



Takoma Park City Council Meeting – November 13, 2023 Agenda Item 1

Presentation

Presentation of the FY 2023 Annual Comprehensive Financial Report (ACFR) and Audit

Recommended Council Action

Hear presentation by the City's audit partner, Timothy Sawyer from 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, 2023, 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 2023 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, 2023 by \$51,143,882 (net position). This represents an increase of \$4,566,633 from the prior year. The change in the net position is the result of net surplus of revenues over expenditures. Compared to 2022, there is a net revenue increase of \$4,354,567 and a net expenditure increase of \$2,410,686. (page 22-23) The net increase in revenue was due to increase in operating grants and contribution.
- As of June 30, 2023, the City of Takoma Park's governmental funds reported combined ending fund balances of \$24,890,748, a decrease of \$568,024 from the prior year. (page 38) The decrease in fund balance was mainly due to the operational deficits in the Speed Camera Fund (\$527,640), Special Revenue Fund (\$45,272) and Stormwater Fund (\$233,734). It was offset by a surplus of \$237,549 in the General Fund.
- At the end of Fiscal Year 2023, the unassigned fund balance for the General Fund was \$8,230,439 or 28% of total General Fund revenues. Compared to 2022, there is a net increase of \$3.6 million primarily due to the release of funds from Committed Reserve and Restricted Bond Reserve to the Unassigned Reserve. (page 36) The amount of fund reclassification in the Committed Reserve is recommended by the auditor due to the condition of deficiency of revenues over expenditures in the adopted budget of Fiscal Year 2024.
- The City of Takoma Park's long-term debt increased by \$33,294 during the fiscal year. The increase was due to the \$469,792 lease liability incurred by the temporary library, the slight increase of \$25,502 in Compensated Absences and offset by the annual principal payments on existing bond debts totaling \$462,000. (page 30-31)

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, 2023
- Presentation



CITY OF TAKOMA PARK AUDIT RESULTS JUNE 30, 2023

Timothy Sawyer, CPA, CGMA, Partner



Summary of Audit Results

- Audit Timeline
- Audit Approach
- Areas of Audit Emphasis
- Audit Results
- Other Matters
- Financial Results



Audit Timeline

- A hybrid audit was performed this year.
- Fieldwork began on September 18, 2023 and was completed on October 26, 2023.
- Draft Audit Report was issued in October, reviewed and approved by City Management.
- The UFR was submitted on October 31, 2023
- The Audit Report was dated October 31, 2023.



Audit Approach

- Procedures designed to target areas of greater audit risk.
- Four-part approach:
 - Inquiry and documentation of controls and procedures
 - *Testing of the design and implementation of controls*
 - Analytical review of activities and account balances
 - Substantive testing of key activities

Areas of Audit Emphasis

- Improper revenue recognition (third-party confirmation, review of support)
- Third-party confirmation of cash accounts and debt
- Focus on capital outlay expenditures
- Focus on payroll expenditures
- Random selection of other transactions

Audit Results

- We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
- We issued unmodified (“clean”) audit opinions on the governmental activities, each major fund, and the aggregate remaining fund information.

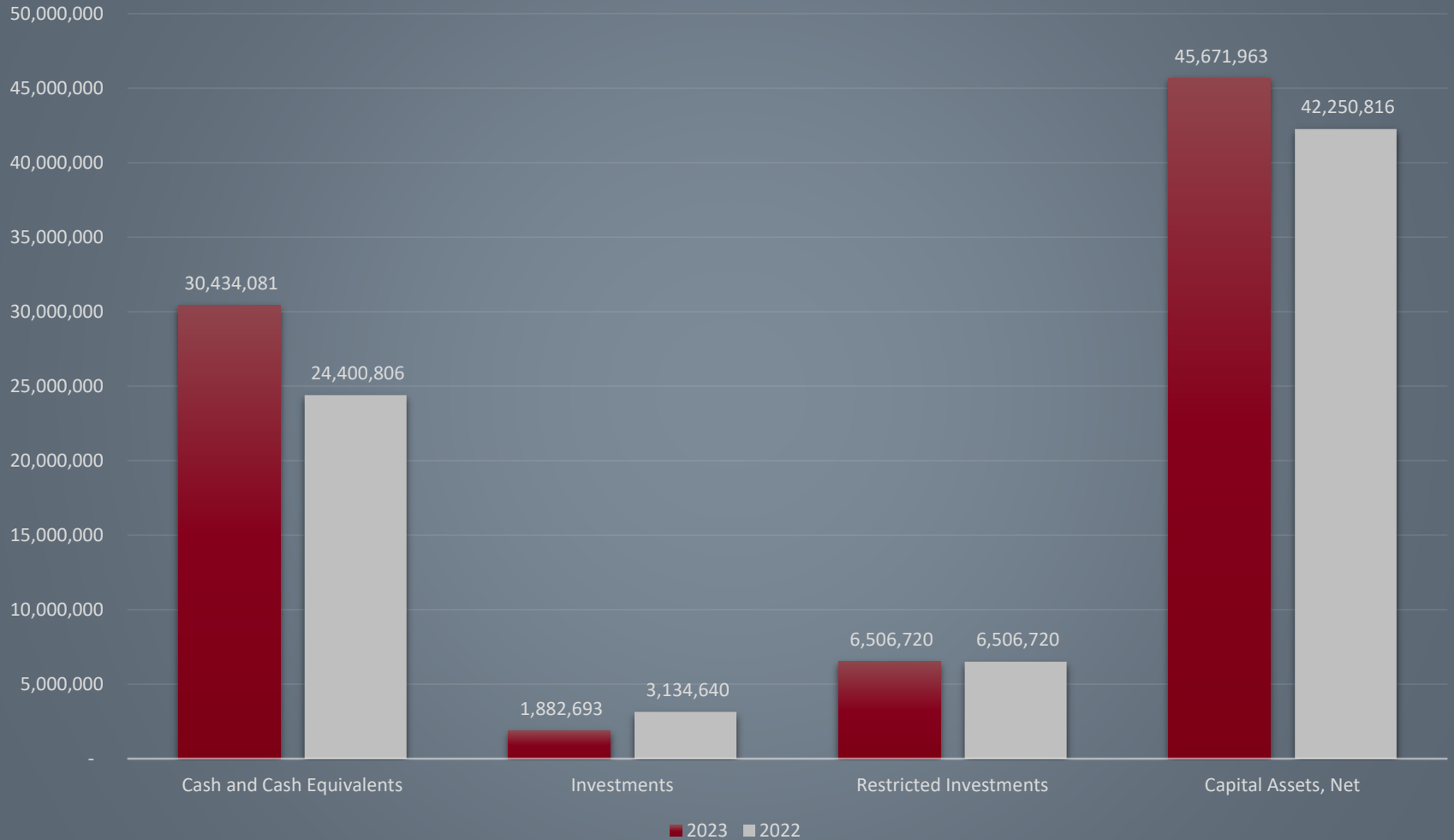


Other Matters

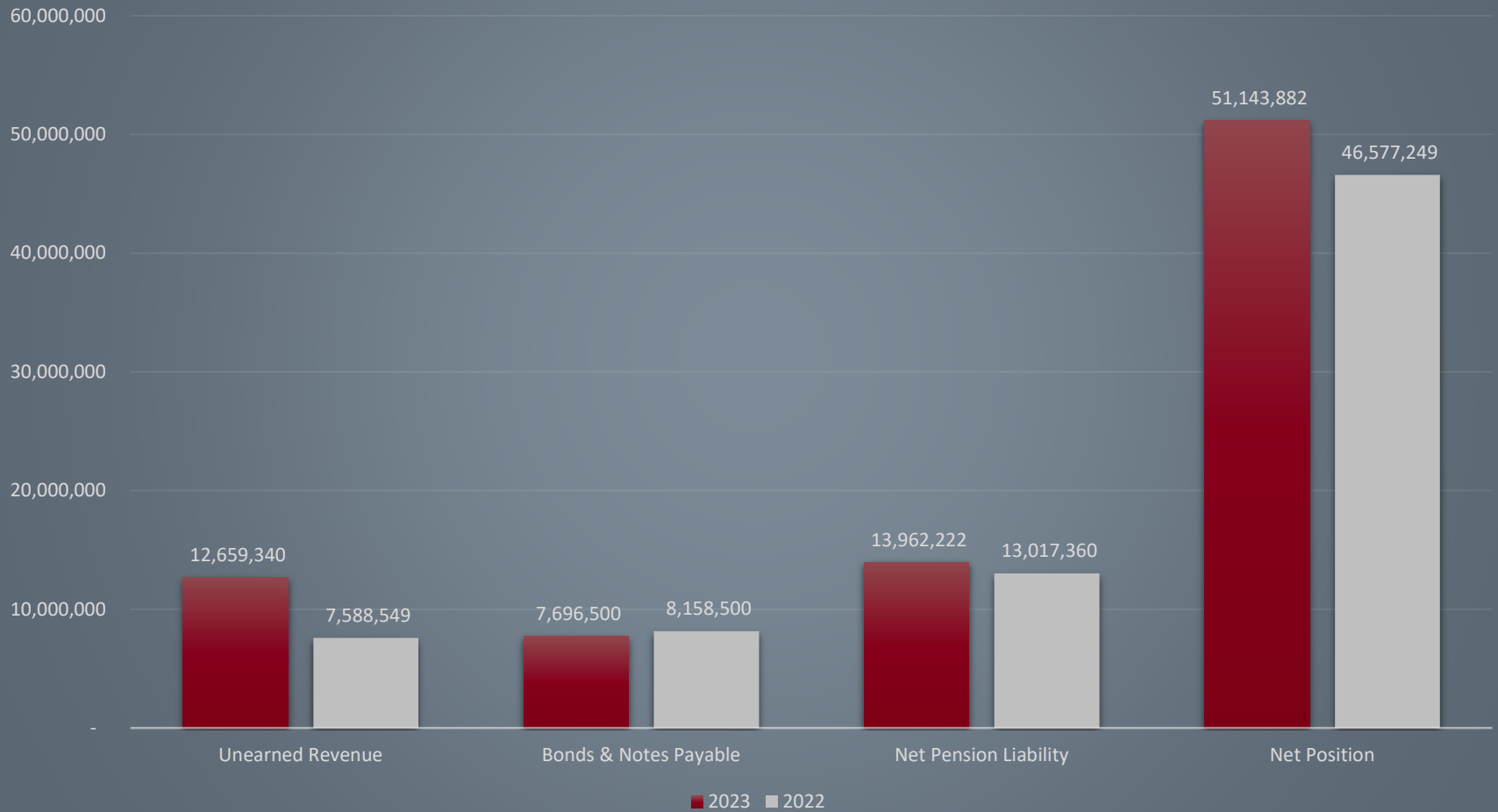
- Management was helpful and forthcoming throughout the audit.
- There were no waived audit adjustments.
- We are available year-round for any questions that the City or City's management may have.



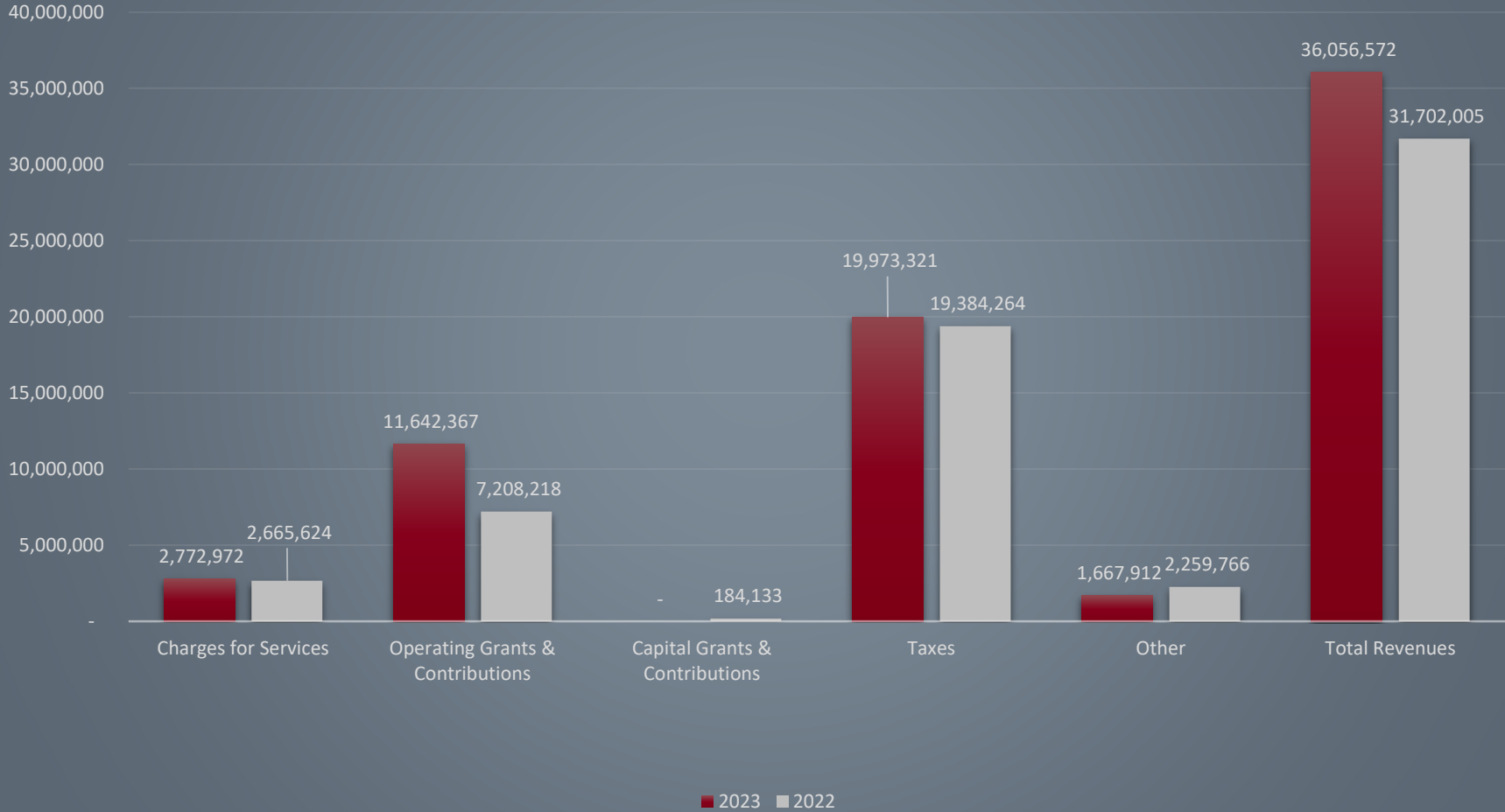
Cash, Investments, and Capital Assets



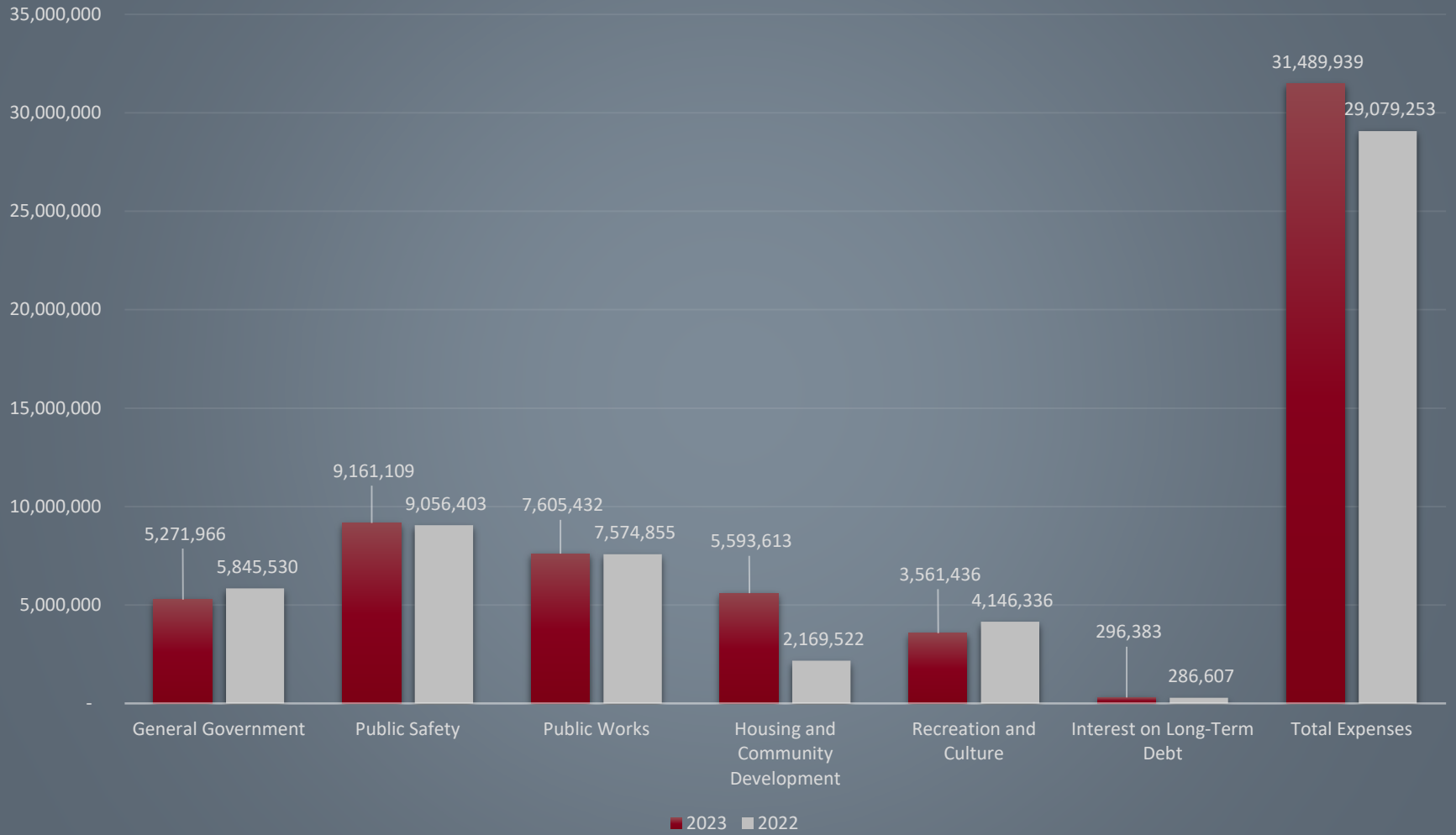
Unearned Revenue, Bonds & Notes Payable, Net Pension Liability and Net Position



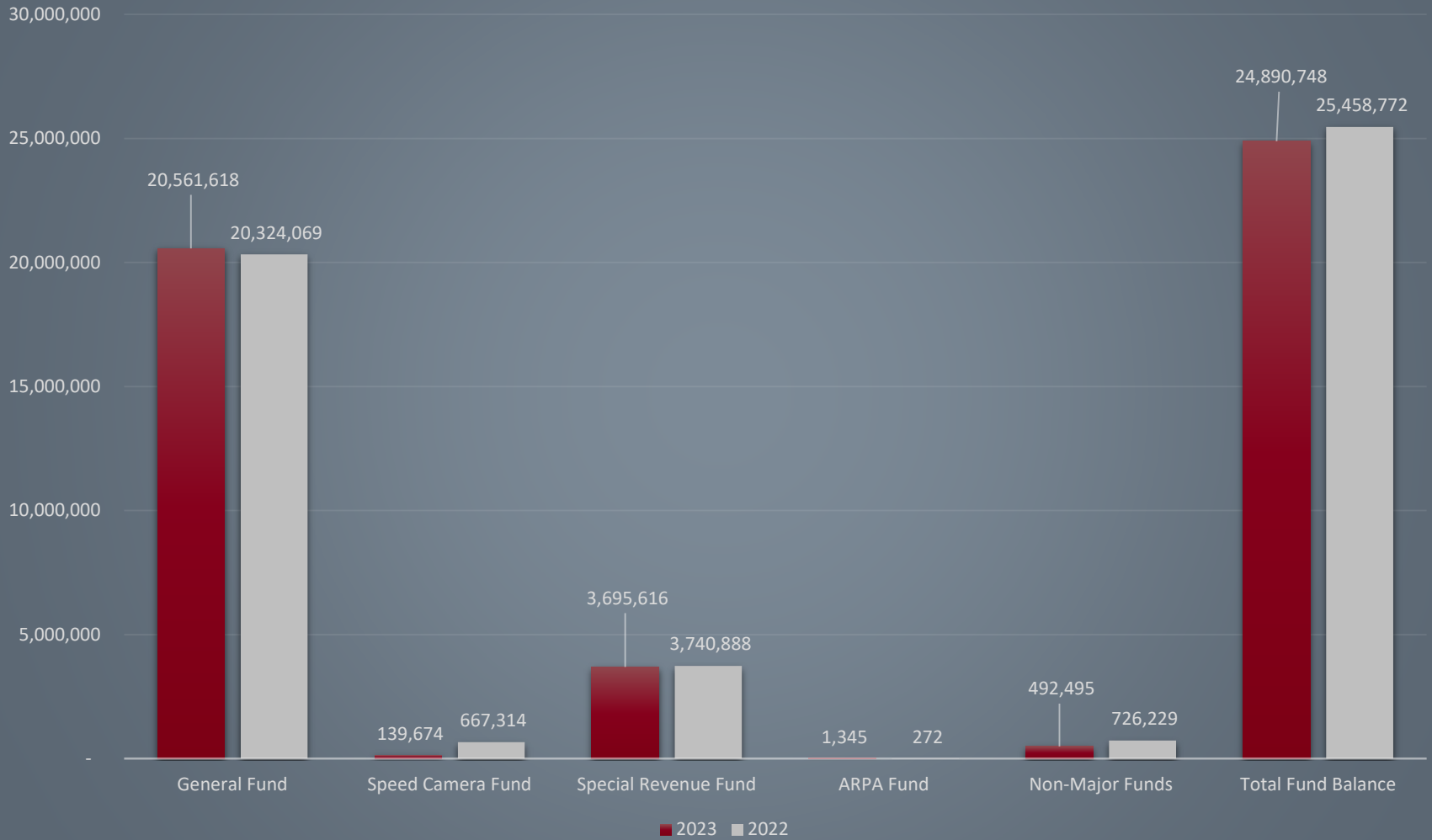
Revenues



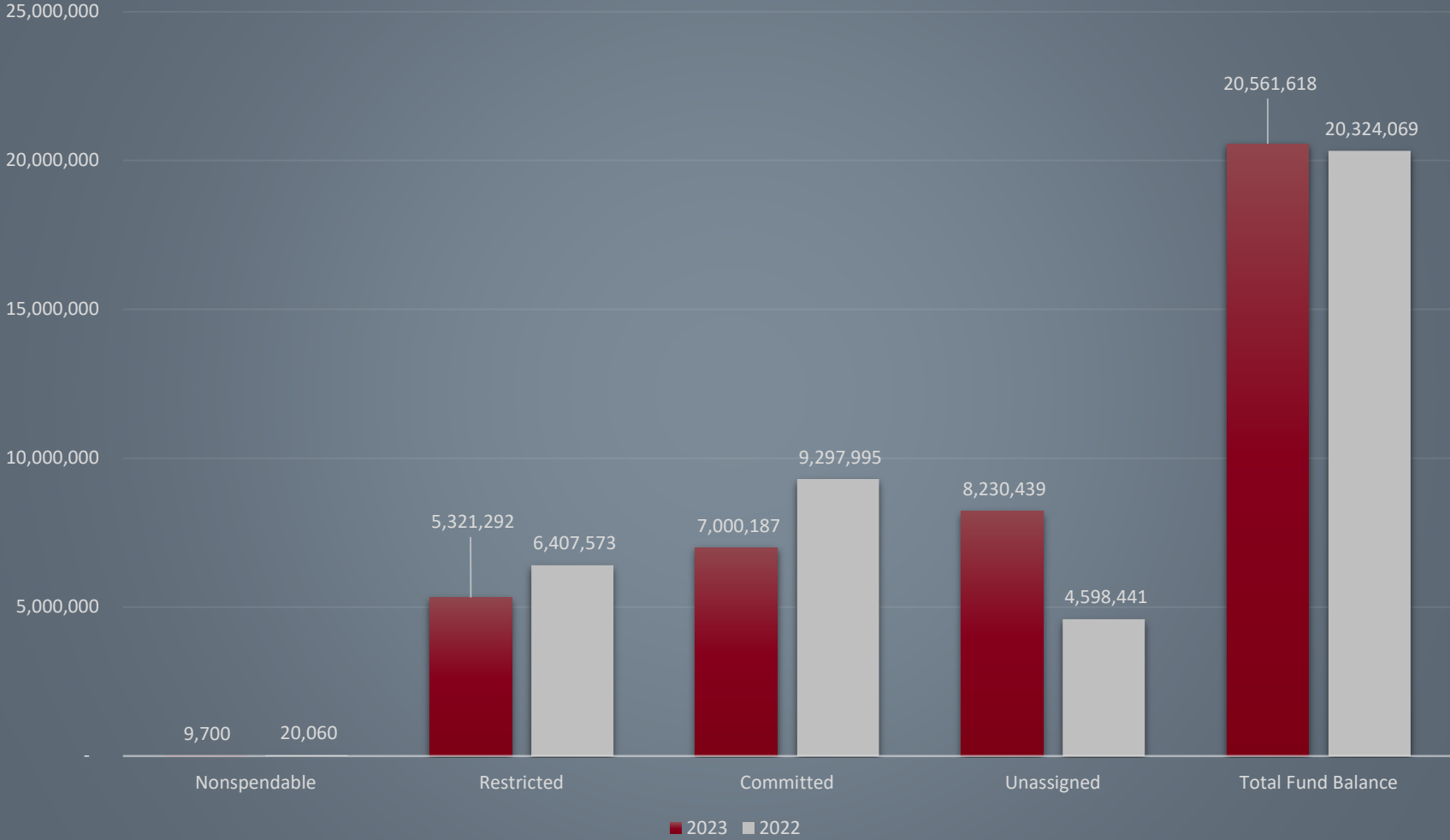
Expenses



Fund Balance



General Fund Balance





QUESTIONS