



Takoma Park City Council Meeting – November 18, 2020 Agenda Item 1

Presentation

Presentation of the FY 2020 Comprehensive Annual Financial Report (CAFR) and Audit

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, Maryland, as of June 30, 2020, 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."

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 2020 financial report:

- As presented in the government-wide financial statements, the assets of the City exceeded its liabilities as of June 30, 2020 by \$42,248,234 (net position). This represents an increase of \$5,467,316. The change in the net position is the result of net surplus of revenues over expenditures. Compared to 2019, there is a net revenue increase of \$2,576,629 and a net expenditure increase of \$892,142. Almost all of the net increase was due to grants.
- As of June 30, 2020, the City of Takoma Park's governmental funds reported combined ending fund balances of \$24,798,926, a decrease of \$200,662 from the prior year. The decrease in fund balance was mainly due to the operational deficit in the General Fund of \$378,245. The operating loss was partially offset by gains in the Speed Camera, Special Revenue and Stormwater Funds.
- At the end of Fiscal Year 2020, the unassigned fund balance for the General Fund was \$6,304,957 or 24% of total General Fund expenditures
- The City of Takoma Park's long-term debt decreased by \$1,090,793 during the fiscal year. The decrease was primarily due to the annual principal payments on existing bond debts totaling \$599,000, an increase of \$56,345 in Compensated Absences, and a decrease of \$548,138 in Net Pension Liability.

Council Priority

Fiscally Sustainable Government

Environmental Considerations

N/A

Fiscal Considerations

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

Racial Equity Considerations

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

Attachments and Links

- [CAFR](#) - Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020
- Presentation (to be posted when available)