

City of Takoma Park, Maryland

June 30, 2019 Independent Audit

COHN  REZNICK

FORWARD THINKING.



THE CITY OF TAKOMA PARK



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Agenda

- Auditor's Opinion
- Auditor's Report on Internal Control
- Presentation of CAFR
- Financial Highlights
- SAS 114 Communication
- Future Implementations

Auditor's Opinion

To the City Council
City of Takoma Park, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the General, Speed Camera, and Special Revenue Funds of the City of Takoma Park, Maryland, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Auditor's Opinion - Continued

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Takoma Park, Maryland, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the General, Speed Camera and Special Revenue Funds thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 - 31 and the schedules of changes in the City's net pension liability and related ratios, the City's proportionate share of the net pension liability and pension plan contribution on pages 76 - 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Takoma Park, Maryland's basic financial statements. The introductory section, budgetary schedules, combining non-major fund schedules, combining fiduciary fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Auditor's Opinion - Continued

The budgetary schedules, combining non-major fund schedules and combining fiduciary fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules, the combining nonmajor and fiduciary fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

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



Baltimore, Maryland
October 31, 2019

Auditor's Report on Internal Control

To the City Council
City of Takoma Park, Maryland

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund and the budgetary comparison for the General, Speed Camera, and Special Revenue Funds of the City of Takoma Park, Maryland, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Takoma Park, Maryland's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Takoma Park, Maryland's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Takoma Park, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Takoma Park, Maryland's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Auditor's Report on Internal Control- Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Takoma Park, Maryland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

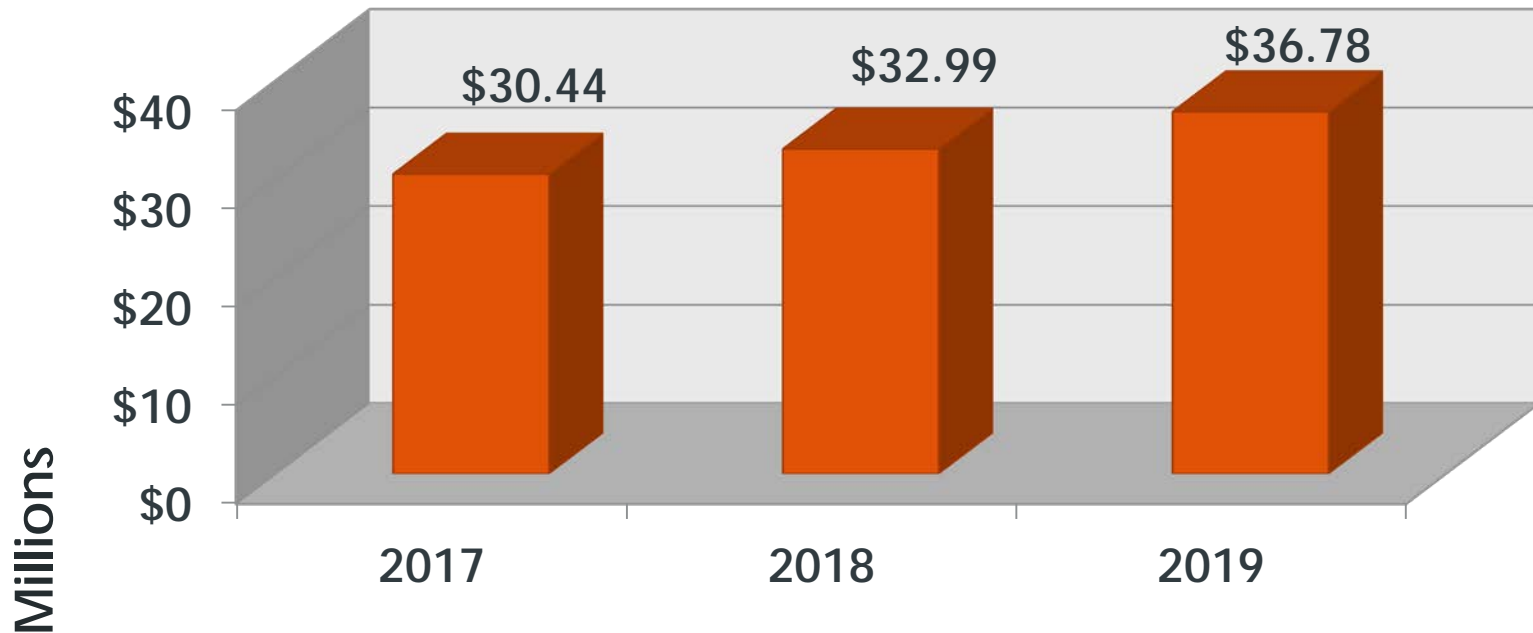
Baltimore, Maryland
October 31, 2019

Presentation of CAFR

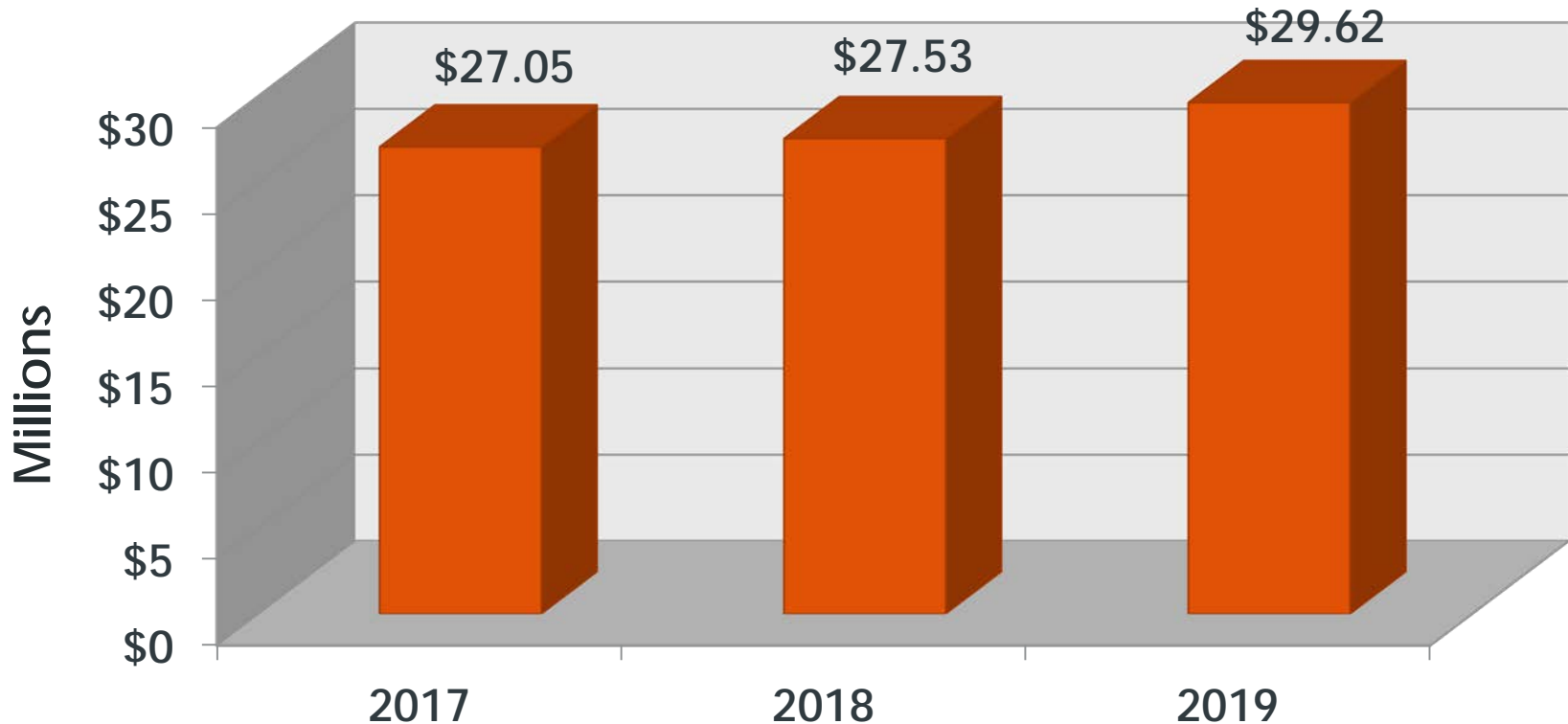
June 30, 2019

- ❑ Management Discussion & Analysis (pg. 18 - 31)
- ❑ Government-wide Financial Statements (pg. 34 -35)
 - ❑ Economic resources measurement focus and accrual basis of accounting (pg. 46)
- ❑ Fund Financial Statements (pg. 36 - 39)
 - ❑ Current financial resources measurement and modified accrual basis of accounting (pg. 46)
- ❑ Notes to the Financial Statements (pg. 45 – 73)
- ❑ Supplementary Information (pg. 76 – 88)

City of Takoma Park, Maryland Primary Government – Total Net Position

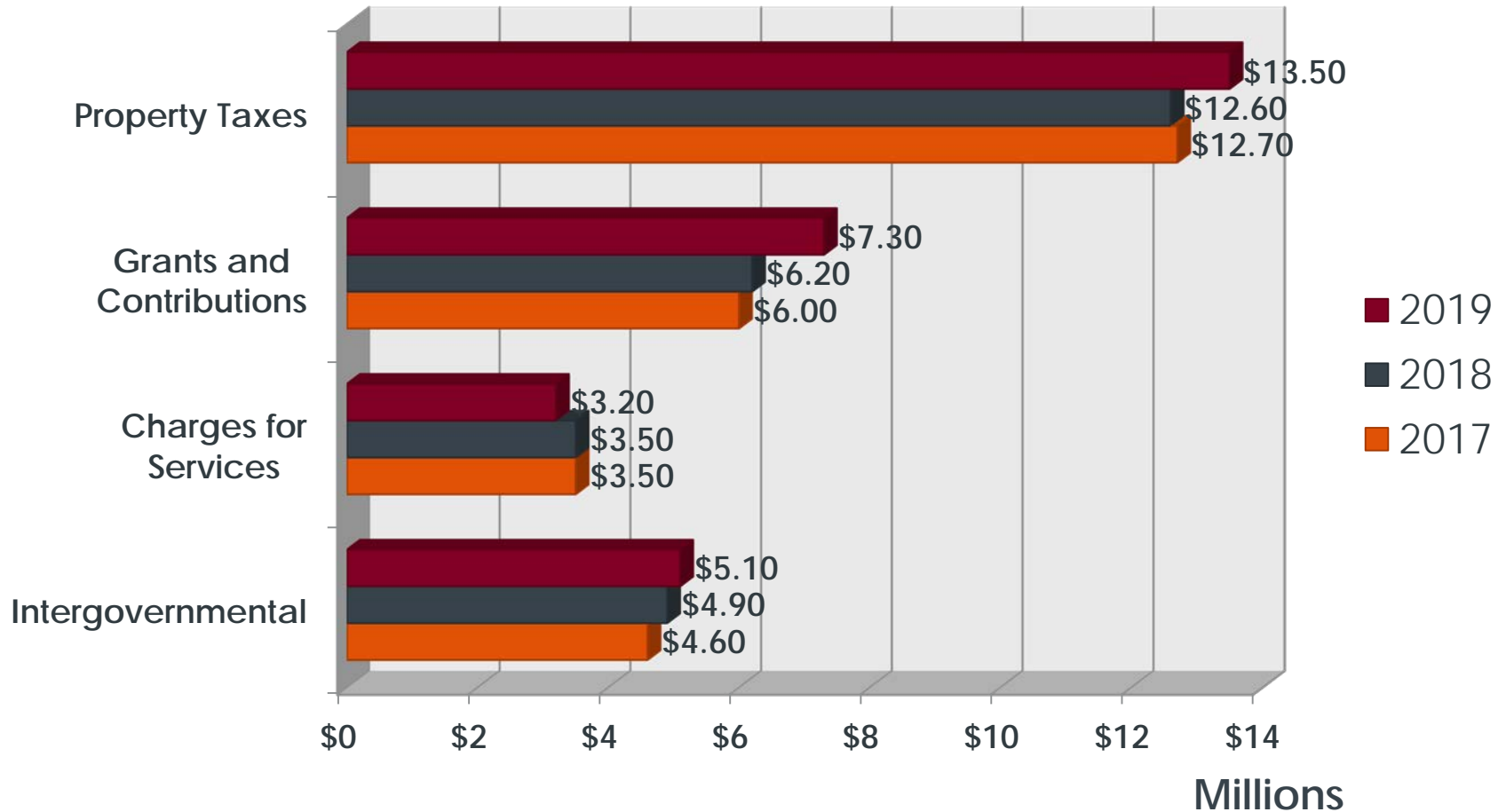


City of Takoma Park, Maryland Primary Government Revenue*

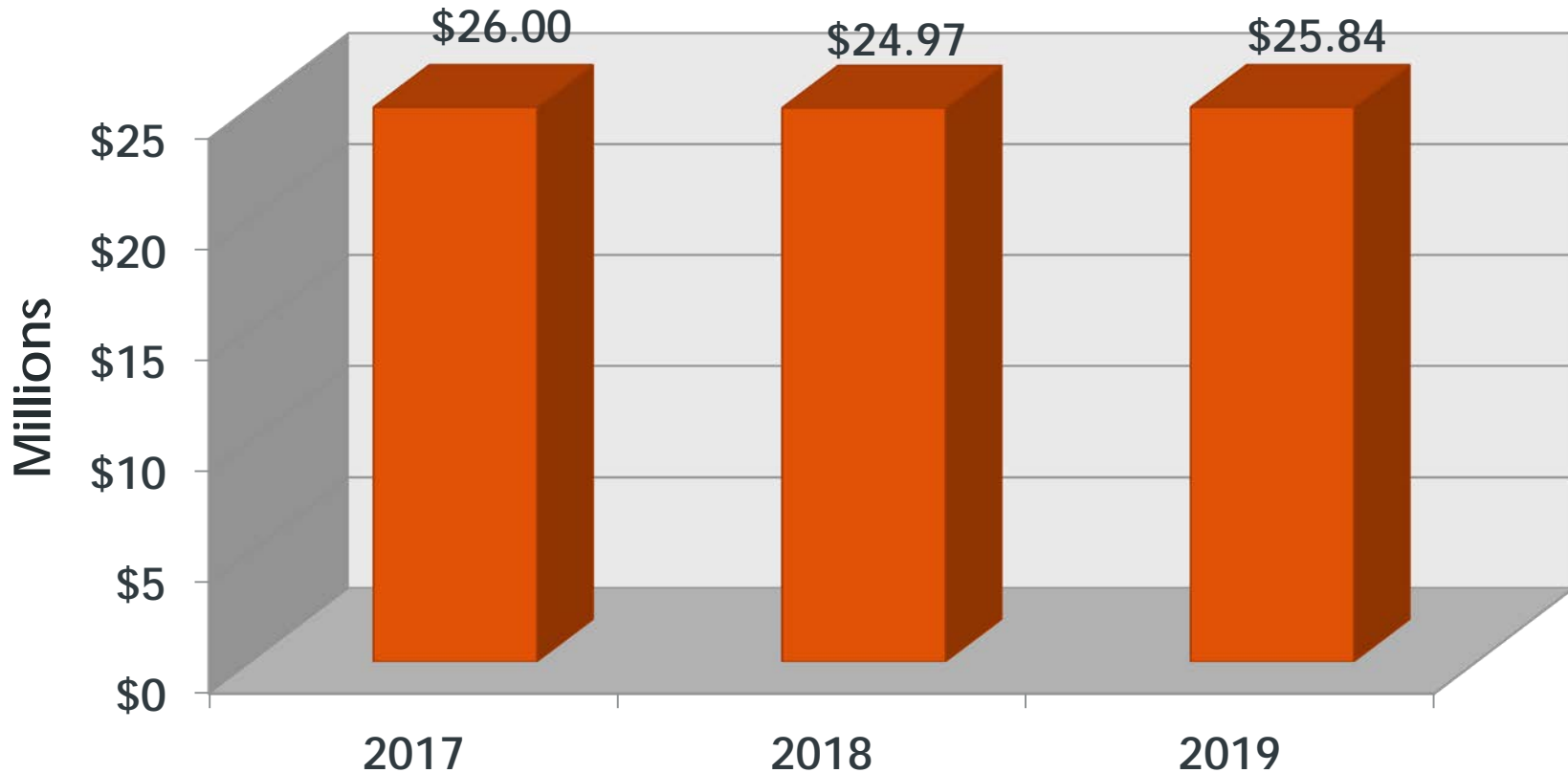


*includes general revenues

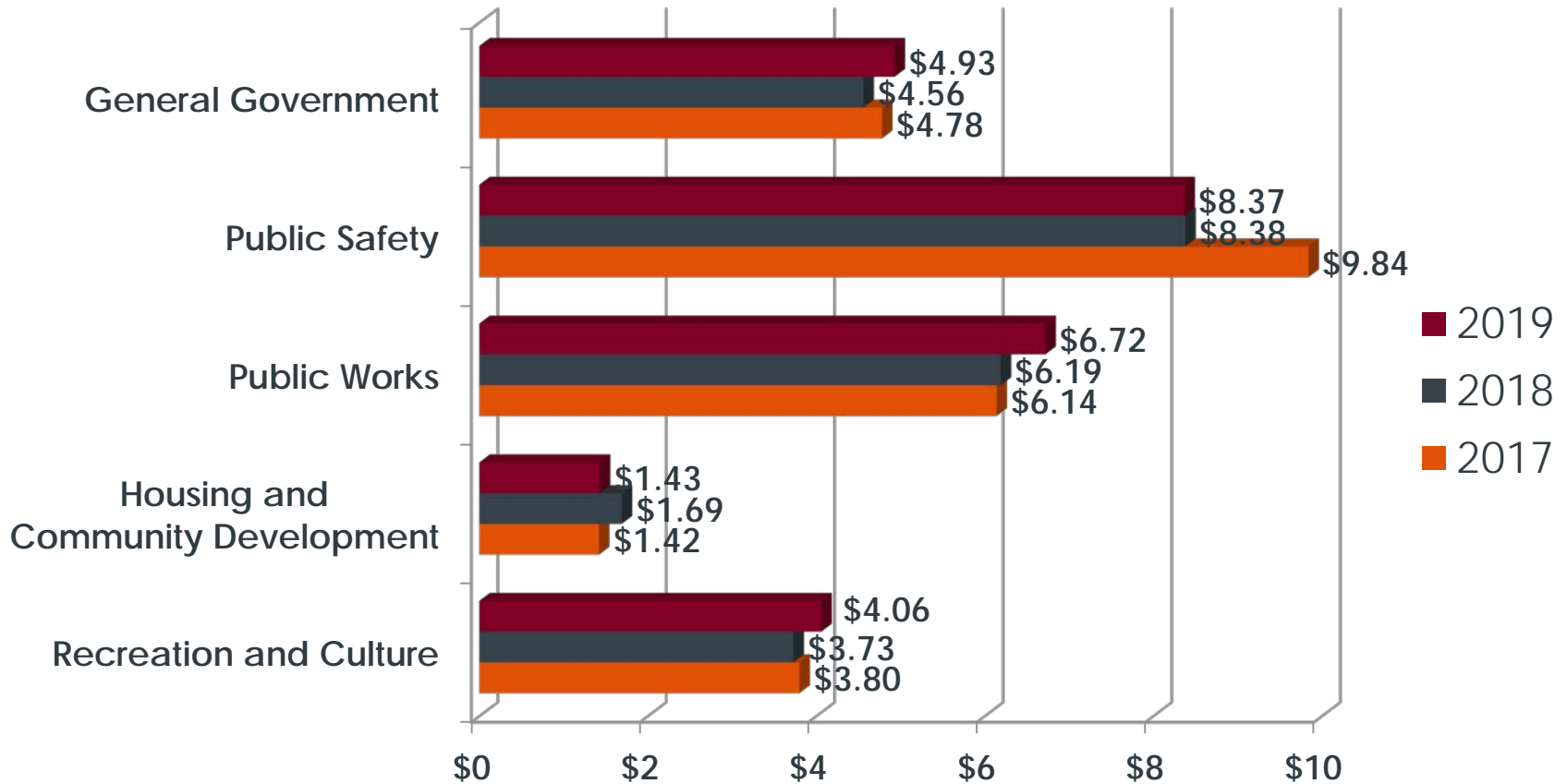
City of Takoma Park, Maryland General & Program Revenues



City of Takoma Park, Maryland Total Primary Government Expenses



City of Takoma Park, Maryland Expenses by Function



Financial Highlights

- General Fund – Fund Balance New Reserve Fund Policy

Fiscal Year	General Fund Unassigned Fund Balance	General Fund Revenues	Percentage of Revenues
2019	\$ 6,934,380	\$ 25,733,335	27%
2018	\$ 7,165,390	\$ 24,369,568	29%

- ❑ The required fund balance should be at least 17% of the City's total revenue in the General Fund

SAS 114 Communication with Those Charged with Governance

- ❑ This communication reflects those matters that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.
- ❑ For fiscal year 2019, no significant communications made.

Future Pronouncements

- ❑ GASB Statement No. 84, *Fiduciary Activities* will be effective for the City beginning with its year ending June 30, 2020.
- ❑ GASB Statement No. 87, *Leases*, will be effective for the City beginning with its year ending June 30, 2021.
- ❑ GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for the City beginning with its year ending June 30, 2021.
- ❑ GASB Statement No. 90, *Majority Equity Interests*, will be effective for the City beginning with its year ending June 30, 2021.
- ❑ GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the City beginning with its year ending June 30, 2022.