



Takoma Park City Council Meeting – November 18, 2019 Agenda Item 2

Work Session

Presentation of the FY 2019 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 2019 financial report:

- As presented in the government-wide financial statements, the assets of the City exceeded its liabilities as of June 30, 2019 by \$36,780,918 (net position). This represents an increase

of \$3,782,829 from the prior year. Approximately 40%, or \$832,976, of the \$2,061,294 increase in revenue was due to the increase in real property tax, and 47%, or \$972,970, was due to an increase in Operating Grants which included the Police Rebate (\$90,987), WSSC Flower Avenue Green Street (\$291,037), Ethan Allen Avenue Street Project (\$454,520), and Lincoln Avenue Construction Grant (\$431,176). The increase was offset by the reduction of grant funds from Community Parks (\$178,779) and MHP Trail project (\$100,000). Thirteen percent of the increase, or \$260,793, was due to unrestricted investment earnings.

- Of the City's total net position, the unrestricted net position increased from (\$4,070,092) in FY 2018 to (\$3,614,231) in FY 2019. The unrestricted net position is in deficit due primarily to the required reporting of the net pension liability of \$15,373,421 related to the City's two pension plans.
- As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$24,999,588, a decrease of \$1,165,195, from the prior year. The decrease in fund balance was due to the loss in operations in the General Fund of \$1,327,851 and Speed Camera Fund of \$266,617. The operating loss was offset by gains in Special Revenue Fund of \$345,508 and other non-major funds of \$83,765. The ending fund balances of \$24,999,588 include \$6,934,380 that is available for spending at the City's discretion (unassigned fund balance).
- In FY 2019, long-term debt decreased by \$545,185. The decrease was primarily due to the annual principal payments on existing debt totaling \$587,500. A portion was offset by an increase of \$42,315 in Compensated Absences.

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, 2019