



Takoma Park City Council Meeting – November 20, 2024

Agenda Item 1

Presentation

Presentation of the FY 2024 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, 2024, and the respective changes in financial position and the budgetary comparison for the General, ARPA, Speed Camera, Special Revenue and Stormwater 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 2024 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, 2024 by \$53,678,588 (net position). This represents an increase of \$2,534,706 from the prior year. The change in the net position is the result of net surplus of revenues over expenditures. Compared to 2023, there is a net revenue decrease of \$60,237 and a net expenditure increase of \$1,971,690. (page 22-23) The net decrease in revenue was due to the reduction in operating grants and contribution.
- As of June 30, 2024, the City of Takoma Park's governmental funds reported combined ending fund balances of \$24,740,382, a decrease of \$150,366 from the prior year. (page 38) The decrease in fund balance was mainly due to the operational deficits in the General Fund (\$193,937), Speed Camera Fund (\$51,706), Special Revenue Fund (\$44,868), Stormwater Fund (\$128,724). It was offset by a surplus of \$269,031 in the ARPA Fund.
- At the end of Fiscal Year 2024, the unassigned fund balance for the General Fund was \$10,801,326 or 34% of total General Fund revenues. Compared to 2023, there is a net increase of \$2.6 million primarily due to the release of funds from the Restricted Bond Reserve to the Unassigned Reserve. (page 36)
- The City of Takoma Park's long-term debt increased by \$585,411 during the fiscal year. The increase was due to the slight increase of \$45,618 in Compensated Absences and the increase of \$1.2 million in net pension liabilities which is offset by the reduction of the bond payable and lease liability. (page 60)

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, 2024
- Presentation