



Takoma Park City Council Meeting – November 29, 2017 Agenda Item 3

Work Session

Presentation of the FY 2017 Comprehensive Annual Financial Report (CAFR)

Recommended Council Action

Hear presentation by the City's auditors, CohnReznick LLP.

Context with Key Issues

As required by the City Charter and by State law, an independent audit is conducted of the City's basic financial statements on an annual basis. The auditor's responsibility is to express an opinion on these financial statements based on their review.

The auditing firm is to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The report of CohnReznick LLP states, "[i]n our opinion, the financial statements...present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Takoma Park...and the respective changes in financial position and the budgetary comparison for the General, Speed Camera and Special Revenue Funds thereof..."

CohnReznick LLP also issued a report on its consideration of the City's internal control over financial reporting and on its tests of the City's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of the firm's testing of internal control over financial reporting and compliance and the results of that testing. It does not constitute an opinion on the internal control over financial reporting or on compliance. Given these limitations, the auditors did not identify any deficiencies in internal control that they considered to be material weaknesses. The auditor's tests of compliance did not disclose any instances of noncompliance or other matters that are required to be reported.

The City of Takoma Park's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

The following are some highlights from the FY 2017 financial report:

- As presented in the government-wide financial statements, the assets of the City exceeded its liabilities as of June 30, 2017 by \$30,439,544 (net position). This represents an increase

of \$1,012,399 from the prior year. Approximately 48%, or \$481,728, of this variance was due to the increases in real property taxes, and 30%, or \$299,696, was due to increases in Cable Operating revenue from Montgomery County.

- Of the City's total net position, the unrestricted net position decreased from (\$8,210,210) in FY 2016 to (\$8,998,932) in FY 2017. The unrestricted net position is in deficit due primarily to the required reporting of the net pension liability of \$16,591,832 related to the City's two pension plans.
- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$17,443,148, an increase of \$1,247,328 from the prior year. The increase in the combined ending governmental fund balances was due primarily to increases in real property tax and Cable Operating revenue. The ending fund balances include \$7,704,043 that is available for spending at the government's discretion (unassigned fund balance).
- In FY 2017, long-term debt decreased by \$359,129.

Council Priority

Fiscally Sustainable Government

Environmental Impact of Action

N/A

Fiscal Impact of Action

Careful monitoring and reporting of City financial information helps minimize financial risk.

Racial Equity Impact of Action

A well-run government that minimizes financial risk is better able to undertake programs to reduce racial inequity.

Attachments and Links

- Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017