



## Takoma Park City Council Meeting – November 30, 2022 Agenda Item 1

### **Presentation**

Presentation of the FY 2022 Annual Comprehensive Financial Report (ACFR) and Audit

### **Recommended Council Action**

Hear presentation by the City's auditors, Barbacane Thornton & Company 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 Barbacane Thornton & Company LLP states, "in our opinion, the accompanying financial statement 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, 2022, 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."

Barbacane Thornton & Company 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

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 2022 financial report:

- As presented in the government-wide financial statements, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of June 30, 2021 by \$46,577,249 (net position). This represents an increase of \$2,622,752 from the prior year. The change in the net position is the result of net surplus of revenues over expenditures. Compared to 2021, there is a net revenue increase of \$3,947,469 and a net expenditure increase of \$3,030,980. (page 23-24) The net increase in revenue was due to increase in intergovernmental revenues, charges and services and operating grants and contribution.
- As of June 30, 2022, the City of Takoma Park's governmental funds reported combined ending fund balances of \$25,458,772, an increase of \$1,275,196 from the prior year. (page 39) The increase in fund balance was mainly due to the operational surpluses in the General Fund of \$911,875 and in other Funds totaling \$363,321.
- At the end of Fiscal Year 2022, the unassigned fund balance for the General Fund was \$4,598,441 or 17% of total General Fund expenditures. Compared to 2021, there is a net decrease of \$2.5 million primarily due to the reclassification of funds to Committed Reserve as assigned for the future year's budget. (page 45) The fund reclassification is recommended by the auditor due to the condition of deficiency of revenues over expenditures in the adopted budget of Fiscal Year 2023.
- The City of Takoma Park's long-term debt decreased by \$600,291 during the fiscal year. The decrease was due to the annual principal payments on existing bond debts totaling \$602,000, which was offset by an increase of \$1,709 in Compensated Absences.

### **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**

- Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022
- Presentation (to be posted when available)