement Reserve in the past. In recent years, the City has made a concerted effort to more adequately fund the Equipment Replacement Reserve. These efforts should be continued, while taking into account other City needs and fiscal constraints.

RELEVANT FINANCIAL POLICIES

As noted earlier in this transmittal message, the downturn in the economy has affected the City in a number of ways. The Federal Reserve's interest rate cuts have significantly reduced the City's investment revenues. The financial difficulties of the State of Maryland have resulted in a reduction in Highway User Revenues, Police Protection Aid, and grant funding that the City has historically relied upon to finance park improvements and other community amenities.

In light of these economic difficulties, the City's focus will be on the continuation and maintenance of core services rather than expansion of services. The City plans to maintain adequate unreserved fund balance in its General Fund in order to address revenue fluctuations and to avoid any disruption in services caused by a future decline in significant revenue sources and rising costs. Additionally, the City's use of unrestricted future fund balances and one-time revenue sources will be limited to specific non-recurring projects.

MAJOR INITIATIVES

City activities in fiscal year 2010 were largely focused on three major policy areas:

- Sustainability

- Livable Community
- Engaged, Responsive, and Service-Oriented Government

Major accomplishments related to the aforementioned priorities during fiscal year 2010 included the following:

- Created an outdoor basketball court on the grounds of the Takoma Park Community Center, providing a recreational amenity for youth in the community. Project was financed with Community Development Block Grant funds.
- Completed streetscape improvements along Holton Lane, located in the Takoma/Langley Crossroads area, using Community Development Block Grant funds.
- Installed various placemaking improvements (benches, banners, trash containers, and landscaping) along the New Hampshire Avenue corridor. The grant funds for the project were awarded by the State of Maryland through its Community Legacy Program.
- Completed façade and site improvements at commercial locations along the New Hampshire Avenue corridor using monies awarded through the Community Legacy Program.
- Completed streetscape improvements along Carroll Avenue in the Main Street Takoma district.
- Created additional off-street public parking space in the Main Street Takoma district.
- Created additional community gardens and facilitated landscaping projects along the New Hampshire Avenue corridor.
- Continued to support the arts through sponsorship of the Third Thursday (a popular poetry reading series), monthly exhibits in the gallery space at the Takoma Park Community Center, and a winter art sale and studio tour.
- Completed the renovation of the Community Center Auditorium which will provide a venue for cultural events of interest to the community and a modernized meeting space to address the City Council's needs. The project included a number of "green" features in keeping with the City's commitment to sustainability.
- Completed the development of construction documents for the renovation of the Public Works facility and awarded a construction contract. The work will include installation of a geothermal system and other "green" features.
- Used general obligation bond financing to pay off an unfunded liability/deficit with the State Retirement and Pension System of Maryland, resulting in a reduction of interest costs and an earlier payment of the unfunded liability.

- Obtained funding from the State of Maryland through the American Recovery and Reinvestment Act and completed the construction of a water quality system and replacement of a distressed retaining wall on Linden Avenue and established a “green roof” at the Takoma Park Community Center.
- Continued to advocate for the Purple Line—an east-west, light rail transit system connecting the area's Metrorail system in Montgomery and Prince George's Counties that would run along the northern edge of Takoma Park—through staff participation on the State's Purple Line Project Team.
- Completed the 2009 Takoma Park Resident Survey which provided residents with the opportunity to provide feedback on the quality of life in Takoma Park and City services. Special sections of the survey addressed the services provided by the Takoma Park Police Department, emergency preparedness, communications outreach, possible re-use of the Washington Adventist Hospital site, and options for dealing with any budgetary shortfall in Fiscal Year 2011.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Takoma Park for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the fourth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this annual report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. 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 provided during the course of the audit. We are also grateful to Lindsey & Associates LLC for providing professional assistance during the preparation of the City's annual report. 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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Takoma Park
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

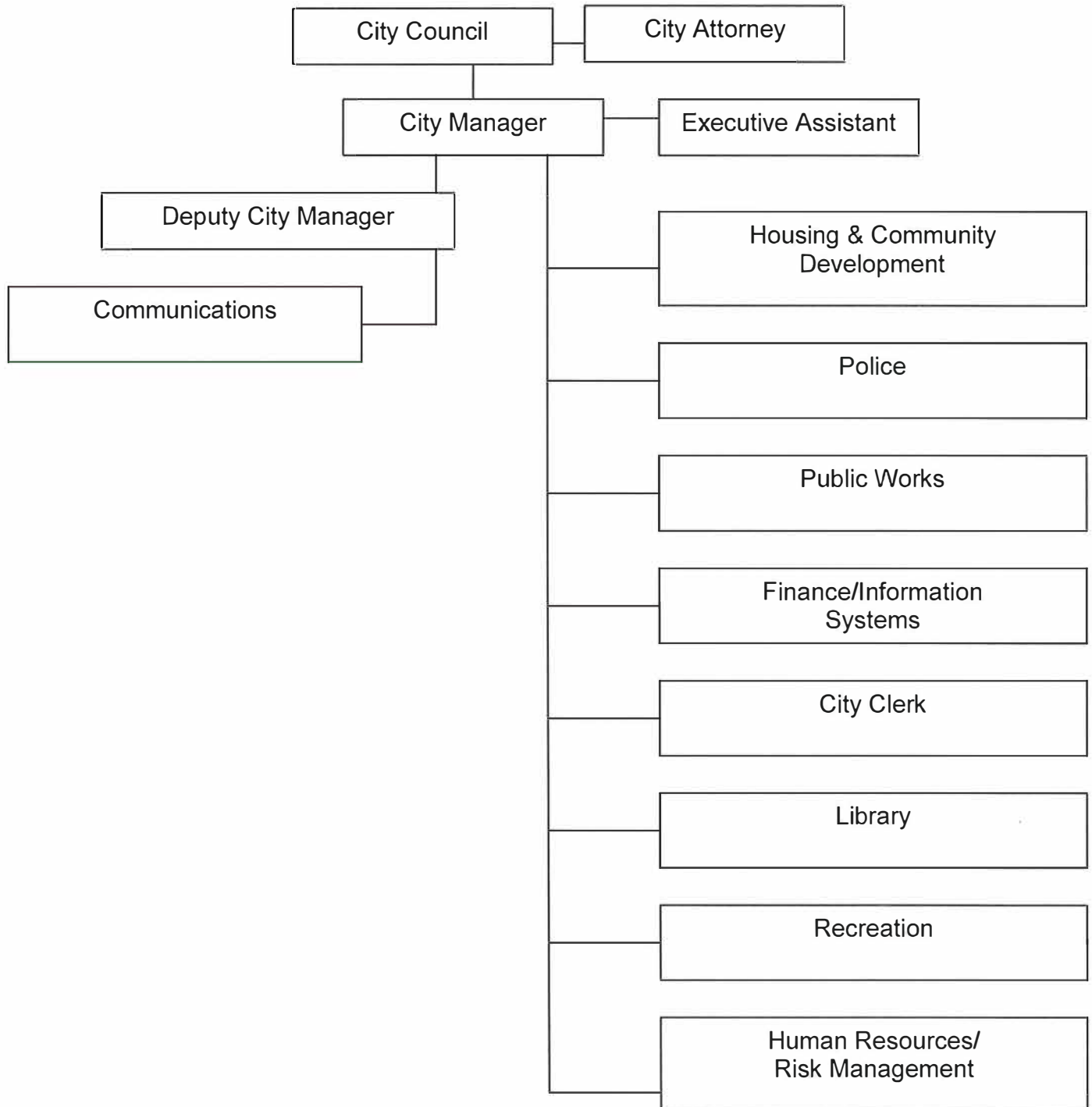
A handwritten signature in black ink that reads "Jeffrey R. Enos".

Executive Director

Organizational Chart

The City of Takoma Park, Maryland

Residents of Takoma Park



**CITY OF TAKOMA PARK, MARYLAND
LIST OF CITY OFFICIALS
Year Ended June 30, 2010**

MAYOR

BRUCE R. WILLIAMS

CITY COUNCIL

JOSH WRIGHT
COLLEEN CLAY
DAN ROBINSON

TERRY SEAMENS
REUBEN SNIPPER
FRED SCHULTZ

CITY MANAGER

BARBARA B. MATTHEWS

DIRECTOR OF FINANCE

YOVONDA D. BROOKS, CPA

INDEPENDENT AUDITORS

CLIFTON GUNDERSON LLP

Prepared by the Finance Department

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FINANCIAL SECTION

Independent Auditor's Report

The 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 (the City) as of and for the year ended June 30, 2010, and the respective changes in financial position and the budgetary comparison for the General, Community Center and Speed Camera funds, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Takoma Park, Maryland as of June 30, 2010, and the respective changes in financial position and the budgetary comparison for the General, Community Center and Speed Camera funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2010, on our consideration of the City of Takoma Park, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

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 accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Takoma Park, Maryland's basic financial statements. The accompanying supplemental information, such as the introductory section, combining and individual nonmajor fund financial statements, budgetary schedules for nonmajor funds 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 and budgetary schedules for nonmajor funds 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 Gunderson LLP

Calverton, Maryland
October 27, 2010

CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

As management of the City of Takoma Park, we offer this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2010. 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 2010 by \$29,737,466 (net assets). This represents an increase of \$1,496,978 from the prior year. Approximately 42 percent or \$625,770 of this variance is due to increases in property tax revenues resulting from higher real property tax assessments. Charges for services increased \$1,534,429 due to a full year of operations for the Speed Camera Program, which was implemented in April 2009. Of the City's total net assets, \$8,105,697 may be used to meet the government's ongoing obligations to residents and creditors (unrestricted net assets).
- As of June 30, 2010, the City of Takoma Park's governmental funds reported combined ending fund balances of \$11,479,598, an increase of \$1,109,926 or 10.7 percent from the prior year. Of this amount, \$5,224,120 is available for spending at the government's discretion (unreserved, undesignated fund balance). The variance in the combined ending governmental fund balances is due primarily to the first full year of operations of the Speed Camera Program and the increase in real property taxes due to the escalation in taxable real property assessments.
- At the end of fiscal year 2010, the unreserved, undesignated fund balance for the General Fund was \$3,536,289 or 17.4 percent of total General Fund expenditures.
- The City of Takoma Park's long-term debt increased by \$936,648 during the fiscal year. The increase is due to the issuance of bonds in the amount of \$1.4 million, a new loan in the amount of \$150,000, and the increase in compensated absences of \$52,417, net of principal payments of \$665,769 on existing debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements. The government-wide financial statements, which include the Statement of Net 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.

CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

The government-wide financial statements can be found on pages 28 and 29 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.

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 reconciliations to facilitate the comparison between governmental funds and governmental activities.

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

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

**CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

The basic governmental fund financial statements can be found on pages 30 - 36 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 accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 37 and 38 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 - 61 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information related to the City of Takoma Park's progress in funding its obligation to provide pension benefits to its Public Safety employees. Other supplementary information includes budgetary comparison schedules related to the General Fund and the non-major governmental funds and any combining statements related to non-major governmental funds and fiduciary funds. Supplemental information can be found on pages 63 - 73 of this report.

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. The City of Takoma Park's assets exceeded liabilities by \$29,737,466 as of June 30, 2010.

By far the largest portion of the City of Takoma Park's net assets reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. This investment was \$19,250,374 or 65 percent of the City's net assets as of June 30, 2010. Due to the nature of these assets, they are not available for future spending.

Unrestricted net assets totaled \$8,105,697. This category represents the net assets of the City that may be used to meet the City's ongoing obligations to its residents and creditors.

During the fiscal year, the City of Takoma Park's net assets increased by \$1,496,978. Factors contributing to this growth include the increase in property tax revenue of about \$625,000 due to the rise of the assessable tax base for real property and a net revenue increase of \$485,000 attributable to the first full year of operations for the Speed Camera Program, which was implemented in April 2009. Capital grants and contributions rose by about \$2.2 million from the prior year, primarily due to grants received for several major capital projects. During fiscal year 2010, the City renovated its Community Center Auditorium into a multi-purpose performing arts and meeting space and performed major repairs to its two bridges. The following table reflects the City's net assets as of June 30, 2010 compared to June 30, 2009.

**CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Governmental Activities

Net Assets

	2010	2009
Assets		
Current and other assets	\$ 14,428,663	\$ 12,581,995
Capital assets	24,119,374	22,781,991
Total assets	38,548,037	35,363,986
Liabilities		
Current and other liabilities	2,370,896	1,620,471
Long-term liabilities	6,439,675	5,503,027
Total liabilities	8,810,571	7,123,498
Net assets		
Invested in capital assets, net of related debt	19,250,374	17,912,991
Restricted	2,381,395	1,766,922
Unrestricted	8,105,697	8,560,575
Total net assets	\$ 29,737,466	\$ 28,240,488

Governmental Activities

Governmental activities increased the City of Takoma Park's net assets by \$1,496,978 during fiscal year 2010, thereby accounting for the total growth in the net assets. The key elements of this increase are shown on the following page. Information for the prior fiscal year is provided for comparative purposes.

CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Governmental Activities	2010	2009
Change in Net Assets		
Revenues		
Program revenues:		
Charges for services	\$ 3,629,608	\$ 2,095,179
Operating grants and contributions	4,927,311	5,218,422
Capital grants and contributions	2,298,112	93,026
General revenues:		
Property taxes	11,085,519	10,459,749
Intergovernmental	2,472,591	3,030,468
Miscellaneous	63,069	53,467
Unrestricted investment earnings	76,217	172,830
Total revenues	<u>24,552,427</u>	<u>21,123,141</u>
Expenses		
General Government	5,719,008	3,120,349
Public Safety	7,563,656	6,048,350
Public Works	5,099,655	5,774,672
Housing and Community Development	1,836,561	1,403,582
Recreation and Culture	2,622,686	2,623,651
Interest on long-term debt	213,883	250,349
Total expenses	<u>23,055,449</u>	<u>19,220,953</u>
Change in net assets	<u>1,496,978</u>	<u>1,902,188</u>
Net assets, beginning of year	<u>28,240,488</u>	<u>26,338,300</u>
Net assets, end of year	<u><u>\$ 29,737,466</u></u>	<u><u>28,240,488</u></u>

Property taxes increased by \$625,770 or about six percent from the previous fiscal year. This increase was due to the escalation in real property values. Revenues from charges for services increased \$1,534,429. The increase in charges for services results from additional revenue from traffic fines after the implementation of the City's Speed Camera Program on April 1, 2009.

Expenses increased by \$3,834,496 or about 20 percent from fiscal year 2009 to fiscal year 2010. Approximately 71 percent of the increase in expenses is related to personnel costs, which include health insurance and pension benefits. The City completed a compensation review and implemented a new salary structure at the end of fiscal year 2009. Fiscal year 2010 marked the first full year of the implementation of the new salary structure, which impacted all City departments. Health insurance cost increases also affected all departmental budgets.

CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Personnel expenses also include the cost of worker's compensation insurance and the payments related to the unfunded portion of the Retirement and Pension System of Maryland. These costs, which are accounted for in General Government, represent \$1.7 million of the increase in total personnel costs. Other General Government costs include depreciation expenses, up by about \$346,000, and grant-funded purchases for cable and audio-visual equipment, which increased by approximately \$347,000.

Public Safety expenses increased about \$1.5 million primarily due to the full year of operations of the City's Speed Camera Program and personnel costs. Operating and safety enhancement expenses related to the Speed Camera Program increased by approximately \$945,000. Public Safety personnel costs increased about \$313,000. During fiscal year 2010, fuel and maintenance costs for police vehicles totaling about \$145,000 were charged to Public Safety. Prior to fiscal year 2010, police vehicle fuel and maintenance expenses were accounted for in Public Works. Depreciation expenses for Public Safety increased about \$180,000.

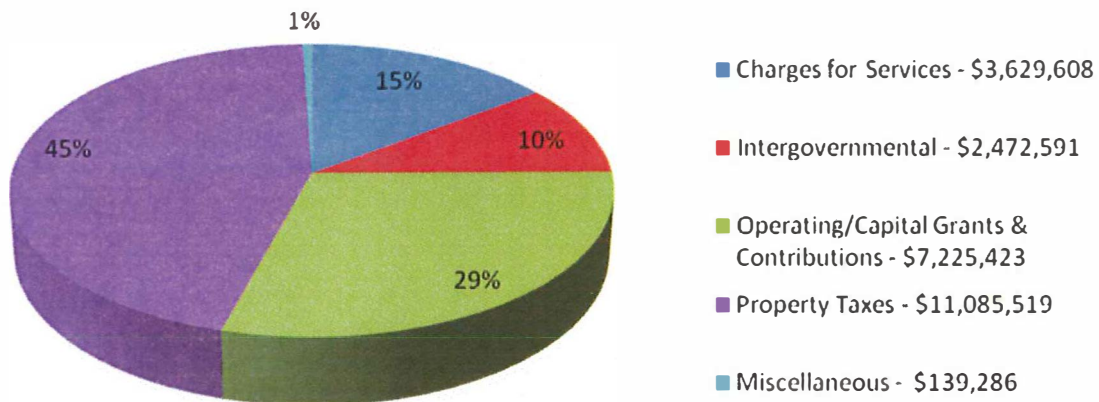
In Housing and Community Development, the increase of \$432,979 was due primarily to additional grant expenses of \$282,000 in fiscal 2010. Higher personnel costs also contributed to the variance.

As shown above, the cost of all governmental activities was \$23,055,449. Those who directly benefited from the services paid \$3,629,608 of the activity costs. The City also received operating and capital grants and contributions from other governments and organizations of \$7,225,423, which reduced the amount paid by City residents for certain services. The net cost of the City's governmental activities totaled \$12,200,418 and was funded with general revenues, including property taxes.

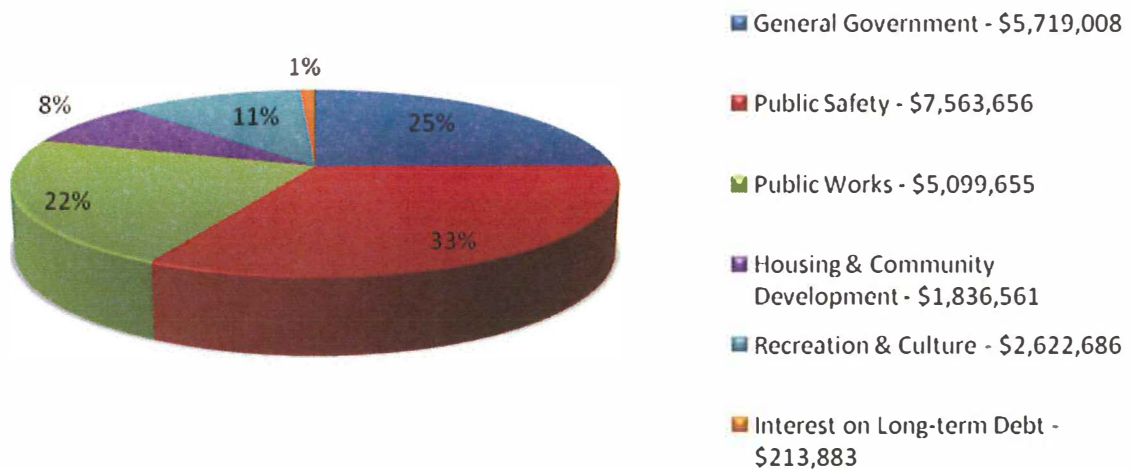
**CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

**Governmental Activities
Fiscal Year Ended June 30, 2010**

Revenues

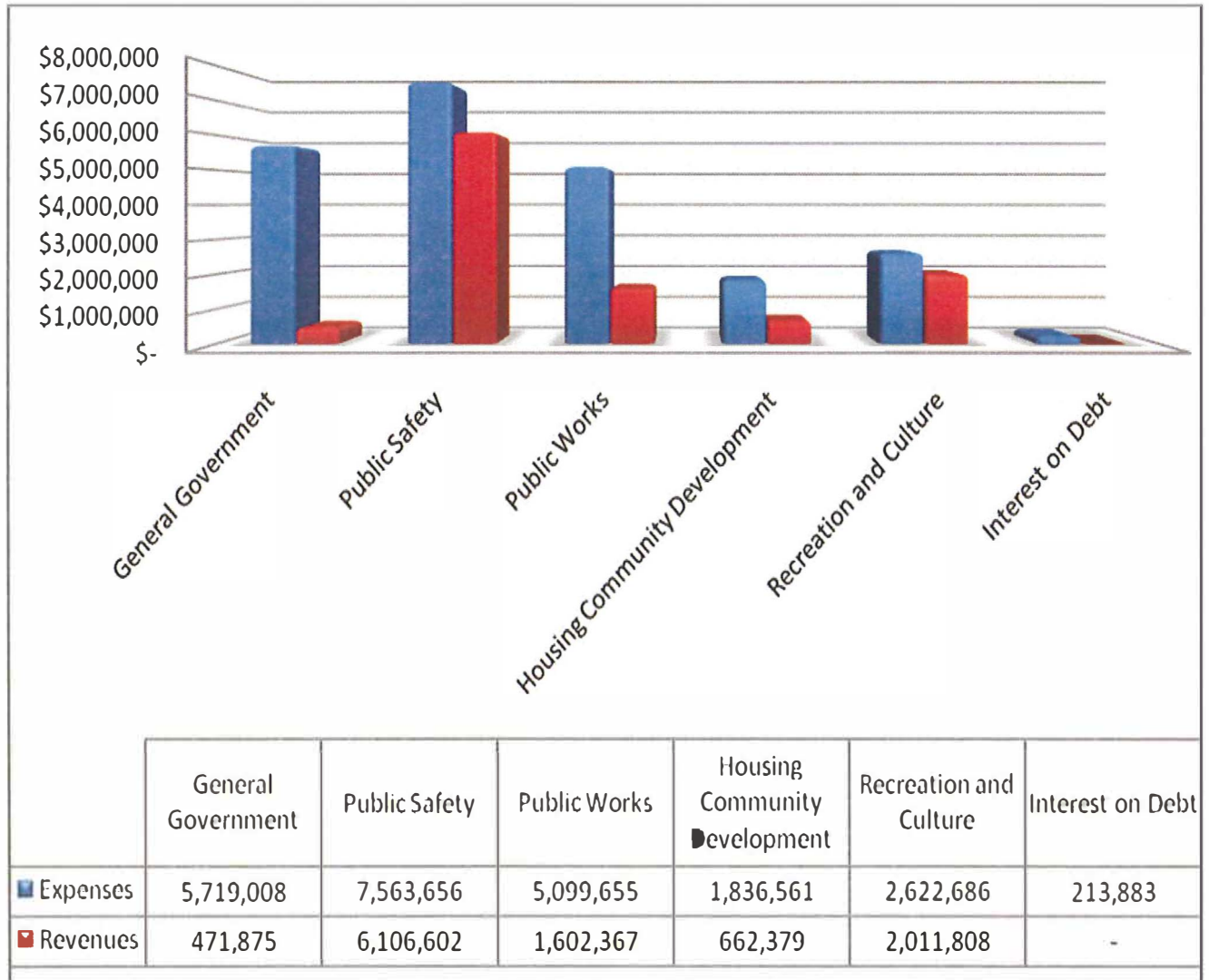


Expenses



**CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

**Governmental Activities
Comparison of Program Revenues versus Expenses
Fiscal Year Ended June 30, 2010**



**CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2010, the City's governmental funds had combined fund balances of \$11,479,598, an increase of \$1,109,926 from the prior year. Approximately 25 percent of this amount is reserved and is not available for new spending. The reserved portion of the fund balance totals \$2,837,798.

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 \$9,335,364, an increase of \$414,169 primarily due to higher real property tax assessments. A portion of the General Fund fund balance—\$2,381,395 or about 26 percent—was committed for the following purposes:

• Equipment Replacement	\$ 1,767,108
• Emergency	389,915
• Street Improvement	224,372

Additional fund balance of \$3,417,680 was unreserved but designated for the subsequent fiscal year. The unreserved/undesignated portion of the General Fund fund balance as of June 30, 2010 was \$3,536,289.

In addition to the General Fund, the City has two other major funds. The Community Center Fund was established to account for construction activities related to the City's community and municipal center. During fiscal year 2010, the activities in this fund related to the renovation of the Community Center Auditorium into a multi-purpose performing areas and meeting space. Construction costs totaled \$1.2 million. The renovation was paid for with grants from the State of Maryland and federal government, supplemented by a \$150,000 donation from Washington Adventist Hospital. The Community Center Fund had a fund balance of \$5,807 at June 30, 2010.

The remaining major fund is the Speed Camera Fund, which was established to account for the activity related to the City's Speed Camera Program. Fines and fees collected during fiscal year 2010 totaled about \$2.17 million. These fines and fees cover operational costs, including the contractual payment to the program vendor, other program administration costs including staffing, and ticket processing expenses. Revenues not required for program administration costs must be used for public safety purposes. The Speed Camera Fund had a fund balance of \$1,222,213 million at June 30, 2010.

The City has three non-major funds: Stormwater Management Fund, Rehabilitation Loans and Grants Fund, and Special Revenue Fund.

**CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

The Stormwater Management Fund, which was established to account for revenue and expenditure activity related to the maintenance and construction of the City's stormwater systems, had a fund balance of \$459,811 as of June 30, 2010. The increase of \$73,812 in the Stormwater Management Fund is due the receipt of grant funds to subsidize the Linden Avenue storm water remediation capital project.

The Special Revenue Fund, which was established to account for the revenue and expenditure activity related to the City's grant activities, had a fund balance of \$446,330 as of June 30, 2010. The entire fund balance is reserved for the acquisition of cable equipment. The \$221,213 decrease in the fund balance of the Special Revenue Fund is due to expenditures for audio-visual upgrades related to the renovation of the Community Center Auditorium.

The Rehabilitation Loans and Grants Fund, which was established to account for activities related to loans and grants to assist low and moderate income City homeowners in rehabilitating their homes to conform to locally adopted codes, had a fund balance of \$10,073 as of June 30, 2010. The entire fund balance is reserved for the outstanding notes receivable.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, there was a \$1,777,140 decrease in General Fund expenditure appropriations between the original and the final budget. This decrease was due primarily to the reduction in capital outlay expenditures of \$1,922,000 because of the delay in starting the renovation of the Public Works Facility. Other budget reductions, totaling \$1.39 million, included a decrease in employee health and dental insurance costs of \$180,000 due to lower than anticipated renewal rates, an approximate \$193,000 reduction in capital outlay attributable to the planned delay in the purchase of certain equipment items, the reallocation of \$271,600 in personnel costs to other governmental funds, and a change in budget presentation for the contribution of \$750,000 to the Equipment Replacement Reserve.

These budgetary reductions, which totaled \$3.3 million, were offset by the appropriation of \$1,546,686 in General Government for the payment of a deficit/unfunded liability with the State of Maryland Retirement and Pension System which provides retirement benefits for most of the City's employees. The vast majority of the payment was financed by a \$1.4 million general obligation bond issuance.

On a budgetary basis, actual revenues for the fiscal year were less than the final budget by \$347,535. This variance was attributable to a decline of \$143,602 in intergovernmental revenues from Montgomery County; reductions occurred in assessment-based payments (police rebate and library aid) as well as cable franchise payments. Income tax receipts were under budget by \$261,616 while revenues from investments underperformed by \$116,320.

Actual General Fund expenditures were \$782,080 less than the revised budget authorization. The largest variance of \$326,369 was attributable to Recreation and Culture. Savings in Recreation and Culture expenditures were primarily due to lower than anticipated personnel costs of about \$171,000 due to staff vacancies; some positions were deliberately left vacant during the fiscal year due to the projected downturn in revenues in fiscal year 2011. Lower than anticipated contractual costs resulted in savings of \$61,200. General Government expenditures were \$165,870 under budget; a

**CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

significant portion of the variance was attributable to unexpended general contingency account monies, as well as less than anticipated expenditures for employee training/recognition, community grants, and automobile insurance. Capital outlay expenditures were \$162,270 less than the budgeted amount due to delays in several projects, including the renovation of the Public Works Facility. Expenditures for Housing and Community Development were \$167,615 less than budget; the variance was attributable primarily to savings in contractual services of \$141,500 in several departmental divisions. The most significant variance for contractual services was in the Code Enforcement Division; funds set aside for court-ordered abatement activities were not expended.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

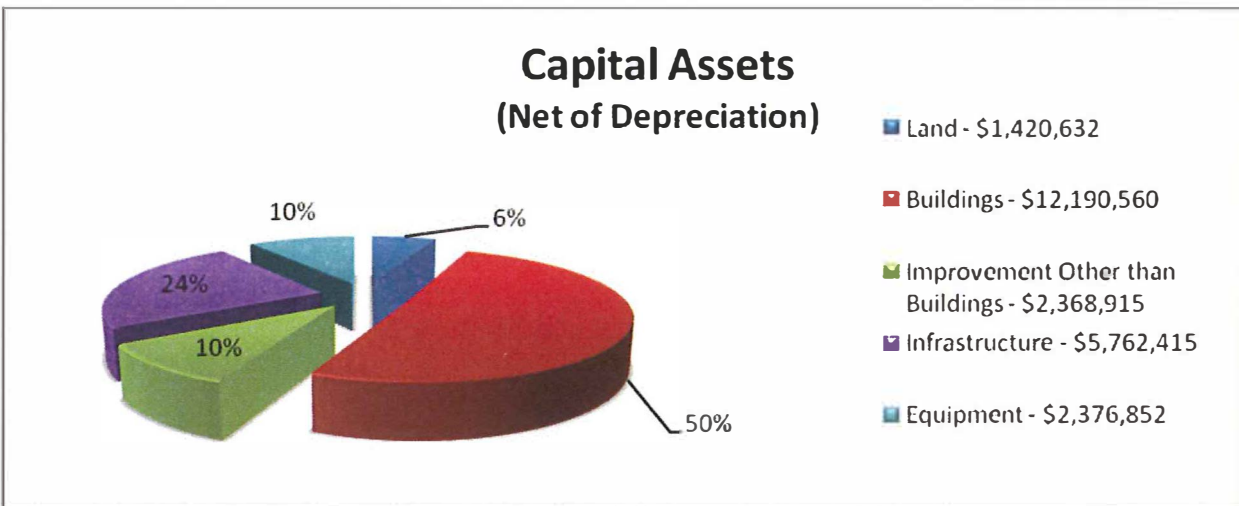
As of June 30, 2010, the City of Takoma Park's investment in capital assets (buildings, roads and other infrastructure, vehicles, and equipment) for its governmental activities totaled \$24,119,374 (net of accumulated depreciation). This amount represents an increase of \$1,337,383 from the prior year. The increase was primarily attributable to the asset additions totaling \$2,729,054, net of depreciation expense of \$1,360,675 and asset disposals with a book value of \$30,996. Additions made during the fiscal year included \$1,332,633 for building improvements. These improvements included the renovation of the Community Center Auditorium at a cost of \$1.2 million, the installation of a green roof at the Community Center, the renovation of the cable television office, and the installation of a basketball court at the Community Center. Other asset additions totaling \$386,484 included equipment for Public Safety, Public Works, and the City's renovated Auditorium and cable office. Infrastructure improvements included major repairs to the City's two bridges totaling \$339,553, the Linden Avenue Retaining Wall Remediation totaling \$200,977, and sidewalk improvements totaling \$119,233.

Further information on the City's capital assets is shown below:

Governmental Activities

	2010	2009
Capital Assets (net of depreciation)		
Land	\$ 1,420,632	\$ 1,420,632
Buildings	12,190,560	12,186,324
Improvements other than buildings	2,368,915	1,104,647
Infrastructure	5,762,415	5,851,427
Equipment	2,376,852	2,218,961
	<hr/>	<hr/>
Total	\$ 24,119,374	\$ 22,781,991

**CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**



Additional information on the City's capital assets can be found in Note 8 - Capital Assets and Other Property on page 50 of this report.

Debt Administration

At year-end, the City had \$6,439,675 in outstanding debt, an increase of \$936,648 or about 17 percent from the prior year. The outstanding debt is comprised of long-term notes and bonds, capital leases, and accrued obligations for compensated absences. The increase in outstanding debt is primarily due to the issuance of general obligation bonds totaling \$1.4 million to pay off a deficit/unfunded liability owed to the State of Maryland Retirement and Pension System, which covers most of the City's employees.

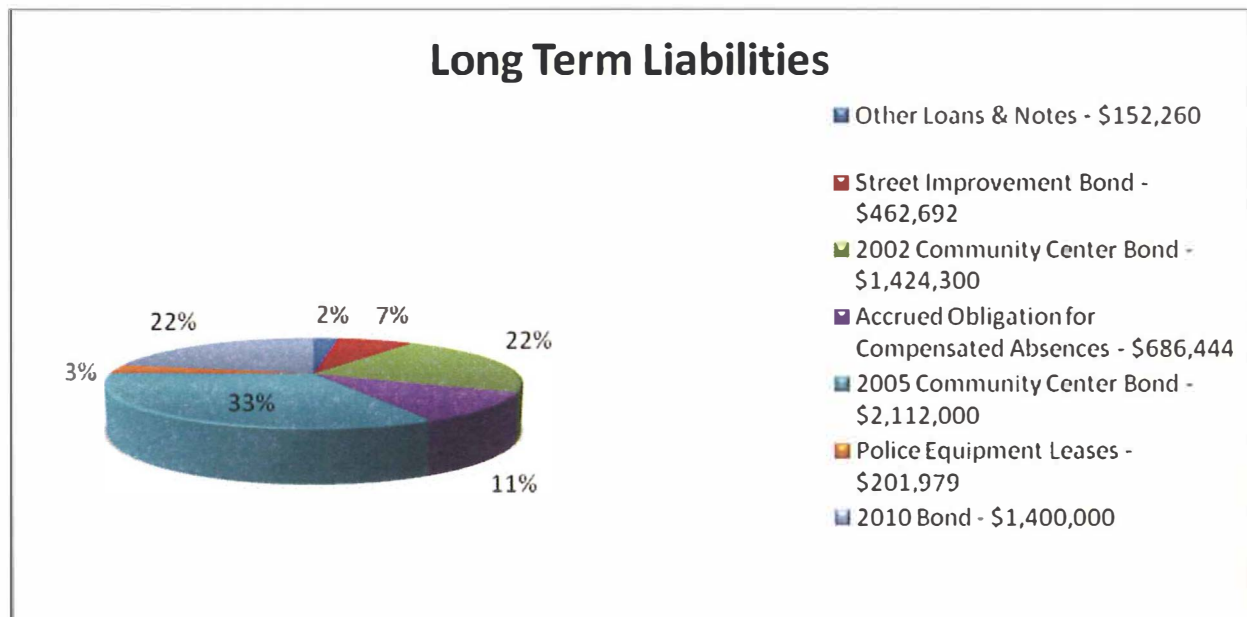
The City also obtained an unsecured \$150,000 loan from the Maryland Department of Housing and Community Development Community Legacy Program for the construction of public parking facilities in the Old Town business district. This loan is interest-free, and the entire principal of \$150,000 is due June 30, 2022. These increases, totaling \$1.55 million, along with the \$52,417 increase in compensated absences, are offset by principal payments on existing debt of \$665,769.

Further information on the City's outstanding debt is shown in the following table. Information for the prior fiscal year is shown for comparative purposes.

**CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Governmental Activities

	2010	2009
Long-Term Liabilities		
Long-term note – MICRF	\$ 2,260	\$ 7,260
Loan Payable- MD Department of Housing & Community Development	150,000	-
Bonds payable – Maryland Retirement Plan	1,400,000	-
Bonds payable – Community Center (2002)	1,424,300	1,511,400
Bonds payable – Street improvements	462,692	771,153
Bonds payable – Community Center (2005)	2,112,000	2,215,500
Capital lease payable – Police Equipment	-	15,599
Capital lease payable – Police Vehicles	90,362	131,715
Capital lease payable- Police Vehicles	111,617	216,373
Net pension obligation	-	-
Accrued obligations for compensated absences	686,444	634,027
Total	\$ 6,439,675	\$ 5,503,027



**CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Additional information on the City's long-term debt can be found in Note 9 - Non-Current Liabilities on pages 51 - 55 of this report.

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, 2011:

- The tax rate for real property remains at \$0.58 per \$100 of the assessed valuation.
- Projected increase of approximately \$300,000 in revenues from real property taxes due to the rise in the City's real property taxable base.
- Purchase of police vehicles at a cost of \$149,000 as part of the City's expanded take-home car program to enhance employee recruitment and retention.
- Anticipated revenue of \$963,500 from the Speed Camera Program with estimated expenditures of \$1.26 million. Speed Camera Fund expenditures include operating expenditures (e.g., payments to the program contractor and personnel costs) and sidewalk design and installation. Excess expenditures will be paid from the accumulated net revenues from prior fiscal years.
- Maintenance of staff salaries at the same level as fiscal year 2010, an estimated 7.7 percent escalation in employee health insurance costs, and an increase in the City's contribution costs for its two retirement plans. Staffing has been decreased by approximately seven full-time equivalents.
- Anticipated use of \$3,417,680 of the General Fund fund balance to cover expenditures in excess of anticipated revenues, primarily for the renovation of the Public Works Facility and the \$1 million contribution to the Equipment Replacement Reserve.
- Renovation of the Public Works facility at a cost of \$3.2 million, with \$1.5 million of the construction cost being financed through general obligation bonds. Economic conditions are favorable for construction financing due to lower interest rates. The construction bidding climate is also favorable at this time.
- Impact of the downturn in the national economy and the housing market decline on the State of Maryland and Montgomery County, negatively impacting the City's budget and overall financial condition.
- Impact of lower interest rates and the downturn in the stock market on both the City's Police Retirement Plan and the Maryland State Retirement System, possibly resulting in increases in the City's future contribution rates for both retirement plans.
- Anticipated expenditures of \$678,660 for sidewalk and street improvements funded with \$500,000 from the Speed Camera Fund and \$178,660 from the General Fund.

**CITY OF TAKOMA PARK, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF TAKOMA PARK, MARYLAND
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,656,617
Investments	9,214,881
Accounts receivable, net	286,615
Notes receivable, net	57,571
Due from other units of government	2,154,412
Other assets	54,627
Net pension benefit	3,940
Capital assets, net	
Non-depreciable	1,420,632
Depreciable	22,698,742
Total assets	<u>38,548,037</u>
LIABILITIES	
Accounts payable	1,610,587
Accrued liabilities	326,506
Deposits and escrows held	101,759
Due to other governments	204,493
Unearned revenue	127,551
Non-current liabilities:	
Due within one year	1,256,268
Due in more than one year	5,183,407
Total liabilities	<u>8,810,571</u>
NET ASSETS	
Invested in capital assets, net of related debt	19,250,374
Restricted for:	
Emergency expenses	389,915
Streets	224,372
Equipment replacement	1,767,108
Unrestricted	8,105,697
TOTAL NET ASSETS	<u><u>\$ 29,737,466</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, 2010

		Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
<u>Functions/Programs</u>	<u>Expenses</u>				<u>Governmental Activities</u>
Governmental activities:					
General government	\$ 5,719,008	\$ 82,479	\$ -	\$ 389,396	\$ (5,247,133)
Public safety	7,563,656	2,424,778	3,681,824	-	(1,457,054)
Public works	5,099,655	485,424	588,727	528,216	(3,497,288)
Housing and community development	1,836,561	328,503	333,876	-	(1,174,182)
Recreation and culture	2,622,686	308,424	322,884	1,380,500	(610,878)
Interest on long-term debt	213,883	-	-	-	(213,883)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 23,055,449</u>	<u>\$ 3,629,608</u>	<u>\$ 4,927,311</u>	<u>\$ 2,298,112</u>	<u>\$ (12,200,418)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					11,085,519
Intergovernmental / unrestricted					2,472,591
Miscellaneous					63,069
Unrestricted investment earnings					76,217
Total general revenues					<u>13,697,396</u>
CHANGE IN NET ASSETS					1,496,978
NET ASSETS, BEGINNING OF YEAR					<u>28,240,488</u>
NET ASSETS, END OF YEAR					<u><u>\$ 29,737,466</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
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>General Fund</u>	<u>Community Center Fund</u>	<u>Speed Camera Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 122,667	\$ -	\$ 1,638,794	\$ 895,156	\$ 2,656,617
Investments	9,214,881	-	-	-	9,214,881
Receivables, net					
Taxes	160,819	-	-	-	160,819
Notes	-	-	-	57,571	57,571
Other	35,845	75,000	-	14,951	125,796
Due from other funds	1,237,745	-	-	322,378	1,560,123
Due from other units of government	607,343	1,230,500	-	316,569	2,154,412
Other assets	54,627	-	-	-	54,627
TOTAL ASSETS	<u>\$ 11,433,927</u>	<u>\$ 1,305,500</u>	<u>\$ 1,638,794</u>	<u>\$ 1,606,625</u>	<u>\$ 15,984,846</u>
LIABILITIES					
Accounts payable	\$ 951,062	\$ 139,592	\$ 276,477	\$ 243,456	\$ 1,610,587
Accrued expenses	338,743	-	4,267	3,397	346,407
Deposits and escrows held	84,456	-	-	17,303	101,759
Due to other funds	114,844	1,160,101	135,837	149,341	1,560,123
Due to other units of government	-	-	-	204,493	204,493
Deferred revenue	609,458	-	-	72,421	681,879
Total liabilities	<u>2,098,563</u>	<u>1,299,693</u>	<u>416,581</u>	<u>690,411</u>	<u>4,505,248</u>
FUND BALANCES					
Reserved	2,381,395	-	-	456,403	2,837,798
Unreserved:					
Designated for subsequent years' expenditures	3,417,680	-	-	-	3,417,680
Undesignated: Community Center	-	5,807	-	-	5,807
Undesignated: Rehabilitation Loans and Grants	-	-	-	-	-
Undesignated: Stormwater Management Fund	-	-	-	459,811	459,811
Undesignated: Speed Camera Fund	-	-	1,222,213	-	1,222,213
Undesignated: General Fund	3,536,289	-	-	-	3,536,289
Total fund balances	<u>9,335,364</u>	<u>5,807</u>	<u>1,222,213</u>	<u>916,214</u>	<u>11,479,598</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,433,927</u>	<u>\$ 1,305,500</u>	<u>\$ 1,638,794</u>	<u>\$ 1,606,625</u>	<u>\$ 15,984,846</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, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 11,479,598
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 \$40,385,440 and the accumulated depreciation is \$16,266,066.	24,119,374
Certain long-term liabilities (\$6,418,525) are not due and payable in the current period and therefore are not reported as liabilities in the funds. This is comprised of \$6,439,675 in long-term liabilities less \$21,150 in short-term liabilities pertaining to accrued compensated absences for terminated employees, which is also reported in the fund financial statements under the modified accrual basis of accounting.	(6,418,525)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,249)
Net pension benefit is recognized as an asset on the Statement of Net Assets but not in the fund financial statements.	3,940
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>554,328</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 29,737,466</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, 2010

	General Fund	Community Center Fund	Speed Camera Fund	Non-Major Fund	Total Governmental Funds
REVENUES					
Taxes and utility fees	\$ 13,287,014	\$ -	\$ -	\$ -	\$ 13,287,014
Licenses and permits	75,030	-	-	-	75,030
Fines and forfeitures	209,408	-	2,167,224	-	2,376,632
Use of money and property	73,680	-	2,537	-	76,217
Stimulus grant	-	-	-	180,225	180,225
Charges for services	986,138	-	-	378,535	1,364,673
Intergovernmental	4,583,828	1,230,500	-	1,177,115	6,991,443
Miscellaneous	139,498	150,000	-	9,864	299,362
Total revenues	<u>19,354,596</u>	<u>1,380,500</u>	<u>2,169,761</u>	<u>1,745,739</u>	<u>24,650,596</u>
EXPENDITURES					
General government	4,914,641	3,276	-	440,045	5,357,962
Public safety	5,982,160	-	999,099	134,240	7,115,499
Public works	3,788,119	-	-	348,155	4,136,274
Housing and community development	1,267,037	-	-	484,875	1,751,912
Recreation and culture	2,540,613	-	-	4,500	2,545,113
Capital outlay	965,829	1,203,221	317,128	819,329	3,305,507
Debt Service					
Principal	665,769	-	-	-	665,769
Interest	212,634	-	-	-	212,634
Total expenditures	<u>20,336,802</u>	<u>1,206,497</u>	<u>1,316,227</u>	<u>2,231,144</u>	<u>25,090,670</u>
Excess of revenues over expenditures before other financing sources	<u>(982,206)</u>	<u>174,003</u>	<u>853,534</u>	<u>(485,405)</u>	<u>(440,074)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of long term debt	1,400,000	-	-	150,000	1,550,000
Transfers in (out)	<u>(3,625)</u>	<u>(168,196)</u>	<u>-</u>	<u>171,821</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>414,169</u>	<u>5,807</u>	<u>853,534</u>	<u>(163,584)</u>	<u>1,109,926</u>
FUND BALANCES, BEGINNING OF YEAR	<u>8,921,195</u>	<u>-</u>	<u>368,679</u>	<u>1,079,798</u>	<u>10,369,672</u>
FUND BALANCES, END OF YEAR	<u>\$ 9,335,364</u>	<u>\$ 5,807</u>	<u>\$ 1,222,213</u>	<u>\$ 916,214</u>	<u>\$ 11,479,598</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, 2010

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,109,926**

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 \$2,729,054 exceeds depreciation expense \$(1,360,675) in the period. 1,368,379

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 \$52,417. (52,417)

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 fiscal year 2010. 665,769

Proceeds from new debt is considered an other financing source in the
governmental funds, but is recorded as an increase in long-term debt
in the statement of activities. This is the amount of the proceeds of new debt. (1,550,000)

Interest expense in the statement of activities differs from the amount reported in
governmental funds due to the net decrease in accrued interest. (1,249)

The net effect of various miscellaneous transactions involving capital assets
(i.e., sales, trade-ins, and donations) is to decrease net assets. (30,996)

The net effect of various transactions involving revenues and expenses is to
increase net assets. 57,611

Under the modified accrual basis of accounting, revenues are not recognized
unless they are deemed "available" to finance current expenditures. Accrual-basis
recognition is not limited by availability, so certain revenues need to be reduced
by the amounts that were unavailable at the beginning of the year and increased
by the amounts that were unavailable at the end of the year. This adjustment
records a net decrease in "unavailable" revenues at the end of the year over
the amount at the beginning of the year. (70,045)

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS **\$ 1,496,978**

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 -
BUDGET AND ACTUAL (GAAP BASIS)
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes and utility fees	\$ 13,938,700	\$ 13,496,218	\$ 13,287,014	\$ (209,204)
Licenses and permits	61,854	61,854	75,030	13,176
Fines and forfeitures	182,658	182,658	209,408	26,750
Use of money and property	190,000	190,000	73,680	(116,320)
Charges for services	774,164	954,155	986,138	31,983
Intergovernmental	4,878,176	4,723,135	4,583,828	(139,307)
Miscellaneous	52,000	94,111	139,498	45,387
Total revenues	<u>20,077,552</u>	<u>19,702,131</u>	<u>19,354,596</u>	<u>(347,535)</u>
EXPENDITURES				
Current:				
General government	4,314,862	5,080,511	4,914,641	165,870
Public safety	6,199,747	5,864,869	5,982,160	(117,291)
Public works	3,934,013	3,854,101	3,788,119	65,982
Housing and community development	1,390,703	1,434,652	1,267,037	167,615
Recreation and culture	2,893,276	2,866,982	2,540,613	326,369
Capital outlay	3,273,753	1,128,099	965,829	162,270
Debt service	889,668	889,668	878,403	11,265
Total expenditures	<u>22,896,022</u>	<u>21,118,882</u>	<u>20,336,802</u>	<u>782,080</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(2,818,470)</u>	<u>(1,416,751)</u>	<u>(982,206)</u>	<u>434,545</u>
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	1,500,000	1,400,000	1,400,000	-
Transfers in (out)	<u>(240,892)</u>	<u>(78,392)</u>	<u>(3,625)</u>	<u>74,767</u>
Total other financing sources (uses)	<u>1,259,108</u>	<u>1,321,608</u>	<u>1,396,375</u>	<u>74,767</u>
NET CHANGE IN FUND BALANCE	<u>(1,559,362)</u>	<u>(95,143)</u>	<u>414,169</u>	<u>509,312</u>
FUND BALANCE, BEGINNING OF YEAR	<u>8,921,195</u>	<u>8,921,195</u>	<u>8,921,195</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,361,833</u>	<u>\$ 8,826,052</u>	<u>\$ 9,335,364</u>	<u>\$ 509,312</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 -
BUDGET AND ACTUAL (GAAP BASIS)
For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental - grants and contracts	\$ 1,100,000	\$ 1,240,000	\$ 1,230,500	\$ (9,500)
Donations	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total revenues	<u>1,250,000</u>	<u>1,390,000</u>	<u>1,380,500</u>	<u>(9,500)</u>
EXPENDITURES				
Contracts	-	7,500	3,276	4,224
Construction costs	<u>1,250,000</u>	<u>1,250,000</u>	<u>1,203,221</u>	<u>46,779</u>
Total expenditures	<u>1,250,000</u>	<u>1,257,500</u>	<u>1,206,497</u>	<u>51,003</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>-</u>	<u>132,500</u>	<u>174,003</u>	<u>41,503</u>
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	-	(170,000)	(168,196)	1,804
Transfer from General Fund	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
NET CHANGE IN FUND BALANCE	-	(30,000)	5,807	34,003
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ (30,000)</u>	<u>\$ 5,807</u>	<u>\$ 34,003</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
SPEED CAMERA FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (GAAP BASIS)
For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Use of money and property - interest income	\$ -	\$ 2,500	\$ 2,537	\$ 37
Fines and forfeitures	3,600,000	2,150,000	2,167,224	17,224
Total revenues	<u>3,600,000</u>	<u>2,152,500</u>	<u>2,169,761</u>	<u>17,261</u>
EXPENDITURES				
Public safety	1,584,500	1,174,267	999,099	175,168
Capital outlay	700,000	700,000	317,128	382,872
Total expenditures	<u>2,284,500</u>	<u>1,874,267</u>	<u>1,316,227</u>	<u>558,040</u>
Excess (deficiency) of revenues over expenditures	1,315,500	278,233	853,534	575,301
FUND BALANCES, BEGINNING OF YEAR	<u>371,414</u>	<u>371,414</u>	<u>368,679</u>	<u>(2,735)</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,686,914</u>	<u>\$ 649,647</u>	<u>\$ 1,222,213</u>	<u>\$ 572,566</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, 2010

	<u>Total</u>
ASSETS	
Cash and cash equivalents	\$ 86,075
Investments, at fair value:	
Equities	3,149,229
Fixed Income	<u>1,931,892</u>
Total investments	<u>5,081,121</u>
TOTAL ASSETS	<u>\$ 5,167,196</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 5,167,196</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 CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2010

	<u>Total</u>
ADDITIONS	
Employer contributions	\$ 847,191
Plan member contributions	<u>178,112</u>
Total contributions	<u>1,025,303</u>
Net investment earnings	<u>546,507</u>
Total additions	<u>1,571,810</u>
DEDUCTIONS	
Benefits and refunds paid	459,401
Administrative expenses	<u>70,165</u>
Total deductions	<u>529,566</u>
CHANGE IN NET ASSETS	1,042,244
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>4,124,952</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u><u>\$ 5,167,196</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, 2010

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 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, 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 City Council, the primary government, and the following fiduciary funds:

City of Takoma Park Police Employees' Retirement Plan (Pension Trust)
City of Takoma Park Employees 401(a) Plan (Defined Contribution Plan)

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

CITY OF TAKOMA PARK, MARYLAND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2010

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City has three major governmental funds: General, Community Center, and Speed Camera Fund. The General Fund accounts for the normal recurring activities of the City such as police, public works, recreation and parks, general government, etc. These activities are financed primarily by property taxes, other taxes, service charges and grants from other governmental units. The Community Center Fund accounts for the financial activity related to the construction of the City's Community Center. The Speed Camera Fund accounts for the financial activity related to the City's speed enforcement cameras. There are three non-major governmental funds: the Stormwater Management, the Rehabilitation Loans and Grants, and the Special Revenue. The Stormwater Management Fund was established to track the financial activity related to construction of the City's stormwater management facilities. The Rehabilitation Loans and Grants Fund accounts for the financial activity related to the City's rehabilitation loans and grants. The Special Revenue Fund was established to account for the financial activity of proceeds of special revenue sources that are legally restricted to expenditure for specific purposes. The Fiduciary Fund accounts for the financial activity of the City's Police Employees' Retirement Plan and the City's defined contribution pension plan.

The preparation of financial statements in conformity with 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, 2010

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. Assets in the Pension Trust Funds are also reported at fair value.

Receivables and Payables

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

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

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

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

CITY OF TAKOMA PARK, MARYLAND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2010

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. In accordance with GASB 34, the City has included infrastructure. The City defines capital assets as those which have an individual acquisition cost or donated value of at least \$5,000 (except for infrastructure which is \$100,000) and an estimated useful life of three years or more. Such assets are valued at historical or estimated historical cost if actual cost is not available. Donated assets are stated at their 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.

In accordance with GASB 51 intangible assets are capitalized at historical cost or fair market value, if donated. Capitalization thresholds are \$500,000 for internally generated computer software, \$250,000 for other computer software and \$100,000 for land use rights and other intangible assets such as patents, trademarks, and copyrights.

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

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

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

The City pays outstanding vacation leave at separation. The accrual is included as “non-current liabilities” in the government-wide statements is \$686,444.

CITY OF TAKOMA PARK, MARYLAND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2010

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 assets (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 or imposed by law through constitutional provisions or enabling legislation.
- *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.

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, a general expenditure contingency (equal to at least 0.5% of total budgeted revenue for the general fund) is budgeted. The account is maintained to meet extraordinary or unanticipated expenditures as directed by the Council.
4. Subsequent to passage of the budget ordinance, the City Council may approve supplemental expenditures.
5. At the end of the fiscal year, unencumbered appropriations lapse.
6. The annual budgets for the General, Stormwater Management, Community Center, Speed Camera Fund, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary control is maintained at the fund level. An annual budget is not adopted for the Rehabilitation Loans and Grants Fund.
7. The budget information presented in the accompanying basic financial statements includes all budget ordinances and amendments as approved by the City Council for the fiscal year ending June 30, 2010.

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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 \$2,655,241 and the corresponding bank balances were \$2,784,592. Of the bank balance, \$250,000 was covered by Federal Depository Insurance and \$2,534,592 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, 2010. 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, 2010, the City's investment balances by type were as follows:

	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (in Year)</u>		
			<u>Less than 1</u>	<u>1-5</u>	<u>More than 5</u>
Repurchase agreements	AAA	3,171,577	\$ 3,171,577	\$ -	\$ -
Maryland Local Government Investment Pool	AAAm	3,825,300	3,825,300	-	-
Money Market Mutual Funds*	AAAm	86,075	86,075	-	-
Equities*	N/A	3,149,229	-	-	3,149,229
Certificates of Deposit	Not Rated	2,218,004	1,346,644	871,360	
Fixed Income*	**	1,931,892	-	-	1,931,892
Total investments		<u>\$ 14,382,077</u>	<u>\$ 8,429,596</u>	<u>\$ 871,360</u>	<u>\$ 5,081,121</u>

* Included in Fiduciary Funds.

** 76.6% of portfolio is rated AAA; 4.3% is rated AA; 10.0% is rated A and 9.1 % is rated Baa.

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

Cash on hand	\$ 1,376
Carrying amount of deposits	2,655,241
Carrying amount of investments	<u>14,382,077</u>
Total cash and investments	17,038,694
Less fiduciary funds	<u>5,167,196</u>
Total cash and investments per Statement of Net Assets	<u>\$ 11,871,498</u>
Cash and cash equivalents	2,656,617
Investments	<u>9,214,881</u>
Total cash and investments per Statement of Net Assets	<u>\$ 11,871,498</u>

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investment interest rate risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities except in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. The City's management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost for that purpose. The investments at June 30, 2010 met the City's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2010:

Total net investment income per Statement of Activities	<u>\$ 76,217</u>
--	-------------------------

Net investment income per the Statement of Activities of \$76,217 is comprised of dividends and interest.

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

Dividends and Interest	\$ 93,939
Realized gain	(12,002)
Unrealized gain	464,570
	<u><u>\$ 546,507</u></u>

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

Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover all or a portion of the value of its investments or collateral securities

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

that are in the possession of an outside party. The City's investments were \$3,171,577 in repurchase agreements, \$3,825,300 in MLGIP, \$5,167,196 in direct securities and \$2,218,004 in certificates of deposit. At June 30, 2010, 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.

NOTE 3 – PROPERTY TAXES

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

The real and personal property tax rate for fiscal year 2010 was \$0.580 per \$100 and \$1.450 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, 2010, taxes receivable, net of an allowance for uncollectibles of \$75,020, amounted to \$160,819.

NOTE 4 – NOTES RECEIVABLES, NET

Notes receivable of \$57,571 are comprised of \$47,500 and \$10,071 recorded in Special Revenue Fund and the Rehabilitation Fund, respectively. Notes receivable recorded in the Rehabilitation Loans and Grants Fund consist mainly of below market interest rate loans made to City homeowners of low and moderate income through the rehabilitation loan and grant program, for the purpose of conforming their homes to locally adopted codes. 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, 2010, notes receivable – Rehabilitation Fund, net of allowances for uncollectibles of \$2,233, amounted to \$10,071.

The notes receivable in the amount of \$47,500, net of allowance for uncollectible of \$0, recorded in the Special Revenue Fund as a note receivable and deferred revenue consists of an unsecured loan to a nonprofit organization for repaving and other improvements along Maple Avenue. Repayment terms call for 0% interest rate and monthly payments of \$417 beginning in January, 2010 with full payment no later than December, 2019. If the organization defaults on the loan the interest rate may be increased to 6%.

NOTE 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 and

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – DEFERRED/UNEARNED REVENUES (CONTINUED)

Governmental Activities also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the fiscal year, the 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	\$ 443,681	\$ -	\$ 443,681
Property taxes receivable, General Fund	64,889	-	64,889
Charges for services, General Fund	26,539	-	26,539
Fees, General Fund	-	35,787	35,787
Stormwater receivable	19,219	-	19,219
General Fund	-	38,560	38,560
Special Revenue Fund notes receivable	-	47,500	47,500
Grant funds received in excess of expenditures			
Special Revenue Fund	-	5,704	5,704
	<u>\$ 554,328</u>	<u>\$ 127,551</u>	<u>\$ 681,879</u>

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. In addition, transfers are used to move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

During the year ended June 30, 2010, net transfers in the General Fund were \$3,625 comprised of transfers to the Special Revenue Fund in the amount of \$171,821 to provide the required matching funds for grants and \$168,196 was transferred from the Community Center Fund to the General Fund.

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 6 – INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS (CONTINUED)

The balances at June 30, 2010 of individual fund interfund borrowings were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 1,237,745	\$ 114,844
Community Center	-	1,160,101
Speed Camera	-	135,837
	<u>1,237,745</u>	<u>1,410,782</u>
Non-major funds:		
Stormwater Management Fund	308	147,203
Special Revenue	322,070	-
Rehabilitation Loans and Grants	-	2,138
	<u>322,378</u>	<u>149,341</u>
Total	<u><u>\$ 1,560,123</u></u>	<u><u>\$ 1,560,123</u></u>

NOTE 7 – DUE FROM OTHER GOVERNMENTS

The June 30, 2010 balance of due from other governments is as follows:

Federal Government	\$ 428,000
State of Maryland:	
Income tax	61,758
Income tax reserve	443,681
Highway user tax	35,275
Department of Environment	61,922
Department of Natural Resources - Program Open Space	442,500
Department of General Services (State Bonds)	360,000
Montgomery County - grants	215,909
Hotel Tax	15,737
Other	89,630
Total	<u><u>\$ 2,154,412</u></u>

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 8 – CAPITAL ASSETS AND OTHER PROPERTY

A summary of changes in capital assets during fiscal year 2010 follows:

	Balance June 30, 2009	Additions	Deletions and Adjustments	Balance June 30, 2010
Capital assets (not being depreciated)				
Land	\$ 1,420,632	\$ -	\$ -	\$ 1,420,632
Capital assets (being depreciated)				
Buildings	14,637,232	350,173	-	14,987,405
Improvements other than buildings	1,924,288	1,332,634	-	3,256,922
Equipment	4,527,269	386,484	(120,138)	4,793,615
Infrastructure	15,267,103	659,763	-	15,926,866
Total depreciable capital assets	<u>36,355,892</u>	<u>2,729,054</u>	<u>(120,138)</u>	<u>38,964,808</u>
Less - accumulated depreciation for:				
Buildings	(2,450,908)	(345,937)	-	(2,796,845)
Improvements other than buildings	(819,641)	(68,366)	-	(888,007)
Equipment	(2,308,308)	(197,597)	89,142	(2,416,763)
Infrastructure	<u>(9,415,676)</u>	<u>(748,775)</u>	<u>-</u>	<u>(10,164,451)</u>
Total accumulated depreciation	<u>(14,994,533)</u>	<u>(1,360,675)</u>	<u>89,142</u>	<u>(16,266,066)</u>
Total capital assets being depreciated	<u>21,361,359</u>	<u>1,368,379</u>	<u>(30,996)</u>	<u>22,698,742</u>
Total capital assets	<u>\$ 22,781,991</u>	<u>\$ 1,368,379</u>	<u>\$ (30,996)</u>	<u>\$ 24,119,374</u>

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

General government	\$ 345,937
Public safety	180,232
Housing and community development	11,435
Public works	748,774
Recreation and culture	74,297
	<u>\$ 1,360,675</u>

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>	<u>Coupon</u> <u>Interest Rate</u>	<u>Date of</u> <u>Maturity</u>
Notes payable:							
Long-term note -							
Maryland Industrial							
and Commercial							
Redevelopment Fund							
(MICRF)	\$ 7,260	\$ -	\$ (5,000)	\$ 2,260	\$ 2,260	0.00%	February 2011
Loan payable -							
Maryland Department of							
Housing and Community							
Development (DHCD)	-	150,000	-	150,000	-	0.00%	June 2022
Other long-term liabilities:							
Bonds payable - new	-	1,400,000	-	1,400,000	118,575	3.59%	April 2020
Bonds payable	1,511,400	-	(87,100)	1,424,300	92,500	3.85%	May 2022
Bonds payable	771,153	-	(308,461)	462,692	308,462	3.34%	July 2011
Bonds payable	2,215,500	-	(103,500)	2,112,000	107,000	3.75%	May 2025
Capital lease payable	15,599	-	(15,599)	-	-	4.24%	September 2009
Capital lease payable	216,373	-	(104,756)	111,617	111,617	6.55%	December 2010
Capital lease payable	131,715	-	(41,353)	90,362	43,854	6.05%	April 2012
Compensated absences	634,027	584,682	(532,265)	686,444	472,000		
	<u>\$ 5,503,027</u>	<u>\$ 2,134,682</u>	<u>\$ (1,198,034)</u>	<u>\$ 6,439,675</u>	<u>\$ 1,256,268</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>
2011	<u>2,260</u>
Total	<u><u>\$ 2,260</u></u>

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 9 – NON-CURRENT LIABILITIES (CONTINUED)

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 the bond is paid. Principal payment is based on a variable interest rate. The interest rate at June 30, 2010 was 3.85%.

The annual installments for the repayment of the bond as of June 30, 2010 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 92,500	\$ 64,014	\$ 154,467
2012	96,500	60,360	156,860
2013	99,300	56,500	155,800
2014	104,500	52,379	156,879
2015	109,700	47,938	157,638
2016 - 2020	626,000	161,680	787,680
2021 - 2025	295,800	21,461	317,261
Total	<u><u>\$ 1,424,300</u></u>	<u><u>\$ 464,332</u></u>	<u><u>\$ 1,886,585</u></u>

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

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ -	\$ -
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016 - 2020	-	-	-
2021 - 2025	150,000	-	150,000
Total	<u><u>\$ 150,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 150,000</u></u>

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 308,462	\$ 12,878	\$ 321,340
2012	154,230	2,575	156,805
Total	<u><u>\$ 462,692</u></u>	<u><u>\$ 15,453</u></u>	<u><u>\$ 478,145</u></u>

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 interest rate at June 30, 2010 was 3.75%.

The annual installments for the repayment of the bond as of June 30, 2010 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 107,000	\$ 90,190	\$ 197,190
2012	110,500	85,696	196,196
2013	114,500	81,055	195,555
2014	118,500	76,246	194,746
2015	123,000	71,269	194,269
2016 - 2020	691,500	274,717	966,217
2021 - 2025	847,000	115,382	962,382
Total	<u><u>\$ 2,112,000</u></u>	<u><u>\$ 794,555</u></u>	<u><u>\$ 2,906,555</u></u>

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 9 – NON-CURRENT LIABILITIES (CONTINUED)

On April 23, 2010 the City issued bonds in the amount of \$1,400,000 to be used for funding the unfunded pension liability to the State Retirement and Pension System of Maryland. The principal is to be repaid with quarterly payments of \$41,813 at a 3.59% interest rate.

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 118,575	\$ 48,676	\$ 167,251
2012	112,890	44,361	167,251
2013	127,361	39,890	167,251
2014	131,996	35,255	167,251
2015	136,799	30,452	167,251
2016-2020	<u>762,379</u>	<u>73,876</u>	<u>836,255</u>
Total	<u><u>\$ 1,400,000</u></u>	<u><u>\$ 272,510</u></u>	<u><u>\$ 1,672,510</u></u>

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 \$745,917 and a book value net of accumulated depreciation of \$385,470. The minimum lease payments as of June 30, 2010 are as follows:

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 9 – NON-CURRENT LIABILITIES (CONTINUED)

<u>Fiscal Years</u>	<u>Police Equipment</u>
2011	\$ 168,249
2012	<u>49,321</u>
Total payments	217,570
Interest portion	<u>(15,592)</u>
Present value of lease payments	<u><u>\$ 201,978</u></u>

NOTE 10 – FUND BALANCES

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

		<u>Non- Major Funds</u>	
	<u>General Fund</u>	<u>Rehabilitation Loans and Grants</u>	<u>Special Revenue Fund</u>
Equipment replacement	1,767,108	-	-
Emergency	389,915	-	-
Streets	224,372	-	-
Notes receivable	-	10,073	-
Capital expenditures	<u>-</u>	<u>-</u>	<u>446,330</u>
Total	<u><u>\$ 2,381,395</u></u>	<u><u>\$ 10,073</u></u>	<u><u>\$ 446,330</u></u>

The City has reserved \$1,767,108 and \$389,915 at June 30, 2010 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 City Council. The City has reserved \$224,372 to restore streets due to damage caused by utility work. The City has reserved \$446,330 for cable equipment expenditures.

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 11 – RETIREMENT PLANS

A. Description of Plans

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

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

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

Under the terms of the 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, 2010

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 7 percent, 5 percent or 2 percent. Contribution rate to the Contributory Pension System was 4 percent for fiscal year 2008 and will be 5 percent for each fiscal year thereafter.

Required contributions under the plans are not funded by employee contributions but are funded entirely by the City. Contributions by the City to all three State plans take place during the fiscal year and are based upon salaries for the preceding fiscal year. The City contributions for the year ending June 30, 2010 are based on salaries for the year ending June 30, 2009. 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 required and actual contributions for the fiscal years ending June 30th were as follows:

	Fiscal Year Ending June 30		
	2010	2009	2008
Retirement plan contributions	<u>\$ 445,941</u>	<u>\$ 417,281</u>	<u>\$ 457,493</u>

B. City of Takoma Park Police Employees' Retirement Plan

General

This Retirement 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 PNC Institutional Investments.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 11 – RETIREMENT COMMITMENTS (CONTINUED)

B. City of Takoma Park Police Employees' Retirement 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, 2010, the pension plan's membership consisted of:

Active employees	41
Retirees and beneficiaries currently receiving benefits	16
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total	<u><u>58</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 \$178,112 at June 30, 2010. Administrative costs are financed through investment earnings.

The actuarially required contributions for the years ended June 30, 2010, 2009 and 2008 were \$835,105, \$703,661 and \$651,866, respectively. The amounts paid into the Plan for each of the years ended June 30, 2010, 2009 and 2008 were equal to the actuarially required contributions.

Annual Pension Cost and Net Pension Benefit

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

Annual required contribution	\$ 835,105
Interest on NPO	<u>-</u>
Annual pension cost	835,105
Contributions made	<u>(835,105)</u>
Decrease in net pension obligation	-
Net pension benefit, beginning of year	<u>3,940</u>
Net pension benefit, end of year	<u><u>\$ 3,940</u></u>

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 11 – RETIREMENT COMMITMENTS (CONTINUED)

B. City of Takoma Park Police Employees' Retirement Plan (Continued)

Annual Pension Cost and Net Pension Obligation (Continued)

The annual pension cost for 2010, 2009, and 2008, was \$835,105, \$706,715, and \$654,694, respectively. The contributions made as a percentage of the annual pension cost for 2010, 2009 and 2008 were 100%, 106%, and 99%, respectively. The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2008 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 4.0% 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.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the accrued actuarial liability.

Actuarial valuation date:	June 30, 2010
Actuarial value of assets:	\$ 5,058,336
Actuarial accrued liability (AAL):	\$ 15,094,744
Total unfunded actuarial accrued liability:	\$ 10,036,408
Actuarial value of assets as a percentage of the AAL (funded ratio):	33.5%
Annual covered payroll:	\$ 2,406,643
Ratio of unfunded actuarial liability to annual covered payroll:	369.9%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 11 – RETIREMENT COMMITMENTS (CONTINUED)

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, 2010, there was one active plan participant. The City is required to contribute 8.8% of the participant's monthly compensation, which averages \$1,007 per month. Plan provisions and contribution requirements are established and may be amended by the City Council. The City's contribution to the plan for the year ended June 30, 2010 was \$12,086. The plan administrator is ICMA-RC.

E. Condensed Financial Information

	Pension Trust	Defined Contribution Plan	Total
ASSETS			
Cash and cash equivalents	\$ 86,075	\$ -	\$ 86,075
Total investments	4,972,261	108,860	5,081,121
TOTAL ASSETS	<u>\$ 5,058,336</u>	<u>\$ 108,860</u>	<u>\$ 5,167,196</u>
NET ASSETS - Held in trust for pension benefits	<u>\$ 5,058,336</u>	<u>\$ 108,860</u>	<u>\$ 5,167,196</u>
ADDITIONS			
Total contributions	\$ 1,013,217	\$ 12,086	\$ 1,025,303
Net investment income	539,175	7,332	546,507
Total additions (deductions)	<u>1,552,392</u>	<u>19,418</u>	<u>1,571,810</u>
DEDUCTIONS			
Total deductions	529,566	-	529,566
CHANGE IN NET ASSETS	1,022,826	19,418	1,042,244
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>4,035,510</u>	<u>89,442</u>	<u>4,124,952</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>\$ 5,058,336</u>	<u>\$ 108,860</u>	<u>\$ 5,167,196</u>

CITY OF TAKOMA PARK, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 12 – RISKS AND UNCERTAINTIES

The Police Employees' Retirement Plan and the Defined Contribution Plan invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES

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

NOTE 14 – POST RETIREMENT BENEFITS

The City does not provide and has no liability for post-retirement benefits at June 30, 2010.

NOTE 15 – RISK MANAGEMENT

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

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

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

The City is fully insured for worker's compensation through the 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
POLICE EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS
June 30, 2005 – 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
July 1, 2010	\$ 5,058,336	\$15,094,744	\$10,036,408	33.5%	\$ 2,713,518	369.9%
July 1, 2009	\$ 4,035,510	\$14,355,855	\$10,320,345	28.1%	\$ 2,671,071	386.4%
July 1, 2008	4,500,963	13,402,672	8,901,709	33.6%	2,383,190	373.5%
July 1, 2007	4,287,464	10,772,448	6,484,984	39.8%	2,204,862	294.1%
July 1, 2006	3,371,139	9,609,655	6,238,516	35.1%	1,961,026	318.1%
July 1, 2005	2,849,268	8,910,824	6,061,556	32.0%	1,919,819	315.7%

**POLICE EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2005 – 2010**

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
June 30, 2010	\$ 835,105	100.0%
June 30, 2009	703,661	106.4%
June 30, 2008	651,866	100.0%
June 30, 2007	611,405	100.0%
June 30, 2006	535,092	100.0%
June 30, 2005	456,645	100.0%

SUPPLEMENTAL INFORMATION

CITY OF TAKOMA PARK, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
OTHER FINANCING SOURCES (USES) – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes:				
<u>Property</u>				
Real property	\$ 10,595,586	\$ 10,595,586	\$ 10,556,622	\$ (38,964)
Business or other property	448,290	448,290	470,012	21,722
Penalty and Interest	25,000	25,000	61,172	36,172
Total property	<u>11,068,876</u>	<u>11,068,876</u>	<u>11,087,806</u>	<u>18,930</u>
<u>Local Taxes</u>				
Admission and Amusement	400	400	614	214
	<u>400</u>	<u>400</u>	<u>614</u>	<u>214</u>
<u>Shared taxes</u>				
Highway	469,424	26,942	60,210	33,268
Income tax	2,400,000	2,400,000	2,138,384	(261,616)
Total shared taxes	<u>2,869,424</u>	<u>2,426,942</u>	<u>2,198,594</u>	<u>(228,348)</u>
Total taxes	<u>13,938,700</u>	<u>13,496,218</u>	<u>13,287,014</u>	<u>(209,204)</u>
Licenses and permits	<u>61,854</u>	<u>61,854</u>	<u>75,030</u>	<u>13,176</u>
Fines and forfeitures	<u>182,658</u>	<u>182,658</u>	<u>209,408</u>	<u>26,750</u>
Use of Money and Property:				
Interest & dividends	<u>190,000</u>	<u>190,000</u>	<u>73,680</u>	<u>(116,320)</u>
Charges for Services:				
Public Parking	26,000	26,000	43,904	17,904
Protective inspection fees	299,672	299,672	291,793	(7,879)
Waste collection and disposal	65,000	65,000	63,974	(1,026)
Passport	21,000	21,000	21,725	725
Recreation	270,500	270,500	278,845	8,345
Library fines and fees	22,000	22,000	29,579	7,579
Other	69,992	249,983	256,318	6,335
Total charges for services	<u>774,164</u>	<u>954,155</u>	<u>986,138</u>	<u>31,983</u>

CITY OF TAKOMA PARK, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
OTHER FINANCING SOURCES (USES) – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

(Continued)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES (Continued)				
Intergovernmental Revenues:				
Police protection	\$ 412,000	\$ 256,959	\$ 261,254	\$ 4,295
In Lieu of Police	2,322,023	2,322,023	2,322,023	-
In Lieu of County Services	678,046	678,046	678,046	-
Police rebate	854,920	854,920	799,976	(54,944)
Bank share tax	5,643	5,643	5,643	-
Library Aid	132,830	132,830	120,155	(12,675)
Montgomery County Tax	347,714	347,714	271,731	(75,983)
Takoma/Langley Recreation Center	125,000	125,000	125,000	-
Total intergovernmental revenues	4,878,176	4,723,135	4,583,828	(139,307)
Miscellaneous revenue - other	52,000	94,111	139,498	45,387
Total revenues	20,077,552	19,702,131	19,354,596	(347,535)
EXPENDITURES				
General Government:				
City Council	162,584	162,584	136,095	26,489
City Manager	1,300,595	1,307,286	1,251,292	55,994
Finance	494,878	494,878	478,852	16,026
Legal	202,150	202,150	258,388	(56,238)
Information Systems Administration	377,081	368,981	368,995	(14)
Other - unclassified	1,777,574	2,544,632	2,421,019	123,613
Total general government	4,314,862	5,080,511	4,914,641	165,870
Public Safety:				
Office of the Chief	546,210	502,173	516,103	(13,930)
Communications	441,096	434,723	429,381	5,342
Patrol	3,403,817	3,166,582	3,257,907	(91,325)
Criminal investigations	1,159,237	1,140,031	1,126,067	13,964
Administration	649,387	621,360	652,702	(31,342)
Total public safety	6,199,747	5,864,869	5,982,160	(117,291)
Public Works:				
Administration	301,323	297,226	290,765	6,461
Building Maintenance	787,753	777,202	695,261	81,941
Equipment Maintenance	458,503	453,236	446,193	7,043
Right of Way	985,780	969,408	1,049,311	(79,903)
Solid Waste Management	803,655	768,531	791,249	(22,718)
Urban forest/ City Gardens	428,778	426,298	407,824	18,474
City engineer	168,221	162,200	107,516	54,684
Total public works	3,934,013	3,854,101	3,788,119	65,982

CITY OF TAKOMA PARK, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
OTHER FINANCING SOURCES (USES) – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

(Continued)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)				
Housing and Community Development:	\$ 1,390,703	\$ 1,434,652	\$ 1,267,037	\$ 167,615
Recreation and Culture:				
Recreation	1,443,593	1,417,396	1,175,481	241,915
Library and media	1,449,683	1,449,586	1,365,132	84,454
Total recreation and culture	2,893,276	2,866,982	2,540,613	326,369
Capital Outlay	3,273,753	1,128,099	965,829	162,270
Debt Service:				
Repayments	889,668	889,668	878,403	11,265
Total debt service	889,668	889,668	878,403	11,265
Total expenditures	22,896,022	21,118,882	20,336,802	782,080
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(2,818,470)	(1,416,751)	(982,206)	434,545
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	1,500,000	1,400,000	1,400,000	-
Transfers:				
Community Center	-	170,000	168,196	(1,804)
Community Center	-	(7,500)	-	7,500
Special Revenue	(240,892)	(240,892)	(171,821)	69,071
Total other financing sources (uses)	1,259,108	1,321,608	1,396,375	74,767
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,559,362)	(95,143)	414,169	509,312
APPROPRIATION OF FUND BALANCE	1,559,362	95,143	-	(95,143)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 414,169	\$ 414,169

**CITY OF TAKOMA PARK, MARYLAND
STORMWATER MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Stimulus grant	\$ 160,000	\$ 160,000	\$ 180,225	\$ 20,225
Charges for services	367,000	367,000	378,535	11,535
Miscellaneous	12,000	12,000	8,660	(3,340)
Total revenues	<u>539,000</u>	<u>539,000</u>	<u>567,420</u>	<u>28,420</u>
EXPENDITURES				
Public works	257,428	257,428	202,051	55,377
Capital outlay	260,000	260,000	291,557	(31,557)
Total expenditures	<u>517,428</u>	<u>517,428</u>	<u>493,608</u>	<u>23,820</u>
Excess of revenues over expenditures before other financing sources	<u>21,572</u>	<u>21,572</u>	<u>73,812</u>	<u>52,240</u>
NET CHANGE IN FUND BALANCE	<u>21,572</u>	<u>21,572</u>	<u>73,812</u>	<u>52,240</u>
FUND BALANCE, BEGINNING OF YEAR	<u>385,999</u>	<u>385,999</u>	<u>385,999</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 407,571</u>	<u>\$ 407,571</u>	<u>\$ 459,811</u>	<u>\$ 52,240</u>

CITY OF TAKOMA PARK, MARYLAND
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 1,315,611	\$ 1,590,384	\$ 1,177,115	\$ (413,269)
Total revenues	<u>1,315,611</u>	<u>1,590,384</u>	<u>1,177,115</u>	<u>(413,269)</u>
EXPENDITURES				
General government	200,500	535,500	422,658	112,842
Public safety	208,392	222,274	134,240	88,034
Public works	209,500	323,113	146,104	177,009
Housing and community development	489,675	638,803	484,875	153,928
Recreation and culture	5,000	17,919	4,500	13,419
Capital outlay	<u>485,826</u>	<u>485,826</u>	<u>527,772</u>	<u>(41,946)</u>
Total expenditures	<u>1,598,893</u>	<u>2,223,435</u>	<u>1,720,149</u>	<u>503,286</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(283,282)</u>	<u>(633,051)</u>	<u>(543,034)</u>	<u>90,017</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	92,000	106,769	150,000	43,231
Transfer from General Fund	<u>240,892</u>	<u>240,892</u>	<u>171,821</u>	<u>(69,071)</u>
NET CHANGE IN FUND BALANCE	<u>49,610</u>	<u>(285,390)</u>	<u>(221,213)</u>	<u>64,177</u>
FUND BALANCE, BEGINNING OF YEAR	<u>667,543</u>	<u>667,543</u>	<u>667,543</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 717,153</u>	<u>\$ 382,153</u>	<u>\$ 446,330</u>	<u>\$ 64,177</u>

**CITY OF TAKOMA PARK, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue Fund	Stormwater Management Fund	Rehabilitation Loans and Grants	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and temporary investments	\$ -	\$ 688,523	\$ 206,633	\$ 895,156
Notes receivable, net	47,500	-	10,071	57,571
Other receivables	1,322	13,629	-	14,951
Due from other funds	322,070	308	-	322,378
Due from other governments	254,647	61,922	-	316,569
Total assets	<u>\$ 625,539</u>	<u>\$ 764,382</u>	<u>\$ 216,704</u>	<u>\$ 1,606,625</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 116,264	\$ 127,192	\$ -	\$ 243,456
Accrued expenses	1,558	1,839	-	3,397
Deposits and escrows held	8,185	9,118	-	17,303
Due to other funds	-	147,203	2,138	149,341
Due to other governments	-	-	204,493	204,493
Deferred revenue	53,202	19,219	-	72,421
Total liabilities	<u>179,209</u>	<u>304,571</u>	<u>206,631</u>	<u>690,411</u>
 <u>Fund Balances</u>				
Reserved	446,330	-	10,073	456,403
Total reserved				
Unreserved, undesignated	<u>-</u>	<u>459,811</u>	<u>-</u>	<u>459,811</u>
Total fund balances	<u>446,330</u>	<u>459,811</u>	<u>10,073</u>	<u>916,214</u>
Total liabilities and fund balances	<u>\$ 625,539</u>	<u>\$ 764,382</u>	<u>\$ 216,704</u>	<u>\$ 1,606,625</u>

CITY OF TAKOMA PARK, MARYLAND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
NON-MAJOR GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Special Revenue Fund</u>	<u>Stormwater Management Fund</u>	<u>Rehabilitation Loans and Grants</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Intergovernmental	\$ 1,177,115	\$ 180,225	\$ -	\$ 1,357,340
Charges for service	-	378,535	-	378,535
Miscellaneous	-	8,660	1,204	9,864
Total revenues	<u>1,177,115</u>	<u>567,420</u>	<u>1,204</u>	<u>1,745,739</u>
EXPENDITURES				
General government	422,658	-	17,387	440,045
Public safety	134,240	-	-	134,240
Public works	146,104	202,051	-	348,155
Housing and community development	484,875	-	-	484,875
Recreation and culture	4,500	-	-	4,500
Capital outlay	527,772	291,557	-	819,329
Total expenditures	<u>1,720,149</u>	<u>493,608</u>	<u>17,387</u>	<u>2,231,144</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(543,034)</u>	<u>73,812</u>	<u>(16,183)</u>	<u>(485,405)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	150,000	-	-	150,000
Transfer from General Fund	171,821	-	-	171,821
NET CHANGE IN FUND BALANCE	<u>(221,213)</u>	<u>73,812</u>	<u>(16,183)</u>	<u>(163,584)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>667,543</u>	<u>385,999</u>	<u>26,256</u>	<u>1,079,798</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 446,330</u></u>	<u><u>\$ 459,811</u></u>	<u><u>\$ 10,073</u></u>	<u><u>\$ 916,214</u></u>

CITY OF TAKOMA PARK, MARYLAND
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	Pension Trust	Defined Contribution Plan	Totals	
			2010	2009
ASSETS				
Cash and cash equivalents	\$ 86,075	\$ -	\$ 86,075	\$ 76,615
Investments, at fair value:				
Equities	3,040,369	108,860	3,149,229	2,693,442
Fixed Income	1,931,892	-	1,931,892	1,354,895
Total investments	4,972,261	108,860	5,081,121	4,048,337
TOTAL ASSETS	<u>5,058,336</u>	<u>108,860</u>	<u>5,167,196</u>	<u>4,124,952</u>
NET ASSETS				
Held in trust for pension benefits	<u>\$ 5,058,336</u>	<u>\$ 108,860</u>	<u>\$ 5,167,196</u>	<u>\$ 4,124,952</u>

CITY OF TAKOMA PARK, MARYLAND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2010
(With Comparative Totals for 2009)

	Pension Trust	Defined Contribution Plan	Totals	
			2010	2009
ADDITIONS				
Employer contributions	\$ 835,105	\$ 12,086	\$ 847,191	\$ 760,973
Plan member contributions	178,112	-	178,112	180,958
Total contributions	<u>1,013,217</u>	<u>12,086</u>	<u>1,025,303</u>	<u>941,931</u>
Investment earnings (losses)	<u>539,175</u>	<u>7,332</u>	<u>546,507</u>	<u>(536,662)</u>
Total additions	<u>1,552,392</u>	<u>19,418</u>	<u>1,571,810</u>	<u>405,269</u>
DEDUCTIONS				
Benefit and refunds paid	459,401	-	459,401	814,973
Administrative expenses	<u>70,165</u>	<u>-</u>	<u>70,165</u>	<u>71,854</u>
Total deductions	<u>529,566</u>	<u>-</u>	<u>529,566</u>	<u>886,827</u>
CHANGE IN NET ASSETS	1,022,826	19,418	1,042,244	(481,558)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>4,035,510</u>	<u>89,442</u>	<u>4,606,510</u>	<u>4,606,510</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>\$ 5,058,336</u>	<u>\$ 108,860</u>	<u>\$ 5,648,754</u>	<u>\$ 4,124,952</u>

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STATISTICAL SECTION

STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in Fiscal Year 2003. The schedules presenting government-wide information include information beginning in that year.

Table 1

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental Activities								
Invested in capital assets, net of related debt	\$ 19,250,374	\$ 17,912,991	\$ 17,227,232	\$ 17,112,525	\$ 12,220,247	\$ 9,053,902	\$ 6,361,971	\$ 2,465,056
Restricted	2,381,395	1,766,922	1,672,038	1,327,101	1,524,639	4,065,550	1,677,812	1,617,967
Unrestricted	<u>8,105,697</u>	<u>8,560,575</u>	<u>7,439,030</u>	<u>6,118,379</u>	<u>4,210,070</u>	<u>1,228,025</u>	<u>1,697,656</u>	<u>4,913,094</u>
TOTAL PRIMARY GOVERNMENT NET ASSETS	<u>\$ 29,737,466</u>	<u>\$ 28,240,488</u>	<u>\$ 26,338,300</u>	<u>\$ 24,558,005</u>	<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 EIGHT FISCAL YEARS
(Accrual Basis of Accounting)

	2010	2009	2008	2007	2006	2005	2004	2003
EXPENSES								
Governmental activities:								
General government	\$ 5,719,008	\$ 3,120,349	\$ 3,425,823	\$ 2,764,025	\$ 2,819,521	\$ 3,029,141	\$ 3,181,117	\$3,719,307
Public safety	7,563,656	6,048,350	5,797,560	5,214,230	4,726,609	4,520,348	4,374,347	4,115,905
Public works	5,099,655	5,774,672	4,798,252	4,526,174	3,651,129	4,059,898	4,174,364	3,499,188
Housing and community development	1,836,561	1,403,582	1,264,767	1,198,331	1,005,222	917,685	1,214,972	763,328
Recreation and culture	2,622,686	2,623,651	2,526,988	2,540,913	2,170,734	1,966,910	2,209,011	2,006,076
Interest	213,883	250,349	246,360	250,342	263,379	210,411	106,551	106,606
Total primary government expenses	<u>23,055,449</u>	<u>19,220,953</u>	<u>18,059,750</u>	<u>16,494,015</u>	<u>14,636,594</u>	<u>14,704,393</u>	<u>15,260,362</u>	<u>14,210,410</u>
PROGRAM REVENUES								
Governmental activities:								
Charges for services:								
General government	82,479	103,010	75,238	39,080	537,608	456,113	40,866	27,163
Public safety	2,424,778	882,331	236,428	181,219	190,287	179,322	104,539	130,455
Public works	485,424	490,129	513,215	840,248	831,409	764,039	340,060	561,748
Housing and community development	328,503	333,619	346,593	-	614	314,486	204,222	-
Recreation and culture	308,424	286,090	274,653	322,675	249,909	242,363	188,933	221,713
Operating grants and contributions	4,927,311	5,311,448	4,879,649	3,943,472	5,528,750	5,055,228	5,716,825	4,534,872
Capital grants and contributions	2,298,112	-	43,348	531,460	716,414	2,586,088	986,403	239,970
Total primary government program revenues	<u>10,855,031</u>	<u>7,406,627</u>	<u>6,369,124</u>	<u>5,858,154</u>	<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	(12,200,418)	(11,814,326)	(11,690,626)	(10,635,861)	(6,581,603)	(5,106,754)	(7,678,514)	(8,494,489)
GENERAL REVENUES AND OTHER								
CHANGES IN NET ASSETS								
Governmental activities:								
Taxes:								
Property taxes	11,085,519	10,459,749	9,627,880	8,764,784	7,901,543	7,630,236	6,634,987	6,112,206
Intergovernmental / unrestricted	2,472,591	3,030,468	3,342,710	3,662,840	1,904,784	1,740,886	1,583,275	1,449,812
Unrestricted investment earnings	76,217	172,830	353,747	359,342	184,751	130,409	67,832	191,071
Miscellaneous and other	63,069	53,467	146,584	180,062	198,004	215,261	133,742	630,506
Total primary government	<u>13,697,396</u>	<u>13,716,514</u>	<u>13,470,921</u>	<u>12,967,028</u>	<u>10,189,082</u>	<u>9,716,792</u>	<u>8,419,836</u>	<u>8,383,595</u>
TOTAL PRIMARY GOVERNMENT								
CHANGE IN NET ASSETS	<u>\$ 1,496,978</u>	<u>\$ 1,902,188</u>	<u>\$ 1,780,295</u>	<u>\$ 2,331,167</u>	<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
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ 2,381,395	\$ 1,766,922	\$ 1,672,038	\$ 1,327,101	\$ 1,332,550	\$ 2,557,101	\$ 1,215,933	\$ 3,544,556	\$ 1,307,162	\$ 1,617,180
Unreserved	6,953,969	7,154,273	6,277,691	5,077,563	3,547,946	2,327,990	1,473,475	2,324,994	5,189,348	2,848,592
Total general fund	<u>\$ 9,335,364</u>	<u>\$ 8,921,195</u>	<u>\$ 7,949,729</u>	<u>\$ 6,404,664</u>	<u>\$ 4,880,496</u>	<u>\$ 4,885,091</u>	<u>\$ 2,689,408</u>	<u>\$ 5,869,550</u>	<u>\$ 6,496,510</u>	<u>\$ 4,465,772</u>
All other governmental funds										
Reserved	\$ 456,403	\$ 697,845	\$ 485,574	\$ 413,714	\$ 439,023	\$ 154,361	\$ 480,554	\$ 250,547	\$ 266,497	\$ 352,967
Unreserved										
Stormwater Management Fund	459,811	381,953	300,162	226,262	143,578	66,384	153,025	244,681		
Community Center Fund	5,807	-	-	46,161		366,485	570,810			
Special Revenue Fund	-	-			126	288,366	(501,089)	(56,030)	380,002	214,132
Rehabilitation Loans & Grants Fund	-	-				(395)	95	95		
Speed Camera Fund	1,222,213	368,679								
Total Unreserved	<u>1,687,831</u>	<u>750,632</u>	<u>300,162</u>	<u>272,423</u>	<u>143,704</u>	<u>720,840</u>	<u>222,841</u>	<u>188,746</u>	<u>380,002</u>	<u>214,132</u>
Total all other governmental funds	<u>\$ 2,144,234</u>	<u>\$ 1,448,477</u>	<u>\$ 785,736</u>	<u>\$ 686,137</u>	<u>\$ 582,727</u>	<u>\$ 875,201</u>	<u>\$ 703,395</u>	<u>\$ 439,293</u>	<u>\$ 646,499</u>	<u>\$ 567,099</u>

Table 4

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
REVENUES										
Property taxes	\$ 13,287,014	\$ 13,318,311	\$ 12,573,318	\$ 11,486,637	\$ 10,306,405	\$ 9,826,025	\$ 8,618,452	\$ 8,115,007	\$ 7,952,305	\$ 7,475,316
Licenses and permits	75,030	72,291	45,470	104,597	62,415	63,610	63,862	31,928	35,720	58,808
Fines and forfeitures	2,376,632	839,804	213,197	181,219	190,287	179,323	104,539	130,455	70,948	65,199
Use of money and property	76,217	172,830	353,747	359,342	184,751	130,409	67,832	191,072	187,311	326,060
Stimulus grant	180,225	-	-	-	-	-	-	-	-	-
Charges for services	1,364,673	1,092,405	831,249	1,108,872	1,007,213	1,136,197	773,186	784,312	704,096	723,073
Intergovernmental	7,046,959	5,654,908	4,762,643	5,475,182	6,245,164	7,641,316	6,004,235	4,342,372	4,004,899	5,047,829
Miscellaneous	299,362	163,841	157,676	174,241	247,158	215,261	382,952	652,055	150,470	168,259
Total revenues	<u>24,706,112</u>	<u>21,314,390</u>	<u>18,937,300</u>	<u>18,890,090</u>	<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>
EXPENDITURES										
Current:										
General government	5,357,962	3,077,096	2,994,878	2,621,670	2,435,598	2,597,839	3,038,787	3,017,496	1,926,294	1,765,417
Public safety	7,115,499	5,981,975	5,349,349	5,037,668	4,659,466	4,489,515	4,292,117	4,044,399	3,827,164	3,644,243
Public works	4,136,274	4,047,071	3,611,130	3,765,225	3,480,726	3,895,853	3,997,466	3,355,898	2,865,254	4,294,887
Housing/community development	1,751,912	1,392,147	1,277,216	1,189,911	1,003,247	1,112,569	1,212,228	758,430	1,069,886	1,265,699
Recreation and culture	2,545,113	2,389,783	2,324,744	2,160,849	2,129,854	2,001,449	2,159,158	1,975,967	2,049,767	1,675,491
Capital outlay	3,305,507	1,807,850	931,837	2,029,151	4,127,017	6,958,497	3,943,729	1,110,105	1,033,833	427,335
Debt service:										
Principal	665,769	752,343	919,207	733,584	612,522	205,984	200,317	1,095,680	257,321	212,097
Interest	212,634	231,918	251,511	250,342	249,983	167,946	106,771	103,392	70,642	76,328
Total expenditures	<u>25,090,670</u>	<u>19,680,183</u>	<u>17,659,872</u>	<u>17,788,400</u>	<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>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(384,558)</u>	<u>1,634,207</u>	<u>1,277,428</u>	<u>1,101,690</u>	<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>
OTHER FINANCING SOURCES (USES)										
Bond/Loan proceeds	1,494,484	-	220,029	525,888	-	4,605,000	19,475	380,000	2,104,550	-
Sale of property	-	-	109,276	-	157,951	-	-	-	-	-
Transfers in (out)	-	-	(61,668)	-	-	-	-	-	-	-
Total other financing sources	<u>1,494,484</u>	<u>-</u>	<u>267,637</u>	<u>525,888</u>	<u>157,951</u>	<u>4,605,000</u>	<u>19,475</u>	<u>380,000</u>	<u>2,104,550</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ 1,109,926</u>	<u>\$ 1,634,207</u>	<u>\$ 1,545,065</u>	<u>\$ 1,627,578</u>	<u>\$ (297,069)</u>	<u>\$ 2,367,489</u>	<u>\$ (2,916,040)</u>	<u>\$ (834,166)</u>	<u>\$ 2,110,138</u>	<u>\$ 503,047</u>
Debt service as a percentage of noncapital expenditures	3.93%	5.34%	6.93%	6.03%	5.81%	2.58%	2.04%	8.36%	2.70%	2.20%

Table 5

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

Fiscal Year	General Property Taxes	Utility and Personal Property	Penalties and Interest on Delinquent Tax	Additions and Abatements	Amusement Tax	Income Tax	Highway Tax	Total
2010	\$ 10,556,622	\$ 470,012	\$ 61,172	\$ -	\$ 614	\$ 2,138,384	\$ 60,210	\$ 13,287,014
2009	10,007,250	434,015	58,807	(1,139)	268	2,310,208	508,902	13,318,311
2008	9,032,239	550,415	47,447	(2,221)	102	2,359,552	585,784	12,573,318
2007	8,232,645	535,626	78,387	18,071	420	2,016,347	605,141	11,486,637
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

Source: City's financial records.

Table 6

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

Fiscal Year	Total Tax Levy	Current Tax Collections and Credits	Percent of Levy Collected	Delinquent Tax Collections and Credits	Total Tax Collections and Credits	Percent of Total Tax Collections to Tax Levy
2010	\$ 10,595,358	\$ 10,538,917	99.5%	\$ 54,514	\$ 10,593,431	100.0%
2009	10,025,305	9,953,428	99.3%	8,783	9,962,211	99.4%
2008	8,959,820	8,881,476	99.1%	13,565	8,895,041	99.3%
2007	8,730,162	8,649,985	99.1%	-	8,649,985	99.1%
2006	7,747,197	7,674,253	99.1%	-	7,674,253	99.1%
2005	7,415,063	7,322,124	98.7%	-	7,322,124	98.7%
2004	6,659,214	6,551,640	98.4%	31,938	6,583,578	98.9%
2003	6,245,222	6,190,738	99.1%	13,056	6,203,794	99.3%
2002	5,757,152	5,487,781	95.3%	245,526	5,733,307	99.6%
2001	5,517,282	5,228,045	94.8%	267,105	5,495,150	99.6%

Source: City's Finance Department.

Table 7

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

Fiscal Year	Real Property		Public Utilities		Personal Property		Total		Ratio of Total Assessed to Total	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (2)	Assessed Value	Estimated Actual Value (2)	Assessed Value	Estimated Actual Value	Estimated Actual Value (3)	
2010	\$ 1,826,785,810	\$ 1,826,785,810	\$ 10,919,000	\$ 10,919,000	\$ 20,707,720	\$ 20,707,720	\$ 1,858,412,530	\$ 1,858,412,530	100	0.580
2009	1,669,463,691	1,669,463,691	10,236,720	10,236,720	21,517,740	21,517,740	1,701,218,151	1,701,218,151	100	0.605
2008	1,480,266,902	1,480,266,902	10,139,630	10,139,630	24,076,170	24,076,170	1,514,482,702	1,514,482,702	100	0.610
2007	1,305,972,838	1,305,972,838	10,406,020	10,406,020	21,500,830	21,500,830	1,337,879,698	1,337,879,698	100	0.630
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	0.630
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	0.660
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	0.660
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	0.642
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	0.068
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	1.605

- (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.

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

Fiscal Year	Taxes Rates ⁽¹⁾						
	Takoma Park General ⁽³⁾	State of Maryland	Montgomery County	Maryland-National Capital Park and Planning Commission	Transit District	Recreation Areas	Total ⁽²⁾
2010	\$ 0.5800	\$ 0.1120	\$ 0.6830	\$ 0.0690	\$ 0.0370	\$ 0.0190	\$ 1.5000
2009	0.6050	0.1120	0.6610	0.0730	0.0400	0.0220	1.5130
2008	0.6100	0.1120	0.6270	0.0780	0.0580	0.0240	1.5090
2007	0.6300	0.1120	0.6240	0.0780	0.0530	0.0240	1.5210
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 ⁽³⁾	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

(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.

Source: State of Maryland Department of Assessment and Taxation.

**CITY OF TAKOMA PARK, MARYLAND
COMPUTATION OF LEGAL DEBT MARGIN
Year Ended June 30, 2010**

Fiscal year 2010 real property assessed value	<u>\$ 1,826,785,810</u>
Debt limit - 100% of assessed value	1,826,785,810
Amount of debt applicable to debt limit - legal debt margin	<u>5,753,231</u>
Legal debt margin	<u>\$ 1,821,032,579</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.

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

Fiscal Year	Population ⁽¹⁾	Assessed Value ⁽²⁾	Bonded Debt	Capital Leases ⁽³⁾	Notes Payable ⁽³⁾	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2010	17,299	\$ 1,858,412,530	\$ 5,398,992	\$ 201,979	\$ 152,260	0.29%	\$312.10
2009	17,299	1,701,218,151	4,869,000	363,687	7,260	0.29%	\$281.46
2008	17,299	1,514,482,702	5,621,343	561,768	67,260	0.37%	\$324.95
2007	17,299	1,337,879,698	6,320,521	541,584	122,260	0.47%	\$365.37
2006	17,299	1,189,913,444	6,528,217	192,763	177,260	0.55%	\$377.38
2005	17,299	1,073,828,539	7,140,738	252,946	232,260	0.66%	\$412.78
2004	17,299	969,625,688	2,741,845	310,586	287,260	0.28%	\$158.50
2003	17,299	899,870,271	2,922,687	344,461	342,260	0.32%	\$168.95
2002	17,299	848,226,760	3,627,826	50,074	386,719	0.43%	\$209.71
2001	17,299	336,412,617	1,780,597	76,378	436,719	0.53%	\$102.93

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

(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.

(3) Included in bonded debt.

CITY OF TAKOMA PARK, MARYLAND
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest	Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures (Percent)
2010	\$ 665,769	\$ 212,634	\$ 878,403	\$ 20,336,802	4.32%
2009	752,343	231,918	984,261	18,127,353	5.43%
2008	919,207	251,511	1,170,718 ⁽¹⁾	17,659,872	6.63%
2007	733,584	250,342	983,926	17,788,399	5.53%
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 ⁽²⁾	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%

(1) Takoma Junction loan balance was fully paid.

(2) MEDCO Bonds were fully paid.

Source: City's financial records.

CITY OF TAKOMA PARK, MARYLAND
COMPUTATION OF DIRECT AND OVERLAPPING DEBT ⁽²⁾
June 30, 2010

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to this Governmental Unit</u>	<u>Share of Debt</u>
Direct debt –			
City of Takoma Park	\$ 5,753,231	100%	\$ 5,753,231
Direct debt sub-total	<u>5,753,231</u>		<u>5,753,231</u>
Overlapping debt -			
Montgomery County	2,418,199,833	1% ⁽¹⁾	24,181,998
Maryland-National Capital Park and Planning Commission			
Montgomery County	<u>34,603,965</u>	1% ⁽¹⁾	<u>346,040</u>
Overlapping debt sub-total	<u>2,452,803,798</u>		<u>24,528,038</u>
Total direct and overlapping debt	<u><u>\$ 2,458,557,029</u></u>		<u><u>\$ 30,281,269</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**

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Income ^{(2) (3)}	Labor Force ^{(2) (3)}	Unemployment Rate ^{(2) (3)}	Registered Pupils ⁽²⁾
Montgomery County:						
2010	17,299	\$ 1,207,522,097	\$ 69,803	509,320	5.6	140,500
2009	17,299	1,193,873,186	69,014	513,689	5.3	137,763
2008	17,299	1,168,218,769	67,531	519,944	3.3	137,745
2007	17,299	1,155,763,489	66,811	516,790	2.7	137,798
2006	17,299	1,118,639,835	64,665	517,532	2.8	139,387
2005	17,299	1,043,181,597	60,303	508,251	3.1	139,337
2004	17,299	984,122,811	56,889	497,204	3.2	139,203
2003	17,299	921,379,338	53,262	496,223	3.3	138,891
2002	17,299	898,579,256	51,944	496,101	3.5	136,832
2001	17,299	880,813,183	50,917	490,213	3.1	134,180

- (1) U.S. Census Bureau. Includes annexed area.
- (2) Personal income, per capita income and registered pupils are not available for the City of Takoma Park, Maryland on a separate basis. The best available information is provided by the Finance Department of Montgomery County, Maryland and the Bureau of Economic Analysis - U.S. Department of Commerce (BEA). Estimates for 2001-2008 revised by BEA in April, 2010
- (3) Per Capita Income, Unemployment Force, and Labor Force data for the years 2000-2008 have been revised. Unemployment Force has been revised for the years 2003-2005 and 2007-2008.

Table 14

**CITY OF TAKOMA PARK, MARYLAND
PRINCIPAL PROPERTY TAXPAYERS
Current Fiscal Year and Nine Years Ago**

Taxpayer	Fiscal Year 2010			Taxpayer	Fiscal Year 2001 ⁽¹⁾		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Saul Subsidiary I LTD Partnership	\$ 21,217,900	1	1.14%	Potomac Electric Power Company ⁽²⁾	\$ 7,072,450	1	2.10%
Walgreen Company	20,920,600	2	1.13	Takoma Langley Improvements	4,824,260	2	1.43
Takoma Park Land LLLP	10,250,000	3	0.55	Oxon Equities	3,937,000	3	1.17
Park Ritchie Apartments	9,442,300	4	0.50	Saul Subsidiary I LTD Partnership	3,758,600	4	1.12
Franklin Associates	9,000,000	5	0.48	Washington Gas Light	2,802,660	5	0.83
Tenacity 7333 New Hampshire Ave LLC	8,091,500	6	0.44	Franklin Associates	2,767,520	6	0.82
Takoma Business Center LLC	7,748,700	7	0.42	Park Ritchie Apartments	2,647,400	7	0.79
Hampshire Lodging LLC	7,734,000	8	0.42	Takoma Business Center, LLC	2,318,720	8	0.69
7401 New Hampshire Avenue, LLC	7,500,000	9	0.40	Hampshire Place LLC	1,718,270	9	0.51
Potomac Electric Power Company ⁽²⁾	6,675,220	10	0.36	Maple View Apartments LLC of Seventh Day Adventists	1,476,040	10	0.44
Total	<u>\$ 108,580,220</u>		<u>5.84%</u>		<u>\$ 33,322,920</u>		<u>9.90%</u>

Notes:

- (1) Prior to fiscal year 2002, real property was assessed at 40% of estimated full value.
(2) Represents the assessed valuation for operating real and personal property taxes.

Source: State of Maryland Department of Assessment and Taxation

Table 15

**CITY OF TAKOMA PARK, MARYLAND
PRINCIPAL EMPLOYERS
Current Fiscal Year and Nine Years Ago**

Employer	Fiscal Year 2010			Fiscal Year 2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Adventist Healthcare Inc, (Hospital) ⁽²⁾	2,000	1	32.62%	1,776	1	36.35%
Montgomery Community College	308	2	5.02%	500	2	10.23%
Board of Education-Elementary Schools	235	3	3.83%	191	4	3.91%
City of Takoma Park ⁽²⁾	192	4	3.13%	174	5	3.56%
Adventist Healthcare Inc, (Clinic)	150	5	2.45%	160	6	3.27%
Wackenhut Corporation	120	6	1.96%	120	7	2.46%
Washington Adventist University ⁽¹⁾	119	7	1.94%	119	8	2.44%
Casa De Maryland Inc,	79	8	1.29%			
FirstCare Nursing Services	60	9	0.98%			
Expo Emart LLC	55	10	0.89%			
Aspen Temporary Services Inc	-		-	392	3	8.02%
Siber, Perlman, Sigman & Tilev PA	-		-	80	9	1.64%
Total	3,318		54.11%	3,512		71.88%

Notes:

⁽¹⁾ Formerly Columbia Union College

⁽²⁾ Number of employees provided by employer.

Source: Dun & Bradstreet, except for Adventist Healthcare and City of Takoma Park data

Table 16

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
FUNCTION										
General government	18.00	18.00	18.00	16.00	16.00	16.50	17.25	15.50	14.00	12.75
Public safety	60.19	60.87	59.50	58.73	57.47	57.47	57.97	56.97	56.19	56.44
Public works	33.38	33.38	33.38	33.58	33.29	33.07	32.07	32.07	33.47	32.99
Housing and community development	10.25	9.50	9.50	9.50	8.81	9.81	11.81	14.11	12.80	14.60
Recreation and culture	<u>33.20</u>	<u>32.57</u>	<u>32.95</u>	<u>32.40</u>	<u>31.73</u>	<u>28.71</u>	<u>28.71</u>	<u>28.84</u>	<u>26.47</u>	<u>25.88</u>
TOTAL	<u>155.02</u>	<u>154.32</u>	<u>153.33</u>	<u>150.21</u>	<u>147.30</u>	<u>145.56</u>	<u>147.81</u>	<u>147.49</u>	<u>142.93</u>	<u>142.66</u>

Source: City's Finance Department

Table 17

**CITY OF TAKOMA PARK, MARYLAND
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Public Safety:										
Crimes reported	725	764	739	832	791	875	787	887	1,099	1,013
Dispatched Calls/Events Handled	20,500	19,661	21,483	18,622	16,569	16,073	16,944	18,293	19,288	18,633
Hours-foot/bike patrol	3,600	2,897	3,689	3,705	3,320	2,720	1,699	1,353	2,026	2,443
Physical arrests	450	480	461	363	353	356	386	330	335	326
Calls for service	15,000	14,405	16,048	14,363	13,071	12,880	13,869	15,106	16,052	16,434
Traffic stops	5,300	5,256	5,435	4,259	3,498	3,193	3,255	3,187	3,236	2,199
Parking tickets processed	4,000	4,084	3,665	3,357	3,882	3,780	4,858	3,993	3,980	3,167
Criminal investigations assigned	400	426	324	370	313	313	290	289	279	396
Criminal cases closed	140	139	119	123	108	96	126	45	122	119
Warrants received for service	440	475	440	372	N/A	N/A	N/A	N/A	N/A	N/A
NCIC Validations (Wanted Items/Persons)	1,150	1,129	1109	1052	N/A	N/A	N/A	N/A	N/A	N/A
Public Works:										
Permits Processed	229	297	321	293	319	328	330	N/A	N/A	N/A
Vehicles maintained	74	75	73	74	62	62	62	63	63	61
Tons of leaves collected	2,100	2,150	2,100	2,100	2,000	2,000	2,000	N/A	N/A	N/A
Tons of refuse collected	3,550	3,513	4,300	4,222	4,053	4,100	4,300	4,256	3,915	4,272
Tons of recyclables collected	1,500	1,662	1,440	1,380	1,151	1,200	1,400	1,112	1,403	1,399
Tons of yard waste collected	250	233	420	410	413	425	450	574	437	527
Streets resurfacing (miles)	0.43	0.44	0.63	0.98	3	2.33	3.33	N/A	N/A	N/A
Storm drains inspected (linear feet)	11,000	14,259	8,500	12,831	8,203	8,906	13,000	N/A	N/A	N/A
New storm drain pipes (linear feet)	0	0	300	350	350	945	0	N/A	N/A	N/A
Replaced storm drain pipes (linear feet)	50	181	100	50	0	152	200	N/A	N/A	N/A
Recreation and culture:										
Library materials circulated	143,770	104,083	89,754	80,606	70,016	70,028	76,082	85,243	98,571	97,302
Library program attendance	14,963	13,133	11,539	6,346	N/A	N/A	N/A	10,398	6,161	5,793
Housing and Community Development:										
Rental housing inspections (Note 4)	449	3,051	3,200	2,280	N/A	N/A	N/A	N/A	N/A	N/A
Number of rental licenses issued	406	335	351	213	N/A	N/A	589	N/A	N/A	N/A
Landlord certifications issued	140	122	212	112	N/A	N/A	N/A	N/A	N/A	N/A
Number of new nuisance complaints	237	160	186	108	N/A	N/A	N/A	N/A	N/A	N/A
Number of nuisance complaints closed	226	160	210	56	N/A	N/A	N/A	N/A	N/A	N/A
Courtesy Notices issued	208	700	674	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Handbill and flyers removed	490	350	275	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Landlord and tenant contacts	2,305	2,500	2,537	2,491	N/A	N/A	N/A	N/A	N/A	N/A
Rent stabilization reports monitored	278	260	276	251	N/A	N/A	N/A	N/A	N/A	N/A
Remit letters issued	210	248	150	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rent increase petitions processed	1	10	5	47	N/A	N/A	N/A	N/A	N/A	N/A
General Government:										
Original City TV program hours	207	201	220	225	220	232	230	N/A	N/A	N/A

Source: Various government departments

- Notes:
- 1 - Data was not routinely collected prior to 2004. Data that is unavailable is labeled as N/A.
 - 2 - Public Safety 2010 data is preliminary. Public Safety 2009 data was adjusted from preliminary to final.
 - 3 - Library materials circulated has been revised for 2008.
 - 4 - Rental Housing Inspections for FY 2010 were reported by rental facility. Activity in prior years was reported by the individual rental unit.

Table 18

**CITY OF TAKOMA PARK, MARYLAND
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Cars	42	41	40	38	26	26	25	25	25	22
Public Works:										
Sanitation collection trucks	4	4	6	6	6	6	7	7	7	7
Leaf vacuums	7	7	7	7	7	7	7	7	7	7
Stormwater drains (miles)	16.72	16.72	16.72	16.66	16.59	16.53	16.35	16.35	16.35	16.35
Streets (miles)	34.60	34.60	34.60	34.60	34.60	34.60	34.60	34.60	34.60	34.60
Streetlights	78	78	78	68	62	62	62	62	62	57
Recreation and Culture:										
Parks acreage	8.98	8.98	8.98	8.98	8.98	8.98	8.98	8.98	8.98	8.98
Parks	7	7	7	7	7	7	7	7	7	7
Community Centers	1	1	1	1	1	0	0	0	0	0
Vehicles	2	2	2	2	2	1	1	1	1	1

Sources: Various City departments.

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

**CITY OF TAKOMA PARK, MARYLAND
MISCELLANEOUS STATISTICAL DATA
June 30, 2010**

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	34.60
Sidewalks	27.87
Housing:	
Number of apartment units	3,765
Number of single family homes	3,128
Fire and rescue services	Montgomery County Fire Department
Police protection:	
Number of stations	1
Number of authorized police (sworn officers)	41
Municipal water plant	None
(Washington Suburban Sanitary Commission)	
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, 2010
(Continued)

Number of schools:

Elementary	2
Intermediate	1
Private	3
Colleges	2

Election:

Registered voters	10,934
Number of votes cast - November, 2009	1,728
Percentage voting	15.8%

Population by age group

(Source: U.S. Census Bureau)

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

Table 20

**CITY OF TAKOMA PARK, MARYLAND
SCHEDULE OF INSURANCE IN FORCE
June 30, 2010**

Type of Coverage/Company Name	Policy Number	From	To	Limits of Coverage	Premiums
Commercial General Liability – Local Government Insurance Trust	TAKO-01-PLP	7/01/09	⁽¹⁾ 6/30/10	\$2,000,000 aggregate – \$1,000,000, occurrence	\$ 15,692
Public Officials Liability – Local Government Insurance Trust	TAKO-01-PLP	7/01/09	⁽¹⁾ 6/30/10	\$1,000,000 aggregate – \$2,500 deductible	\$ 6,490
Police Liability – Local Government Insurance Trust	TAKO-01-PLP	7/01/09	⁽¹⁾ 6/30/10	\$1,000,000 aggregate – \$2,500 deductible	\$ 11,307
Comprehensive Auto Liability – Local Government Insurance Trust	TAKO-01-PLP	7/01/09	⁽¹⁾ 6/30/10	Physical damage: Comprehensive – \$1,000,000/occurrence, \$500 deductible Collision – \$1,000,000/occurrence, \$500 deductible Bodily injury – no deductible BI & PD \$1,000,000 aggregate	\$ 45,718
Excess Liability – Local Government Insurance Trust	TAKO-01-XSL	7/01/09	⁽¹⁾ 6/30/10	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	\$ 8,052
Building and Contents (includes boiler and machinery) Local Government Insurance Trust	TAKO-01-PRO	7/01/09	⁽¹⁾ 6/30/10	Insured to \$13,388,768, \$1,000 deductible.	\$ 19,334
Montgomery County – Self Insurance Program – Workers' Compensation	-	7/01/09	⁽¹⁾ 6/30/10	Statutory limit	\$ 334,730
Fidelity Bond – United States Insurance Services	Various	Various	⁽¹⁾ Various	\$15,000 to \$100,000 deductibles	\$ 4,754

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

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