

City of Takoma Park Maryland



*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016*

This page intentionally left blank.

City of Takoma Park Maryland



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2016

Prepared by: City of Takoma Park, Maryland

*Suzanne R. Ludlow
City Manager*

*Susan Cheung
Director of Finance*

This page intentionally left blank.

City of Takoma Park, Maryland

Index

Page

Introductory Section

| | |
|---|----|
| Letter of Transmittal | 5 |
| GFOA Certificate of Achievement | 10 |
| Organizational Chart | 11 |
| List of Elected and Appointed Officials | 12 |

Financial Section

| | |
|--------------------------------------|----|
| Independent Auditor's Report | 15 |
| Management's Discussion and Analysis | 17 |
| Basic Financial Statements | 32 |

Government-wide Financial Statements

| | |
|---------------------------|----|
| Statement of Net Position | 33 |
| Statement of Activities | 34 |

Fund Financial Statements

| | |
|---|----|
| Balance Sheet - Governmental Funds | 35 |
| Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position | 36 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 37 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities | 38 |
| General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (GAAP Basis) | 39 |
| Speed Camera Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (GAAP Basis) | 40 |
| Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis) | 41 |

Fiduciary Funds Financial Statements

| | |
|--|----|
| Statement of Fiduciary Net Position | 42 |
| Statement of Changes in Fiduciary Net Position | 43 |

City of Takoma Park, Maryland

Index

| | <u>Page</u> |
|---|-------------|
| Notes to Financial Statements | 44 |
| Required Supplementary Information | 72 |
| Pension Trust Funds | |
| Police Employees' Retirement Plan - Schedule of Changes in the City's Net Pension Liability and Related Ratios | 74 |
| Schedule of Required Pension-Related Supplementary Information: Schedule of the City's Proportionate Share of the Net Pension Liability | 76 |
| Schedules of Required Pension-Related Supplementary Information: Schedule of the City's Pension Plan Contributions | 77 |
| Supplementary Information | 78 |
| General Fund Schedule of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual | 79 |
| Non-Major Governmental Funds - Combining Balance Sheet | 82 |
| Non-Major Governmental Funds Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | 83 |
| Stormwater Management Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 84 |
| Combining Statement of Fiduciary Net Position | 85 |
| Combining Statement of Changes in Fiduciary Net Position | 86 |
| Statistical Section | |
| Statistical Section Contents | 90 |
| Net Position by Component | 91 |
| Changes in Net Position | 92 |
| Fund Balances of Governmental Funds | 93 |
| Changes in Fund Balances of Governmental Funds | 94 |
| General Fund Tax Revenue by Source | 95 |
| Real Property Tax Levies and Collections | 96 |
| Assessed and Estimated Actual Value of Taxable Property | 97 |

City of Takoma Park, Maryland

Index

| | <u>Page</u> |
|---|-------------|
| Property Tax Rates - Direct and Overlapping Governments | 98 |
| Computation of Legal Debt Margin | 99 |
| Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita | 100 |
| Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures | 101 |
| Computation of Direct and Overlapping Debt | 102 |
| Demographic Statistics | 103 |
| Principal Property Taxpayers | 104 |
| Principal Employers | 105 |
| Full-time Equivalent City Government Employees by Function | 106 |
| Operating Indicators by Function | 107 |
| Capital Asset Statistics by Function | 108 |
| Miscellaneous Statistical Data | 109 |
| Schedule of Insurance in Force | 111 |

Introductory Section

The City of Takoma Park

Office of the City Manager
Telephone: 301.891.7229
Fax: 301.270-8794

SuzanneL@takomaparkmd.gov



7500 Maple Avenue
Takoma Park, MD 20912
www.takomaparkmd.org

Suzanne R. Ludlow, City Manager

October 25, 2016

Honorable Members of the City Council
and Citizens of the City of Takoma Park, Maryland:

The City's Charter, Section 821, requires that the financial books and accounts of the City be audited annually in accordance with applicable State laws and the requirements of the City Council. The City Council has elected to have its financial statements prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a certified public accountant. We hereby issue the comprehensive annual financial report ("CAFR") for the year ended June 30, 2016.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and changes in financial position of the City; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been provided.

CohnReznick LLP, a firm of licensed certified public accountants, has audited the City of Takoma Park, Maryland's financial statements. The independent auditor's report is included with the City's financial statements in the Financial Section of this report. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and, for the basic financial statements of the City, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. On the basis of this examination, the independent auditors have issued an unmodified opinion that the presentation of the basic financial statements conforms to accounting principles generally accepted in the United States of America. In conducting the audit, the auditors performed tests of the accounting records and such other procedures as were considered necessary in the circumstances to provide a reasonable basis for the opinion on the financial statements.

The auditors also assessed the accounting principles used and the significant estimates made by management, as well as evaluated the overall financial statement presentation. Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the Financial Section of this report.

PROFILE OF THE GOVERNMENT

The City of Takoma Park is approximately 2.4 square miles in size and is located in Montgomery County, Maryland on the border of Washington, D.C. The City was incorporated in 1890 and has a population of 16,715 (U.S. Census 2010).

The City of Takoma Park operates under a Council/Manager form of government. Policy-making and legislative authority are vested in a governing body consisting of seven members (Mayor and six Council members). The City Council is elected on a non-partisan basis. All seven members serve two-year terms. Six Council members are elected by wards. The Mayor is elected at large. The City Council's responsibilities include setting City policy, passing ordinances and resolutions, adopting the City's annual budget, appointing members to committees, and hiring both the City Manager and the City Attorney.

The City Manager is responsible for implementing the policies and ordinances of the City Council, overseeing the day-to-day operations of the government, and appointing the heads of various departments.

The City provides a range of municipal services including, but not limited to, police protection, solid waste and recycling collection, storm drainage maintenance, street and park maintenance, snow removal, housing and property inspections, and recreation.

ECONOMIC CONDITION AND OUTLOOK

The City is a residential community located in the southern part of Montgomery County in the inner suburbs of the Washington, D.C. metropolitan area. City residents benefit from the excellent Montgomery County public school system. The Takoma Park-Silver Spring campus of Montgomery College and the four-year Washington Adventist University are located in Takoma Park. The City has a large historic district, two major commercial districts, many parks, and attractive, walkable neighborhoods. The City is located along the Red Line of the region's Metrorail system and is well served by bus systems and bicycle trails. Offices, attractions, and entertainment are close by in adjacent Washington, D.C. and Silver Spring, Maryland.

According to the 2010 Census, the City had a total of 7,162 housing units. Of these, 3,444 were owner-occupied housing units. Forty-seven percent (47%) of Takoma Park's households live in multi-family residential structures.

Because of its location and attractive environment, Takoma Park is a highly desirable place to live. Its economic health rests heavily on the value of its residential property. The net assessable real property value for Takoma Park was estimated at \$2.1 billion during fiscal year 2016. Housing values have risen sharply since 2000, when the median value of an owner occupied home was \$189,200, according to the 2000 Census. The American Community Survey ("ACS") of 2010-2014 reflected a median owner-occupied housing unit value of \$475,800. Rapid growth in property values in Takoma Park ended during the recession in the late 2000's. Since that time, property values first rose slowly and now are rising at a moderate pace.

Real property in the State of Maryland is reassessed on a triennial basis. The 2013 reassessment showed a decline in the City's assessable real property base (net) of 3.6 percent from Fiscal Year 2013. This affected the City through Fiscal Year 2016 and affected choices in service delivery over that time. The 2016 reassessment showed an increase in the assessable base of 8.0 percent from Fiscal Year 2016.

The Census Bureau reported that the population of the Washington D.C. region grew by 63,793, or 1.1 percent between 2013 and 2014, to a total of approximately 6.1 million persons. The Bureau of Labor Statistics reported the unemployment rate in the region in August 2016 was 4.4%. The Montgomery County, Maryland unemployment rate was 3.7%.

While the Washington, D.C. area fared better than other parts of the country during the recession, it has been impacted by Congressional-mandated sequestration that resulted in cuts in federal funding and contracting. These cuts resulted in substantially less revenue for states and local governments. Municipalities were hurt directly and by cuts in intergovernmental payments from states and counties. The economic outlook for the State of Maryland began improving during Fiscal Year 2013. The General Assembly voted to increase funding for municipalities in Fiscal Year 2014 and 2015. Efforts are continuing to make these revenue sources, especially Highway User Revenue, less variable in the future.

Takoma Park is also working with other municipalities in Montgomery County to ensure that intergovernmental revenue from the County will be more substantial and predictable in coming years. These efforts will be continuing but success is not certain.

During Fiscal Year 2016, it was learned that the Maryland Office of the Comptroller had misallocated income tax revenue among counties and municipalities for a number of years. While the City of Takoma Park benefited from the corrections made by the Comptroller's Office, many municipalities are required to pay back revenue they received, reinforcing the need for adequate municipal reserves in the face of uncertainty.

While property tax and intergovernmental revenue are the largest sources of revenue for the City of Takoma Park, the community's long term economic health depends on economic development in the City's commercial corridors, particularly along New Hampshire Avenue and University Boulevard. Governor Hogan has affirmed the State's commitment to the Purple Line, a light rail transit line that will traverse Montgomery and Prince George's Counties, including along University Boulevard on the north side of Takoma Park. Construction is scheduled to begin in 2016 and be open for service in 2022.

Recognizing that the Purple Line and the development it will spur are important to the long-term economic health of the Takoma Park community, City officials worked with planners in Montgomery County and Prince George's County to ensure that master plans and appropriate zoning are in place to encourage and tailor redevelopment of neighborhoods and commercial areas near the transit line.

Significant streetscape improvements and commercial district support activities continue to take place in the Old Takoma, Takoma-Langley Crossroads and Long Branch commercial areas. The Old Takoma business area has a Maryland Main Street designation. The Takoma-Langley Crossroads area and the Long Branch business district are part of a Maryland Enterprise Zone that was established in 2005 and reauthorized in 2013, providing tax incentives to new and expanding businesses. Both the Old Takoma and the Takoma-Langley Crossroads business districts have active programming efforts underway to market their commercial areas to the surrounding region. These commercial areas are thriving, with a number of exciting new businesses and virtually no vacancies.

To strengthen the long-term economic health of the Takoma Junction commercial area in the Old Takoma business district, the City is pursuing commercial development on the site of a City-owned parking lot. In 2015, the City selected Neighborhood Development Corporation of Washington, D.C. as the developer under a ground-lease arrangement.

The City is also working with officials of Washington Adventist Hospital to ensure that the hospital's Takoma Park campus remains a strong community asset when its main hospital moves to the White Oak area of Montgomery County in 2019. The campus will retain rehabilitation and behavioral health hospital functions as well as urgent and primary care facilities. Washington Adventist University will rent some of the vacant hospital space and there is interest in bringing in other complementary and community-serving uses to the campus.

LONG-TERM FINANCIAL PLANNING

The City of Takoma Park is committed to responsible long-term financial planning. Elements with long-range impacts include maintenance of infrastructure and retirement plan costs.

In accordance with the City Charter, certain monies are set aside for the scheduled replacement of vehicles and equipment. These funds are accounted for in the Equipment Replacement Reserve. Substantial funds have been allocated to the Equipment Replacement Reserve over the last decade. This funding effort should be continued going forward to ensure that the City has sufficient funds on hand to maintain its vehicle fleet and other equipment in good working order. A newer fund, the Facility Maintenance Reserve, was established to have funds available for large facility maintenance expenses over time. A plan will be developed to identify the level of reserves appropriate for this fund.

The City of Takoma Park Police Employees' Retirement Plan, established in 2001, covers sworn police officers who are employed on a regular full-time basis. Plan provisions include retirement, disability, and death benefits to plan members and their beneficiaries. In Fiscal Year 2009, the City modified the existing Plan in an attempt to address the initial rate of disability. The City contribution rate has been relatively stable since enactment of the change. The plan does not include retiree health benefits, which has kept costs reasonable.

RELEVANT FINANCIAL POLICIES

As noted earlier in this transmittal message, the downturn in the economy several years ago affected the City in a number of ways. The Federal Reserve's interest rate cuts significantly reduced the City's investment revenues. The financial difficulties of the State of Maryland and Montgomery County resulted in reductions of funds traditionally provided to municipalities. In Fiscal Year 2014, improving economic conditions allowed the State to increase Police Protection Aid on an ongoing basis and to increase Highway User Revenue on a temporary basis.

The City will maintain adequate unassigned fund balance in its General Fund in order to address revenue fluctuations and to avoid any disruption in services caused by a future decline in significant revenue sources and rising costs. Additionally, the City's use of unrestricted future fund balances and one-time revenue sources will be limited to specific non-recurring projects.

MAJOR INITIATIVES

City activities in Fiscal Year 2016 were largely focused on three major policy areas:

- Environmental and Economic Sustainability
- Livable Community
- Engaged, Responsive, and Service-Oriented Government

Major accomplishments related to these priorities during Fiscal Year 2016 included the following:

- Negotiated a development agreement with Neighborhood Development Corporation to commercially develop the City-owned parking lot in the Takoma Junction area.
- Continued a remarkable community-wide effort to reduce energy usage and continued to compete as one of 50 Semi-Finalists in the Georgetown University Energy Prize – the only jurisdiction that attained this status in Maryland. Neighborhoods competed in energy-saving efforts, businesses were assisted in energy saving by college students, and LED street lights began to be installed on area streets. These efforts, along with our popular food waste composting program, are components of our sustainability action plan.
- Continued to develop detailed engineering plans for the Flower Avenue Green Street and Ethan Allen Gateway Projects which include street, pedestrian safety, and stormwater improvements and that involve significant coordination with utilities, State agencies, and adjacent residential and commercial property owners.

- Gained Council support of concept drawings for a proposed Library renovation and expansion.
- Began a process of "Community Conversations" on priority topics identified by the Council; held two of these special events on the topics of affordable housing and youth success.
- Focused efforts to build closer police/community relations through additional training on working with people with special needs, and continued efforts on: sharing of detailed information with the public, community cookouts and special events, and awarding police officers for actions that deescalated volatile situations.
- Launched an entirely new City website, which was well received.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Takoma Park for its comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2015. This was the tenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA for consideration for another certificate.

The preparation of this annual report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department, particularly Finance Director Susan Cheung. We are grateful to the City's independent auditor, CohnReznick LLP, for the professional assistance provided during the course of the audit. Finally, we would like to thank the members of the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and professional manner.

Respectfully submitted,

A handwritten signature in black ink, reading "Suzanne R. Ludlow". The signature is written in a cursive, flowing style.

Suzanne R. Ludlow
City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Takoma Park
Maryland**

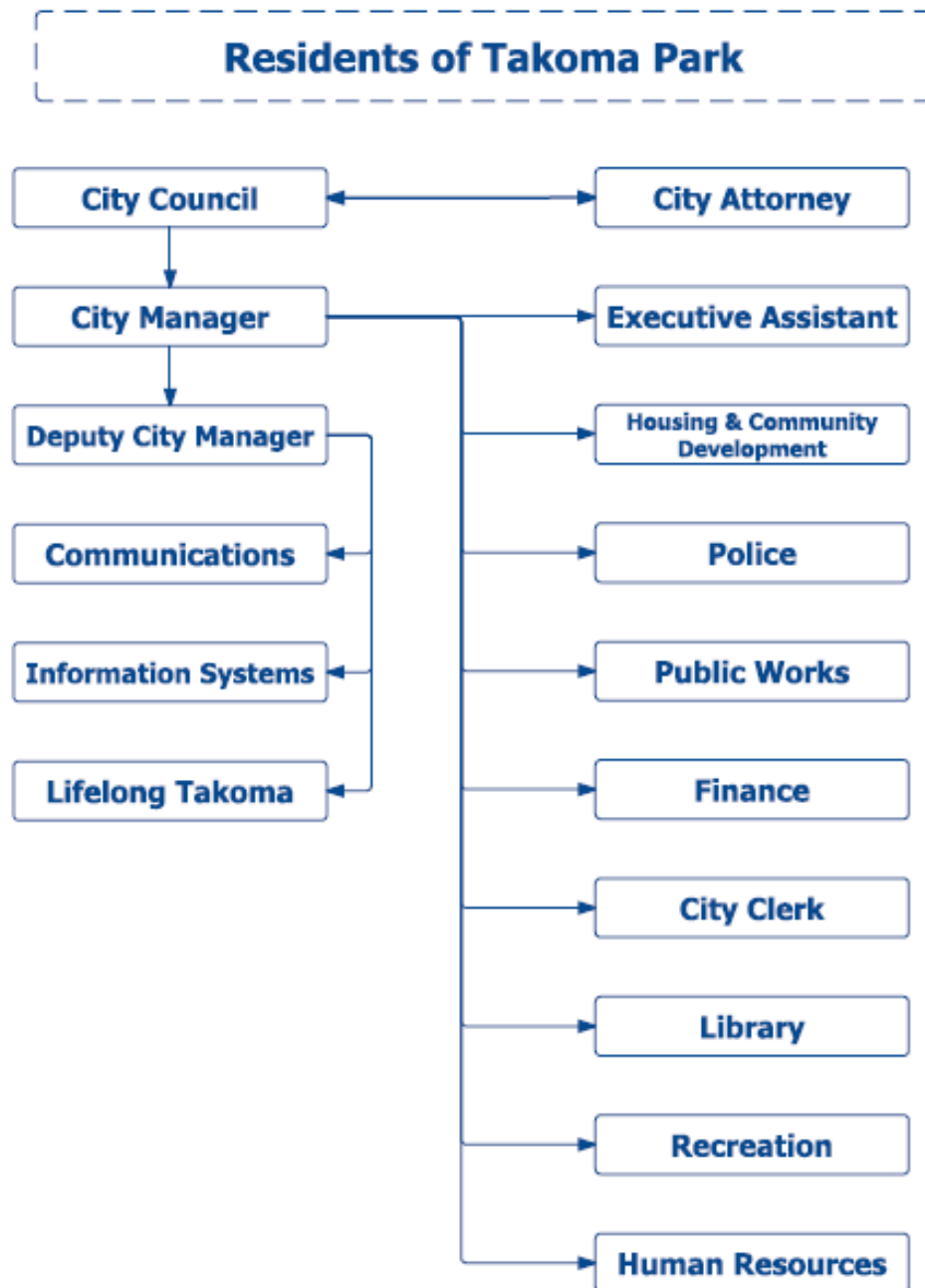
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Organizational Chart

The City of Takoma Park, Maryland



CITY OF TAKOMA PARK, MARYLAND
LIST OF ELECTED AND APPOINTED OFFICIALS
Year Ended June 30, 2016

MAYOR
KATE STEWART

CITY COUNCIL
PETER KOVAR
TIM MALE
RIZZY QURESHI
TERRY J. SEAMENS
JARRETT K. SMITH
FREDERICK L. SCHULTZ

CITY MANAGER
SUZANNE R. LUDLOW

DEPUTY CITY MANAGER
JASON DAMWEBER

DIRECTOR OF FINANCE
SUSAN CHEUNG

INDEPENDENT AUDITORS
CohnReznick LLP

Prepared by the Finance Department

This page intentionally left blank.

Financial Section

Independent Auditor's Report

To the City Council
City of Takoma Park, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the General, Speed Camera, and Special Revenue Funds of the City of Takoma Park, Maryland as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 to 30 and the schedules of changes in the City's net pension liability and related ratios, the City's proportionate share of the net pension liability and pension plan contributions on pages 74 to 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Takoma Park, Maryland's basic financial statements. The introductory section, budgetary schedules, combining non-major fund, combining fiduciary fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules, combining non-major fund and combining fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules, combining non-major fund and combining fiduciary fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, on our consideration of the City of Takoma Park, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of 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 of Takoma Park, Maryland's internal control over financial reporting and compliance.



Baltimore, Maryland
October 31, 2016

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2016

As management of the City of Takoma Park, we offer this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to view the City's financial performance as a whole; readers should also review the transmittal letter, the notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial position.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceed liabilities and deferred inflows of resources at the close of the fiscal year 2016 by \$29,427,145 (net position). This represents an increase of \$1,914,395 from the prior year. Approximately 25 percent, or \$472,855, of this variance was due to the increases in real property taxes, and 34 percent, or \$641,644, was due to increases in income tax. (In 2016, the City received an extra distribution of income tax payment of \$453,311 from the Comptroller's office. The tax amount was mistakenly paid to Montgomery County instead of Takoma Park between 2010 and 2015.) Fines and forfeitures increased about \$177,334.
- Of the City's total net position, the unrestricted net position increased from (\$8,702,786) in fiscal year 2015 to (\$8,210,210) in fiscal year 2016. The unrestricted net position is in deficit due primarily to the required reporting of the net pension liability of \$15,772,621 related to the City's two pension plans. Beginning in 2015, the City implemented GASB 68 and GASB 71 which require recognition of the City's participatory share of pension liability in the Maryland State Retirement and Pension System plan and the pension liability in the City's Police Employee's Retirement plan.
- As of June 30, 2016, the City of Takoma Park's governmental funds reported combined ending fund balances of \$16,195,820, an increase of \$1,167,124, or eight percent, from the prior year. The ending fund balances of \$16,195,820 include \$4,926,643 that is available for spending at the City's discretion (unassigned fund balance). The increase in the combined ending governmental fund balances was due primarily to increases in unexpended cable equipment grant funds.
- At the end of fiscal year 2016, the unassigned fund balance for the General Fund was \$4,926,643, or 20 percent, of total General Fund expenditures.
- In 2016, the City of Takoma Park refinanced the Community Center 2005 Bond by issuing the Community Center 2015 bond. The net proceed reduced the City's long-term debt by \$122,000. Long-term debt decreased by an additional \$155,000 due to the principal payments on existing debt. The total decrease in long-term debt was \$277,000. This decrease was offset by the \$53,139 increase in compensated absences for net decrease in long-term debt of \$223,861.

OVERVIEW OF FINANCIAL STATEMENTS

GASB Statement 34 requires the utilization of dual focus financial reporting. Information is presented on a government-wide basis and on a fund basis.

This discussion and analysis is intended to serve as an introduction to the City of Takoma Park's basic financial statements that were prepared using these reporting requirements. 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 financial statements. This report also contains other supplementary information in addition to the basic financial statements.

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2016

Government-Wide Financial Statements. The government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, are designed to provide readers with a broad overview of the City of Takoma Park's finances. All City operations are categorized as and reported as either governmental or business-type activities. Governmental activities include basic services such as police, public works, recreation, community development, and government administration. The City currently does not have any business-type activities.

The government-wide financial statements can be found on pages 33 and 34 of this report.

Statement of Net Position. The Statement of Net Position presents information on all of the City of Takoma Park's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The residual amount is reported as net position. Net position is separated into those amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Takoma Park is improving or deteriorating. To assess the City's overall health, additional non-financial factors, such as changes in the City's property tax base and the condition of its facilities, must be taken into account.

Statement of Activities. The Statement of Activities presents information on how the government's net position changed during the fiscal year. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Transactions related to non-exchange transactions are reported as soon as there is an enforceable legal claim to the resources. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation).

Fund Financial Statements. The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Takoma Park, like other local governments, uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. All of the funds of the City of Takoma Park can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate the comparison between governmental funds and governmental activities.

The City of Takoma Park maintains six individual governmental funds. Information is presented separately in the governmental balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Speed Camera Fund, and the Special Revenue Fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for these non-major governmental funds (Stormwater Management

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2016

Fund, Community Center Fund and Rehabilitation Loans and Grants Fund) is provided in the form of combining statements elsewhere in this report.

The City of Takoma Park adopts an annual appropriated budget for its three major funds - General Fund, Speed Camera Fund and Special Revenue Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 35 to 41 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Takoma Park's own programs. Fiduciary funds are accounted for using the economic resources measurement and accrual basis of accounting.

The basic fiduciary fund financial statements can be found on pages 42 and 43 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44 to 71 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information related to the City of Takoma Park's progress in funding its obligation to provide pension benefits to its Public Safety employees. Other supplementary information includes budgetary comparison schedules related to the General Fund and the non-major governmental funds and any combining statements related to non-major governmental funds and fiduciary funds. Supplementary information can be found on pages 74 to 86 of this report.

THE CITY AS A WHOLE

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Takoma Park's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$29,427,145 as of June 30, 2016. By far the largest portion of the City of Takoma Park's net position reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment, less any related debt used to acquire those assets that is still outstanding). This investment was \$28,874,101 or 98 percent of the City's net position as of June 30, 2016. Due to the nature of these assets, they are not available for future spending.

The unrestricted portion of the net position was a deficit of totaled \$8,210,210. This category represents the amounts that the City may use to meet the City's ongoing obligations to its residents and creditors. The deficit unrestricted net position resulted from the reporting of the net pension liability of \$15,772,621 related to the City's two pension plans. Previously the liabilities were disclosed in the footnotes to the financial statements and were not reported as liabilities within the financial statements.

The remaining balance of net position (\$8,763,254, or 30 percent) reflects the City's restricted net position, primarily comprised of monies related to the Safe Speed Program, franchise cable equipment grants, and equipment and facility replacement reserves, that can only be used for specifically designated purposes.

During the fiscal year, the City of Takoma Park's net position increased by \$1,914,395. Factors contributing to this growth include the increase in real property tax and income tax totaling approximately \$1,114,499.

City of Takoma Park, Maryland

**Management's Discussion and Analysis
June 30, 2016**

Additional revenue increases of \$177,334 related to fines and forfeitures and Police State Aid and County rebates for Police protection. The following table reflects the City's net position as of June 30, 2016 compared to June 30, 2015.

Governmental Activities

Statement of Net Position

The following table reflects the City's net position as of June 30, 2016 compared to June 30, 2015.

| | 2016 | 2015 |
|----------------------------------|--------------|--------------|
| Assets | | |
| Current and other assets | \$20,295,229 | \$18,456,915 |
| Capital assets | 30,940,601 | 29,979,209 |
| Total assets | 51,235,830 | 48,436,124 |
| Deferred outflows of resources | 3,105,467 | 945,908 |
| Liabilities | | |
| Current and other liabilities | 3,425,721 | 2,966,980 |
| Long-term liabilities | 18,896,831 | 17,329,637 |
| Total liabilities | 22,322,552 | 20,296,617 |
| Deferred inflows of resources | 2,591,600 | 1,572,665 |
| Net position | | |
| Net investment in capital assets | 28,874,101 | 27,635,709 |
| Restricted | 8,763,254 | 8,579,827 |
| Unrestricted | -8,210,210 | -8,702,786 |
| Total net position | \$29,427,145 | \$27,512,750 |

City of Takoma Park, Maryland

**Management's Discussion and Analysis
June 30, 2016**

Governmental Activities

Governmental activities increased the City of Takoma Park's net position by \$1,914,395 during fiscal year 2016, thereby accounting for the total growth in the net position. The key elements of this increase are shown below. Information for the prior fiscal year is provided for comparative purposes.

| Governmental Activities | 2016 | 2015 |
|--|---------------------|---------------------|
| Change in Net Position | | |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$3,703,349 | \$3,788,673 |
| Operating grants and contributions | 5,451,171 | 5,510,341 |
| Capital grants and contributions | 1,045,237 | 1,215,053 |
| General revenues: | | |
| Property taxes | 12,321,307 | 11,564,561 |
| Intergovernmental | 4,595,582 | 4,140,563 |
| Miscellaneous | 240,498 | 167,602 |
| Unrestricted investment earnings | 58,265 | 30,901 |
| Total revenues | 27,415,409 | 26,417,694 |
| Expenses | | |
| General Government | 4,724,481 | 5,029,595 |
| Public Safety | 9,301,092 | 8,116,371 |
| Public Works | 6,170,250 | 5,943,464 |
| Housing and Community Development | 1,738,712 | 1,879,728 |
| Recreation and Culture | 3,510,058 | 3,316,168 |
| Interest on long-term debt | 56,421 | 100,902 |
| Total expenses | 25,501,014 | 24,386,228 |
| Change in net position | 1,914,395 | 2,031,466 |
| Net position, beginning of year | 27,512,750 | 25,481,284 |
| Net position, end of year | \$29,427,145 | \$27,512,750 |

Overall revenues increased \$997,715 from fiscal year 2015 to fiscal year 2016. Property taxes increased \$756,746 due to a small increase in taxable assessment values and the one cent increase in the real property tax rate from \$0.57 per \$100 to \$0.58 per \$100 of assessed value.

Intergovernmental revenues increased \$455,019 from fiscal year 2015. This variance is primarily due to increases in revenues from income tax of \$696,395, highway user revenue of \$42,407, and a decrease of cable operating income of \$247,896.

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2016

Capital grants and contributions decreased \$169,816 primarily due to the reduction of \$148,481 in Cable equipment. Operating grants and contributions in the Special Revenue Funds decreased \$47,537, due to changes in the various projects that are paid by Special Revenue funds each year. Major decreases were in the WSSC Flower Avenue Green Street Project (\$73,216), the CDBG Flower Avenue Green Street Project (\$52,669) and the Rebuilding Together Project (\$83,547) and major increases were in the MEA Low/Mod Home Energy Program (\$100,372) and the Safe Routes to Schools Program (\$66,168).

Charges for services decreased \$85,324. This variance is due primarily to the \$42,377 decrease in Justice Forfeiture revenues in the Public Safety category and a \$21,101 decrease in summer camp and \$15,774 decrease in sports program revenue in the Recreation category.

Miscellaneous revenues increased \$72,896 from fiscal year 2015. During fiscal year 2016, the City received a \$36,525 onetime reimbursement of costs associated with an abatement order issued by the District Court in relation to the property at 36 Philadelphia Avenue. In June, the City also received a reimbursement amount of \$52,005 from the Federal Emergency Management Agency for recovery of costs associated with snow removal incurred during January of 2016.

Expenses increased by \$1,114,786 from fiscal year 2015 to fiscal year 2016. General Government expenses are \$305,114 less than fiscal year 2015 primarily due to the \$214,244 decrease in capital outlay expenditures and the \$538,164 decrease in Cable expenditure. The decrease was offset by increase of \$157,530 in General Government pension costs and increase in operating expenditures totaling \$289,751. These operating expenditures include personnel costs increased (\$222,895), Workers' compensation premiums increased (\$34,394), and legal contractual service costs increased (\$65,689). The remaining variance was due to increases in community festival and organization support (\$18,892), and insurance costs (\$42,368).

Public Safety expenses are \$1,184,721 more than fiscal year 2015. The variance is primarily due to the \$433,777 increase in personnel costs. The balance of the variance is due to increased capital equipment purchases of \$101,948, and maintenance costs and the purchase of body cameras totaling \$119,600.

Public Works expenses increased \$226,786 primarily due to the \$243,737 increase in personnel costs. The difference in the variance in Public Works expenses was due to the reduction of the cost of diesel fuel and sub-contract work totaling \$63,000.

Housing and Community Development expenses decreased \$141,016 due primarily to the \$35,800 decrease in contractual expenses related to the City's residential Exterior Home Repair Program and the \$83,500 decrease for the Rebuilding Together project.

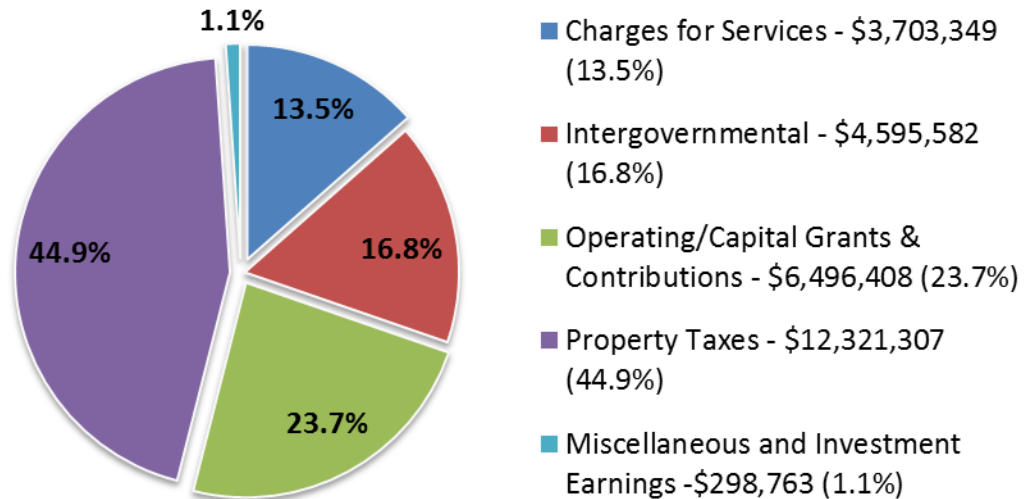
Recreation and Culture expenses increased \$193,890 from fiscal year 2015 to fiscal year 2016. Library expense variance is due primarily to the \$46,690 increase in personnel costs and the \$10,700 increase in computer equipment, books and digital resources. Recreation expenses increased \$69,600 due to the additional programs provided for youth activities and college preparation for teenagers. Special programs (e.g., Lunch and Learn, and MANUP) increased by \$44,971 from fiscal year 2015, and contracts for specialized equipment/support increased by \$10,039.

As shown previously, the cost of all governmental activities was \$25,501,014. Those who directly benefited from the services paid \$3,703,349 of the activity costs. The City also received operating and capital grants and contributions from other governments and organizations of \$6,496,408 which reduced the amount paid by City residents for certain services. The net cost of the City's governmental activities totaled \$15,301,257 and was funded with general revenues, including property taxes.

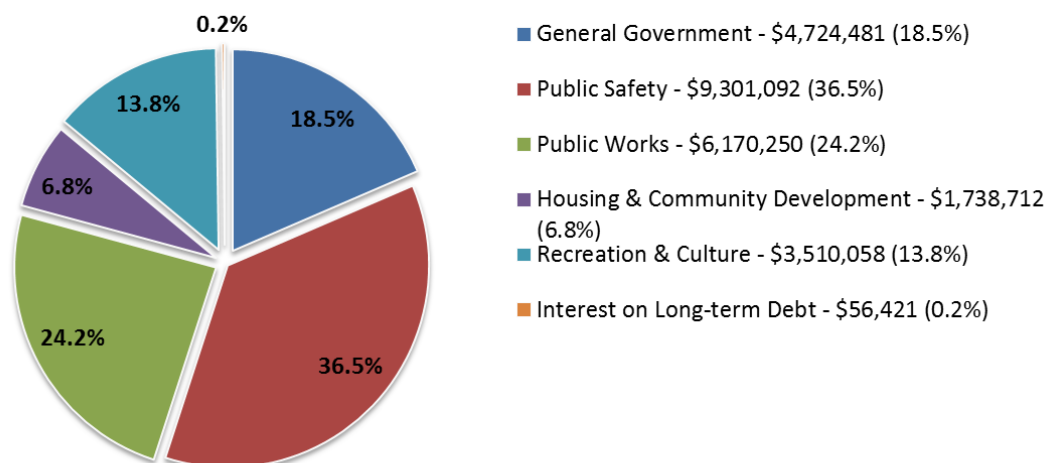
City of Takoma Park, Maryland
Management's Discussion and Analysis
June 30, 2016

Governmental Activities
Fiscal Year Ended June 30, 2016

Revenues



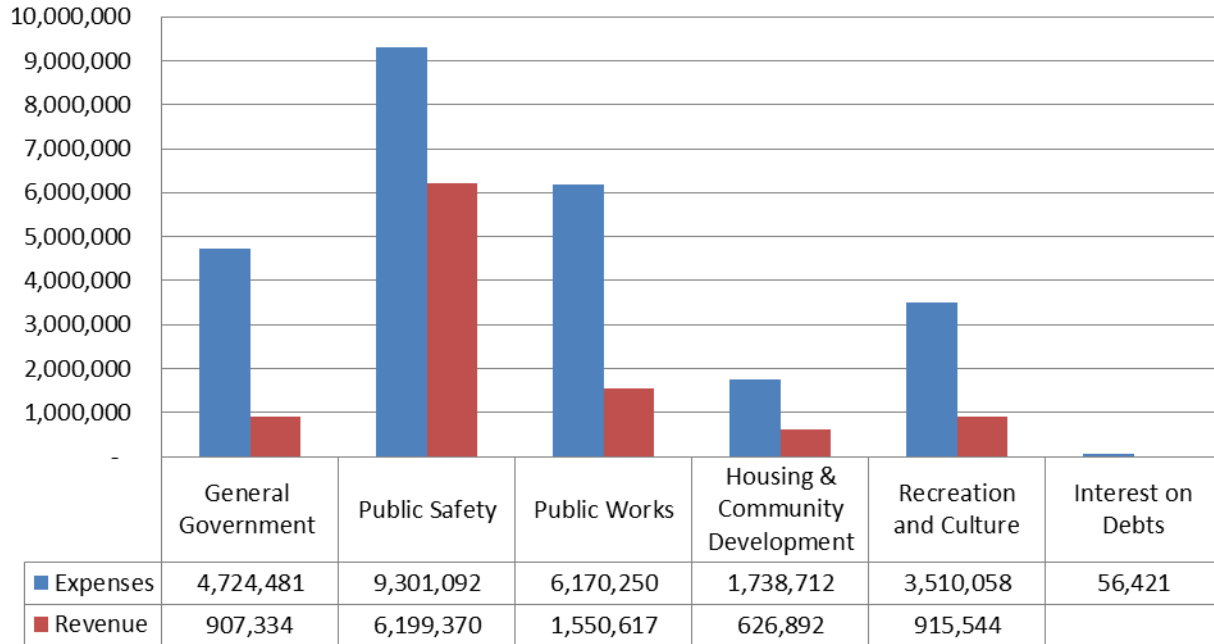
Expenses



City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2016

Governmental Activities Comparison of Program Revenues versus Expenses Fiscal Year Ended June 30, 2016



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2016, the City's governmental funds had combined fund balances of \$16,195,820, an increase of \$1,167,124 from the prior year. This increase is due primarily to unspent cable equipment grant funds. Approximately 24 percent of the fund balance amount is restricted or considered "nonspendable" and is not available for new spending. The portion of the fund balance that is restricted or not available for spending totals \$3,867,200. The use of these funds is restricted for expenditures primarily for equipment replacement, speed camera and special revenue grants.

The General Fund is the chief operating fund of the City of Takoma Park. At the end of the fiscal year, it had a total fund balance of \$12,251,861, an increase of \$986,556. The increase is due to the increase in revenues from property tax, income tax and fines and forfeitures.

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2016

The General Fund fund balance includes \$96,369 which is restricted for street improvements and \$7,831 which is nonspendable (e.g., deposits and prepaid expenditures). A portion of the General Fund fund balance, totaling \$4,896,053 or 40 percent, is committed for the following purposes:

| | |
|-------------------------|-------------|
| • Equipment Replacement | \$3,844,655 |
| • Emergency | 455,068 |
| • Facility Maintenance | 596,330 |

The unassigned portion of the General Fund fund balance as of June 30, 2016 is \$4,926,643.

Besides the General Fund, the City has two other major funds. The Speed Camera Fund was established to account for the activity related to the City's Safe Speed Program. Fines and fees collected during fiscal year 2016 totaled about \$1.6 million. These fines and fees cover operational costs, including the contractual payments to the program vendor, other program administration costs including staffing, and ticket processing costs. Revenues not required for program administration costs are restricted by law and must be used for public safety purposes. The Speed Camera Fund had a fund balance of \$400,329 at June 30, 2016. The entire fund balance is restricted for public safety purposes.

The Special Revenue Fund is also a major fund. This Fund was established primarily to account for revenue and expenditure activity related to the City's grant activities. The Special Revenue Fund had a fund balance of \$3,365,229 as of June 30, 2016. Most of the fund balance is restricted for the acquisition of cable equipment. The amount that is restricted for cable equipment is \$3,337,537. The remaining fund balance of \$27,692 is restricted for police-related expenditures allowed by the Department of Justice Equitable Sharing Program. The \$510,562 increase in the fund balance of the Special Revenue Fund is due primarily to the City not spending all of the cable grant revenue that was received in fiscal year 2016.

The City has three non-major funds: the Stormwater Management Fund, the Rehabilitation Loans and Grants Fund, and the Community Center Fund.

The Stormwater Management Fund, which was established to account for revenue and expenditure activity related to the maintenance and construction of the City's storm water systems, had a fund balance of \$173,128 as of June 30, 2016.

The Rehabilitation Loans and Grants Fund, which was established to account for activities related to loans and grants to assist low- and moderate-income City homeowners in rehabilitating their homes to conform to locally adopted codes, had a fund balance of \$5,273 as of June 30, 2016. The entire fund balance is restricted and related to outstanding notes receivable.

The Facility Construction Fund was established to account for construction activities related to the City's community and municipal center. During fiscal year 2016, there was no construction activity related to the community and municipal center. The Facility Construction Fund did not have a fund balance at June 30, 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, there were net increases totaling \$2,160,605 in the General Fund expenditure appropriations between the original and the final budget. The largest increase in the appropriations was related to debt service for the refinancing of Community Bond and capital outlay. The net increase in the budget for debt service was \$1,525,717 for the retirement of Community Bond 2005. The net increase in the budget for the capital outlay was \$451,395. These projects included the street resurfacing due to damage from WSSC utility work, City's match for renovation of the Colby Ave Park Playground and the purchase of an asphalt heater. The budget was also increased by \$98,400 to complete capital projects that were not completed in

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2016

fiscal year 2015. These projects included the Holton Crossroads Green Space improvement, the Ethan Allen LED Streetlight work and the design and engineering work for the Ethan Allen Streetscape Project. The budget amendments also included appropriations for items such as the Public Arts (\$18,500), additional funds for the employee tenure award (\$18,450), Finance Office renovation (\$28,000), space modifications in the Human Resources and Housing and Community Development area (\$36,525), contract increase for a police community relations consultant (\$30,000), purchase of two replacement police vehicles (\$61,882), payment for Lifelong Takoma Day expenses (\$10,000) and the printing of the City Guide (\$10,000). The budget amendments included a number of transfers between various expenditure accounts to properly allocate expenditure appropriations.

On a budgetary basis, actual revenues for the fiscal year exceeded the final amended budget by \$1,031,511. This increase is due to income tax revenues exceeding the budget projections by \$340,961, real property tax revenue exceeding the budget by \$145,536, cable operating funds exceeding by \$100,000 and summon and forfeiture payments exceeding by \$281,261.

Actual General Fund expenditures were \$2,101,175 less than the revised budget authorization. General Government expenditures were \$439,127 less than the final amended budget. The budget for General Government includes expenditures (e.g., insurance premiums, workers' compensation, contingencies) that relate to all City functions. Anticipated expenditures for contingencies and unemployment taxes were \$111,800 less than budgeted. City grants to community organizations were \$40,580 less than budgeted. Contractual services in General Government were \$38,000 less than budgeted. Contract expenditures for the digitizing of City records, and the assessment of the Information Technology functions were less than budgeted. Personnel costs were \$105,760 less than budgeted in the City Manager's office primarily due to the temporary vacancy in the Deputy City Manager position and a shifting of 50 percent of a position from General Government to Housing and Community Development for part of the fiscal year.

Public Safety expenditures were \$176,399 higher than budgeted due to increased funding for the retirement plan and other personnel costs.

Public Works expenditures were \$83,813 less than budgeted. The variance is due to staff vacancies, lower than anticipated expenditures for tree maintenance and sub-contractor work.

Housing and Community Development expenditures were \$211,805 less than budgeted. Overall personnel costs were down \$15,000 and contract services were down \$79,000 in the Community Development Division and down \$66,000 in the Planning and Administration Division. Contracts were less than budgeted primarily due to lower than anticipated expenditures for Takoma Junction Improvements and the unfinished project for Human Resources and Housing and Development space renovation.

Expenditures for Recreation and Culture were \$325,198 less than budgeted. Recreation and Culture activities include those of the Recreation, Takoma Park Library and Communications Departments. The largest variance occurred in the Recreation Department due primarily to savings in personnel costs of \$102,000 resulting from staff vacancies. Expenditures for teen programs, library books, and supplies were \$51,000 less than budgeted.

Capital Outlay expenditures were \$1,217,540 less than budgeted. Expenditures anticipated for the construction work on the Flower Avenue Green Street Project were less than the amount budgeted. Other projects that were not completed in fiscal year 2015 included the Ethan Allen Gateway, and the concept design for the Library renovation project.

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

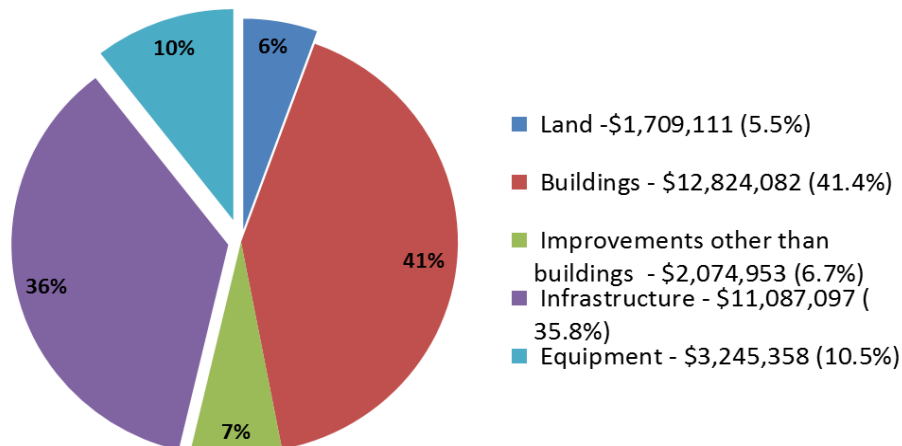
Capital Assets

As of June 30, 2016, the City of Takoma Park's investment in capital assets (buildings, roads and other infrastructure, vehicles, and equipment) for its governmental activities totaled \$30,940,601 (net of accumulated depreciation). This amount represents an increase of \$961,392 from the prior year. The increase was attributable to asset additions totaling \$2,586,643, net of depreciation expense of \$1,625,251 and asset disposals with a book value of \$274,302. Asset additions made during the fiscal year included vehicles (\$423,247) for Public Safety, equipment for Public Works (\$26,405), Recreation hardware equipment and painting improvements at the Community Center (\$21,876), and media equipment and computer (\$147,010). Asset additions also included the new financial data system (\$55,637), Adobe Cloud Mac Lab (\$17,200), Finance Office renovation work (\$13,788), and street furniture on Flower Avenue (\$24,880). Infrastructure improvements totaling \$1,649,102 included ADA sidewalk retrofits, new sidewalks, fiber connectivity, and street paving. Further information on the City's capital assets is shown in following table:

Governmental Activities

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Capital Assets (net of depreciation) | | |
| Land | \$1,709,111 | \$1,673,632 |
| Buildings | 12,824,082 | 13,295,271 |
| Improvements other than buildings | 2,074,953 | 2,148,985 |
| Infrastructure | 11,087,097 | 9,884,661 |
| Equipment | 3,245,358 | 2,976,660 |
| Total | \$30,940,601 | \$29,979,209 |

Capital Assets (Net of Depreciation) June 30, 2016



City of Takoma Park, Maryland

**Management's Discussion and Analysis
June 30, 2016**

Additional information on the City's capital assets can be found in Note 10 - Capital Assets and Other Property on page 55 of this report.

Debt Administration

At year-end, the City had \$3,124,210 in outstanding debt, a decrease of \$223,861, or about seven percent, from the prior year. The outstanding debt is comprised of long-term notes and bonds and accrued obligations for compensated absences. The decrease in outstanding debt was primarily due to principal payments on existing debt totaled \$277,000, net of the increase of \$53,139 in compensated absences.

The City's aggregate net pension liability totaled \$15,772,621 at year-end, an increase of \$1,791,055 from the prior year. The increase is due to the additional service costs and interest liabilities based on the GASB 68 Actuarial Information for the measurement period ended June 30, 2016.

Further information on the City's outstanding debt is shown in the following table. Information for the prior fiscal year is shown for comparative purposes.

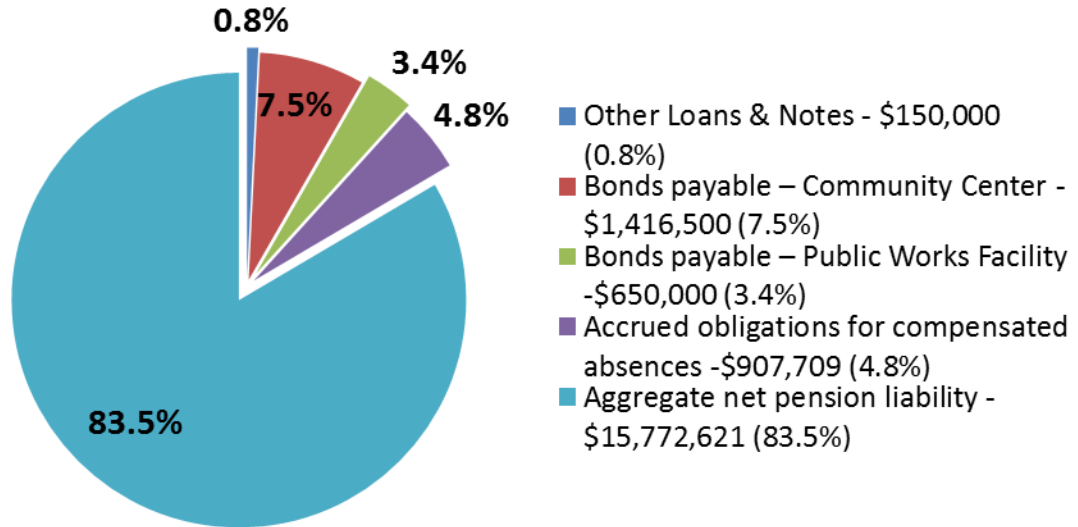
Governmental Activities

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Long-Term Liabilities | | |
| Loan Payable- MD Department of Housing & Community Development | \$150,000 | \$150,000 |
| Bonds payable – Community Center (2005) | 0 | 1,538,500 |
| Bonds payable – Community Center (2015) | 1,416,500 | 0 |
| Bonds payable – Public Works Facility | 650,000 | 805,000 |
| Accrued obligations for compensated absences | 907,710 | 854,571 |
| Aggregate net pension liabilities | 15,772,621 | 13,981,566 |
| Total | \$18,896,831 | \$17,329,637 |

City of Takoma Park, Maryland

Management's Discussion and Analysis
June 30, 2016

Long-Term Liabilities June 30, 2016



Additional information on the City's long-term debt can be found in Note 11 - Non-Current Liabilities on pages 55 to 55 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATES

The following are some highlights of the adopted budget for the fiscal year beginning July 1, 2016:

- The tax rate for real property decreased from \$0.585 to \$0.5675 per \$100 of the assessed valuation. The personal property tax rate and the railroad and utilities tax rate did not change.
- Projected increase of approximately \$345,000 in real property tax revenue from the prior fiscal year's budgeted amount based upon the projected taxable values.
- Anticipated revenues of \$1.3 million from the Speed Camera Program with estimated expenditures of \$1.26 million. Speed Camera Fund expenditures include operating expenditures (e.g., payments to the program contractor and Safe Speed program staff costs), and the purchase of police equipment.
- Increase in staffing level by 1.92 full-time equivalents. The increase includes a Neighborhood Services Team Leader Supervisor position and adjustments to part-time hours.
- Anticipated General Fund expenditures of \$2.5 million for street, sidewalk and Ethan Allen Gateway improvements. General Fund expenditures also include \$169,000 for the Flower Avenue Green Street Project to be paid from a payment from the State Highway Administration. Continued funding (\$160,000) for the City's local supplement to the State Homeowner Property Tax Credit Program.
- Expenditures of \$680,500 for the construction, maintenance, and repair of storm drains, inlets, and channels, along with several bio-retention projects.
- Contribution of \$800,000 to the Equipment Replacement Reserve. Funds from the Equipment Replacement Reserve will be used to replace vehicles and equipment, including police cars, two dump trucks, and HVAC controls for the Community Center.

City of Takoma Park, Maryland

**Management's Discussion and Analysis
June 30, 2016**

- Fund in the amount of \$3,087,875 in Special Revenue Funds for special projects, including \$1.3 million in grant funds for the Ethan Allen Gateway Streetscape and \$537,000 for the Flower Avenue Green Street Project.
- Contribution of \$100,000 in excess of the actuarially recommended contribution amount for the Police Employees' Retirement Plan.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact the City of Takoma Park Finance Department, 7500 Maple Avenue, Takoma Park, Maryland 20912 or 301-891-7212.

This page intentionally left blank.

Basic Financial Statements

City of Takoma Park, Maryland

**Statement of Net Position
June 30, 2016**

| | Governmental Activities |
|--|-----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 4,558,636 |
| Investments | 13,755,213 |
| Accounts receivable, net | 360,870 |
| Notes receivable, net | 22,774 |
| Due from other governments | 1,589,905 |
| Other assets | 7,831 |
| Capital assets, net | |
| Non-depreciable | 1,709,111 |
| Depreciable | 29,231,490 |
| Total assets | <u>51,235,830</u> |
| Deferred outflows of resources - pension related | <u>3,105,467</u> |
| Liabilities | |
| Accounts payable | 2,248,478 |
| Accrued liabilities | 614,878 |
| Deposits and escrows held | 129,348 |
| Due to other governments | 208,934 |
| Unearned revenue | 224,083 |
| Non-current liabilities: | |
| Net pension liability | 15,772,621 |
| Due within one year | 952,000 |
| Due in more than one year | 2,172,210 |
| Total liabilities | <u>22,322,552</u> |
| Deferred inflows of resources - pension related | <u>2,591,600</u> |
| Net position | |
| Net investment in capital assets | 28,874,101 |
| Restricted for: | |
| Public safety | 400,329 |
| Cable equipment | 3,337,537 |
| Loans | 5,273 |
| Streets | 96,369 |
| Equipment replacement | 3,844,655 |
| Emergency expenses | 455,068 |
| Facility maintenance | 596,330 |
| Justice forfeiture | 27,693 |
| Unrestricted | <u>(8,210,210)</u> |
| Total net position | <u><u>\$ 29,427,145</u></u> |

See Notes to Financial Statements.

City of Takoma Park, Maryland
Statement of Activities
For the Fiscal Year Ended June 30, 2016

| Functions/Programs | Expenses | Program revenues | | | Net (expense) revenue and changes in net position |
|---|----------------------|-------------------------|--|-------------------------------------|--|
| | | Charges for services | Operating grants and contributions | Capital grants and contributions | Governmental activities |
| Governmental activities | | | | | |
| General government | \$ 4,724,481 | \$ 131,619 | \$ - | \$ 775,715 | \$ (3,817,147) |
| Public safety | 9,301,092 | 2,165,333 | 4,034,037 | - | (3,101,722) |
| Public works | 6,170,250 | 539,786 | 822,916 | 187,915 | (4,619,633) |
| Housing and community development | 1,738,712 | 345,105 | 281,787 | - | (1,111,820) |
| Recreation and culture | 3,510,058 | 521,506 | 312,431 | 81,607 | (2,594,514) |
| Interest on long-term debt | 56,421 | - | - | - | (56,421) |
| Total governmental activities | <u>\$ 25,501,014</u> | <u>\$ 3,703,349</u> | <u>\$ 5,451,171</u> | <u>\$ 1,045,237</u> | <u>(15,301,257)</u> |
| General revenues | | | | | |
| Taxes | | | | | |
| Property taxes, levied for general purposes | | | | | 12,321,307 |
| Intergovernmental - unrestricted | | | | | 4,595,582 |
| Miscellaneous | | | | | 240,498 |
| Unrestricted investment earnings | | | | | <u>58,265</u> |
| Total general revenues | | | | | <u>17,215,652</u> |
| Change in net position | | | | | 1,914,395 |
| Net position, beginning of year | | | | | <u>27,512,750</u> |
| Net position, end of year | | | | | <u>\$ 29,427,145</u> |

See Notes to Financial Statements.

City of Takoma Park, Maryland

Balance Sheet Governmental Funds June 30, 2016

| | General Fund | Speed Camera Fund | Special Revenue Fund | Non-Major Funds | Total Governmental Funds |
|---|----------------------|----------------------|-------------------------|---------------------|--------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 151,040 | \$ 3,164,803 | \$ - | \$ 1,242,793 | \$ 4,558,636 |
| Investments | 13,755,213 | - | - | - | 13,755,213 |
| Receivables, net | | | | | |
| Taxes | 323,009 | - | - | - | 323,009 |
| Notes | - | - | 17,501 | 5,273 | 22,774 |
| Other | 8,076 | - | 9,023 | 20,762 | 37,861 |
| Due from other funds | 2,979,884 | 5,959 | 3,304,414 | 207,534 | 6,497,791 |
| Due from other governments | 1,274,915 | - | 314,990 | - | 1,589,905 |
| Other assets | 7,831 | - | - | - | 7,831 |
| Total assets | 18,499,968 | 3,170,762 | 3,645,928 | 1,476,362 | 26,793,020 |
| Deferred outflows of resources | - | - | - | - | - |
| Total assets and deferred outflows of resources | \$ 18,499,968 | \$ 3,170,762 | \$ 3,645,928 | \$ 1,476,362 | \$ 26,793,020 |
| Liabilities | | | | | |
| Accounts payable | \$ 1,435,810 | \$ 344,968 | \$ 210,212 | \$ 257,488 | \$ 2,248,478 |
| Accrued expenditures | 584,602 | 11,344 | 2,518 | 5,687 | 604,151 |
| Deposits and escrows held | 87,867 | - | 8,185 | 33,296 | 129,348 |
| Due to other funds | 3,304,414 | 2,414,121 | 5,959 | 773,297 | 6,497,791 |
| Due to other units of government | - | - | - | 208,934 | 208,934 |
| Unearned revenue | 170,258 | - | 53,825 | - | 224,083 |
| Total liabilities | 5,582,951 | 2,770,433 | 280,699 | 1,278,702 | 9,912,785 |
| Deferred inflows of resources | 665,156 | - | - | 19,259 | 684,415 |
| Fund balances | | | | | |
| Nonspendable | 7,831 | - | - | - | 7,831 |
| Restricted | 96,369 | 400,329 | 3,365,229 | 5,273 | 3,867,200 |
| Committed | 4,896,053 | - | - | - | 4,896,053 |
| Assigned | 2,324,965 | - | - | 173,128 | 2,498,093 |
| Unassigned | 4,926,643 | - | - | - | 4,926,643 |
| Total fund balances | 12,251,861 | 400,329 | 3,365,229 | 178,401 | 16,195,820 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 18,499,968 | \$ 3,170,762 | \$ 3,645,928 | \$ 1,476,362 | \$ 26,793,020 |

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2016**

| | |
|---|-----------------------------|
| Total fund balances - Governmental Funds | \$ 16,195,820 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$54,738,975 and the accumulated depreciation is \$23,798,374. | 30,940,601 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. | (3,124,210) |
| Interest on long-term debt and other expenses are not accrued in governmental funds, but rather are recognized as an expenditure when due. | (10,727) |
| Net pension liability is recognized as a liability on the Statement of Net Position but not in the fund financial statements. | (15,772,621) |
| Payments made for the pension systems reduce the long-term liability on the statement of net position but are treated as expenditures in the funds. This is the amount of deferred outflows of resources. | 3,105,467 |
| Deferred inflows of resources related to pension liability and earnings on pension plan investments are not reported in the fund financial statements. | (2,591,600) |
| Certain receivables are offset by unavailable revenue in the governmental funds since they are not available to pay for current-period expenditures. This is the amount of deferred inflows of resources. | <u>684,415</u> |
| Total net position - Governmental Activities | <u><u>\$ 29,427,145</u></u> |

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2016**

| | General Fund | Speed Camera Fund | Special Revenue Fund | Non-Major Fund | Total Governmental Funds |
|---|----------------------|----------------------|-------------------------|-------------------|--------------------------------|
| Revenues | | | | | |
| Taxes and utility fees | \$ 16,142,419 | \$ - | \$ - | \$ - | \$ 16,142,419 |
| Licenses and permits | 87,314 | - | - | - | 87,314 |
| Fines and forfeitures | 482,986 | 1,561,395 | - | - | 2,044,381 |
| Use of money and property | 53,213 | 5,052 | - | - | 58,265 |
| Charges for services | 1,141,781 | - | - | 416,651 | 1,558,432 |
| Intergovernmental | 5,818,760 | - | 1,224,944 | - | 7,043,704 |
| Miscellaneous | 215,009 | - | 37,750 | 4,962 | 257,721 |
| Total revenues | 23,941,482 | 1,566,447 | 1,262,694 | 421,613 | 27,192,236 |
| Expenditures | | | | | |
| General government | 4,174,107 | - | 69,669 | - | 4,243,776 |
| Public safety | 7,246,839 | 1,146,460 | - | - | 8,393,299 |
| Public works | 4,618,795 | - | 6,118 | 351,622 | 4,976,535 |
| Housing and community development | 1,517,690 | - | 202,887 | - | 1,720,577 |
| Recreation and culture | 3,264,237 | - | 6,750 | - | 3,270,987 |
| Capital outlay | 1,783,454 | 667,575 | 493,816 | 152,397 | 3,097,242 |
| Debt service | | | | | |
| Principal | 1,795,202 | - | - | - | 1,795,202 |
| Interest | 107,224 | - | - | - | 107,224 |
| Total expenditures | 24,507,548 | 1,814,035 | 779,240 | 504,019 | 27,604,842 |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | (566,066) | (247,588) | 483,454 | (82,406) | (412,606) |
| Other financing sources (uses) | | | | | |
| Debt issuance | 1,579,730 | - | - | - | 1,579,730 |
| Transfers in (out) | (27,108) | - | 27,108 | - | - |
| Total other financing sources (uses) | 1,552,622 | - | 27,108 | - | 1,579,730 |
| Net changes in fund balances | 986,556 | (247,588) | 510,562 | (82,406) | 1,167,124 |
| Fund balances, beginning of year | 11,265,305 | 647,917 | 2,854,667 | 260,807 | 15,028,696 |
| Fund balances, end of year | \$ 12,251,861 | \$ 400,329 | \$ 3,365,229 | \$ 178,401 | \$ 16,195,820 |

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of the Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016**

| | |
|---|---------------------|
| Total net change in fund balances - Governmental Funds | \$ 1,167,124 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$2,586,643) exceeds depreciation expense (\$1,625,251) in the period. | 961,392 |
| In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, leave earned exceeded used by \$53,139. | (53,139) |
| Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of long-term debt repayments for fiscal year 2016. | 1,795,202 |
| Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net pension, however, issuing debt increases long-term liabilities and does not affect the statement of activities. | (1,518,202) |
| Pension expense pertaining to the net pension liability does not require the use of current financial resources and therefore is not reported in the funds. | (650,431) |
| Interest expense in the statement of activities differs from the amount reported in governmental funds due to the net increase in accrued interest. | (10,727) |
| Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in "unavailable" revenues at the end of the year over the amount at the beginning of the year. | 223,176 |
| Change in net position of Governmental Activities | <u>\$ 1,914,395</u> |

See Notes to Financial Statements.

City of Takoma Park, Maryland

**General Fund
Statement of Revenues, Expenditures and Changes In Fund Balance -
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2016**

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget positive (negative)</u> |
|---|------------------------|---------------------|----------------------|---|
| Revenues | | | | |
| Taxes and utility fees | \$ 15,092,755 | \$ 15,546,066 | \$ 16,142,419 | \$ 596,353 |
| Licenses and permits | 57,104 | 78,904 | 87,314 | 8,410 |
| Fines and forfeitures | 215,500 | 215,500 | 482,986 | 267,486 |
| Use of money and property | 15,000 | 15,000 | 53,213 | 38,213 |
| Charges for services | 1,171,655 | 1,171,655 | 1,141,781 | (29,874) |
| Intergovernmental | 5,746,852 | 5,746,852 | 5,818,760 | 71,908 |
| Miscellaneous | 63,000 | 135,994 | 215,009 | 79,015 |
| Total revenues | <u>22,361,866</u> | <u>22,909,971</u> | <u>23,941,482</u> | <u>1,031,511</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 4,513,309 | 4,613,234 | 4,174,107 | 439,127 |
| Public safety | 7,015,690 | 7,070,440 | 7,246,839 | (176,399) |
| Public works | 4,687,500 | 4,702,608 | 4,618,795 | 83,813 |
| Housing and community development | 1,732,085 | 1,729,495 | 1,517,690 | 211,805 |
| Recreation and culture | 3,573,135 | 3,589,435 | 3,264,237 | 325,198 |
| Capital outlay | 2,549,599 | 3,000,994 | 1,783,454 | 1,217,540 |
| Debt service | 376,800 | 1,902,517 | 1,902,426 | 91 |
| Total expenditures | <u>24,448,118</u> | <u>26,608,723</u> | <u>24,507,548</u> | <u>2,101,175</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | <u>(2,086,252)</u> | <u>(3,698,752)</u> | <u>(566,066)</u> | <u>3,132,686</u> |
| Other financing sources (uses) | | | | |
| Debt issuance | - | 1,579,730 | 1,579,730 | - |
| Transfers in (out) | <u>(20,500)</u> | <u>(20,500)</u> | <u>(27,108)</u> | <u>(6,608)</u> |
| Total other financing sources (uses) | <u>(20,500)</u> | <u>1,559,230</u> | <u>1,552,622</u> | <u>(6,608)</u> |
| Net change in fund balance | <u>(2,106,752)</u> | <u>(2,139,522)</u> | <u>986,556</u> | <u>3,126,078</u> |
| Fund balance, beginning of year | <u>11,265,305</u> | <u>11,265,305</u> | <u>11,265,305</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 9,158,553</u> | <u>\$ 9,125,783</u> | <u>\$ 12,251,861</u> | <u>\$ 3,126,078</u> |

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Speed Camera Fund
Statement of Revenues, Expenditures and Changes In Fund Balance -
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2016**

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget positive (negative)</u> |
|--|------------------------|---------------------|-------------------|---|
| Revenues | | | | |
| Fines and forfeitures | \$ 1,800,000 | \$ 1,800,000 | \$ 1,561,395 | \$ (238,605) |
| Use of money and property - interest income | <u>1,200</u> | <u>1,200</u> | <u>5,052</u> | <u>3,852</u> |
| Total revenues | <u>1,801,200</u> | <u>1,801,200</u> | <u>1,566,447</u> | <u>(234,753)</u> |
| Expenditures | | | | |
| Public safety | 1,252,010 | 1,253,360 | 1,146,460 | 106,900 |
| Capital outlay | <u>660,000</u> | <u>660,000</u> | <u>667,575</u> | <u>(7,575)</u> |
| Total expenditures | <u>1,912,010</u> | <u>1,913,360</u> | <u>1,814,035</u> | <u>99,325</u> |
| Net change in fund balance | (110,810) | (112,160) | (247,588) | (334,078) |
| Fund balance, beginning of year | <u>647,917</u> | <u>647,917</u> | <u>647,917</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 537,107</u> | <u>\$ 535,757</u> | <u>\$ 400,329</u> | <u>\$ (334,078)</u> |

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Special Revenue Fund
Statement of Revenues, Expenditures and Changes In Fund Balance -
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2016**

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget positive (negative)</u> |
|--|------------------------|---------------------|---------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 2,891,800 | \$ 3,221,925 | \$ 1,224,944 | \$ (1,996,981) |
| Miscellaneous | <u>36,000</u> | <u>36,000</u> | <u>37,750</u> | <u>1,750</u> |
| Total revenues | <u>2,927,800</u> | <u>3,257,925</u> | <u>1,262,694</u> | <u>(1,995,231)</u> |
| Expenditures | | | | |
| General government | 41,500 | 46,500 | 69,669 | (23,169) |
| Public safety | 48,289 | 48,289 | - | 48,289 |
| Public works | 209,001 | 276,293 | 6,118 | 270,175 |
| Housing and community development | 441,459 | 441,459 | 202,887 | 238,572 |
| Recreation | 11,625 | 245,757 | 6,750 | 239,007 |
| Capital outlay | <u>1,752,215</u> | <u>1,805,796</u> | <u>493,816</u> | <u>1,311,980</u> |
| Total expenditures | <u>2,504,089</u> | <u>2,864,094</u> | <u>779,240</u> | <u>2,084,854</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | 423,711 | 393,831 | 483,454 | 89,623 |
| Other financing sources (uses) | | | | |
| Transfer from General Fund | <u>20,500</u> | <u>20,500</u> | <u>27,108</u> | <u>6,608</u> |
| Net change in fund balance | 444,211 | 414,331 | 510,562 | 96,231 |
| Fund balance, beginning of year | <u>2,854,667</u> | <u>2,854,667</u> | <u>2,854,667</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 3,298,878</u> | <u>\$ 3,268,998</u> | <u>\$ 3,365,229</u> | <u>\$ 96,231</u> |

See Notes to Financial Statements.

City of Takoma Park, Maryland
Statement of Fiduciary Net Position
June 30, 2016

| | <u>Total</u> |
|------------------------------------|-----------------------------|
| Assets | |
| Cash and cash equivalents | <u>\$ 340,918</u> |
| Investments, at fair value: | |
| Equities | 7,808,041 |
| Fixed income | <u>4,177,661</u> |
| Total investments | <u>11,985,702</u> |
| Total assets | <u>12,326,620</u> |
| Deferred outflows of resources | - |
| Liabilities | - |
| Deferred inflows of resources | - |
| Net position | |
| Held in trust for pension benefits | <u><u>\$ 12,326,620</u></u> |

See Notes to Financial Statements.

City of Takoma Park, Maryland

**Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016**

| | <u>Total</u> |
|--|----------------------|
| Additions | |
| Employer contributions | \$ 1,296,482 |
| Plan member contributions | <u>194,455</u> |
| Total contributions and other receipts | 1,490,937 |
| Net investment earnings | <u>93,801</u> |
| Total additions | <u>1,584,738</u> |
| Deductions | |
| Benefits and refunds paid | 757,205 |
| Administrative expenses | <u>57,161</u> |
| Total deductions | <u>814,366</u> |
| Change in net position | 770,372 |
| Net position held in trust for pension benefits, beginning of year | <u>11,556,248</u> |
| Net position held in trust for pension benefits, end of year | <u>\$ 12,326,620</u> |

See Notes to Financial Statements.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

Note 1 - Summary of significant accounting policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to local governments. A summary of significant accounting policies followed by the City are presented below.

Reporting entity

The City of Takoma Park, Maryland (the "City") was incorporated in 1890 with its legal authority derived from Chapter 310, Section 2 of the Annotated Code of Maryland. The City is construed to mean both the City and its inhabitants. Since 1989, the City has operated under the Council-Manager form of government. Services provided include refuse, streets and drainage, recreation and parks, police, planning, community development, and housing services.

For financial reporting purposes, in conformance with accounting principles generally accepted in the United States of America, the reporting entity includes the City Council, the primary government, and the following fiduciary funds:

City of Takoma Park Police Employees' Retirement Plan ("Pension Trust")

City of Takoma Park Employees 401(a) Plan ("Defined Contribution Plan")

The City has no component units as defined by generally accepted accounting principles.

Additional information and actuarial reports for the pension plan and additional plan information for the 401(a) plan may be obtained from the City Clerk's office, 7500 Maple Avenue, Takoma Park, Maryland 20912.

Government-wide and fund financial statements

The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the City. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are that interfund services provided and used are not eliminated in the process of consolidation. Governmental activities are those which are supported by taxes and intergovernmental revenues, whereas business-type activities are those supported through customer service charges. The City does not have any business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those specifically associated with a program or function. Program revenues include charges for services and grants and contributions restricted to the capital or operational requirements of specific programs or functions. Revenues that are not classified as program revenues, such as taxes, are reported as general revenues.

Separate financial statements are shown for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation

The accounting and financial reporting is determined by its measurement focus. Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

recognized in the year of levy and grants are recognized when all eligibility requirements are met. For pension trust funds, employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Governmental fund statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction that can be determined and available means collected within 60 days of the year-end. Expenditures are recorded when the related liability is incurred as in the accrual basis of accounting. However, principal and interest on long-term debt and expenditures for compensated absences are recorded when the payments are due.

Those revenues susceptible to accrual are property taxes, taxes collected by the state and county on behalf of the City, franchise taxes, revenues from other agencies, interest revenue and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes) and other revenues become measurable and available when cash is received by the City and are recognized as revenue at that time.

The City has three major governmental funds: General Fund, Speed Camera Fund and Special Revenue Fund. The General Fund accounts for the normal recurring activities of the City such as police, public works, recreation and parks, general government, etc. These activities are financed primarily by property taxes, other taxes, service charges and grants from other governmental units. The Speed Camera Fund accounts for the financial activity related to the City's speed enforcement cameras. The Special Revenue Fund was established to account for the financial activity of proceeds of special revenue sources that are legally restricted to expenditure for specific purposes. During fiscal year 2015, most Special Revenue Fund revenues came from cable companies for upgrading cable equipment. Other Special Revenue Fund revenues included the Community Development Block Grants, Washington Suburban Sanitary Commission grant for water main design work for Flower Avenue, and highway funds for Safe Routes to School projects. There are three non-major governmental funds: the Stormwater Management Fund, the Rehabilitation Loans and Grants Fund, and the Facilities Construction Fund. The Stormwater Management Fund was established to track the financial activity related to construction of the City's stormwater management facilities. The Rehabilitation Loans and Grants Fund accounts for the financial activity related to the City's rehabilitation loans and grants. The Facilities Construction Fund accounts for the financial activity related to the construction of the City's facilities. The Fiduciary Fund accounts for the financial activity of the City's Police Employees' Retirement Plan and the City's defined contribution pension plan.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Assets, liabilities, deferred inflows and outflows of resources, net position and fund balances **Cash equivalents and investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months at the time of purchase. Cash deposits of the City are made in accordance with the Annotated Code of Maryland (the "Code"), which requires depositories to give security in the form of collateral as provided for in the Code, for the safekeeping of these deposits.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

Excess funds are also permitted to be invested either in bonds or other obligations for the payment of principal and interest of which the full faith and credit of the United States of America are pledged, obligations of federal government agencies issued pursuant to acts of Congress, or in the local government investment pool created by the State of Maryland. The Pension Trust Funds are also authorized to invest in corporate bonds and notes, preferred stocks, and common stocks. Investments are reported at fair value. Assets in the Pension Trust Funds are also reported at fair value.

Receivables and payables

Property taxes are reported at their estimated collectible value. The following summarizes the property tax calendar:

| | <u>Real property</u> | <u>Personal and corporate</u> |
|--|--------------------------|-----------------------------------|
| Assessment roll validated | Dec. 31 | Jan. 1 |
| Tax rate ordinance approved | June 30 | June 30 |
| Beginning of fiscal year for which taxes have been levied | July 1 | July 1 |
| Tax bills rendered and due | July 1 | On County bill |
| Owner-occupied residential | July 1 and Jan. 1 | July 1 and Jan. 1 |
| Property taxes payable | | |
| Delinquent | Oct. 1, Jan. 1 | After 30 days |
| Terms | 60 days | 30 days |
| Delinquent interest, per month | 2/3 of 1% | 2/3 of 1% |

Information presented is for a "full year" levy. "Half year" levy dates are each six months later, and relate to new construction in the first six months of the calendar year. A lien is attached to property on the billing date and sold at tax sale by the end of 18 months.

Allowances for uncollectible accounts are maintained on all types of receivables that historically experience bad debt. Receivables are shown net of such an allowance for uncollectibles. Real property taxes are generally fully collectible.

Capital assets

Capital assets, which include property, plant and equipment and infrastructure such as roads, storm drains and pipe systems, are reported in the governmental activities in the government-wide financial statements. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the City has included infrastructure. The City defines capital assets as those which have an individual acquisition cost or donated value of at least \$5,000 (except for infrastructure which is \$100,000) and an estimated useful life of three years or more. Such assets are valued at historical or estimated historical cost if actual cost is not available. Donated assets are stated at their acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add value or extend asset lives are not capitalized.

Intangible assets are capitalized at historical cost or acquisition value, if donated. Capitalization thresholds are \$500,000 for internally generated computer software, \$250,000 for other computer software and \$100,000 for land use rights and other intangible assets such as patents, trademarks, and copyrights.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

Expenditures for major assets and improvements are capitalized as the assets are acquired or constructed. Interest on debt during the construction period is capitalized. Exhaustible capital assets are depreciated, which is charged as an expense against their operations. Land is not an exhaustible asset and is a non-depreciable asset. Accumulated depreciation is reported in the Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method. Intangible assets are amortized over their useful lives using the straight line method if they do not have indefinite useful lives. Estimated useful lives are as follows

| | |
|-----------------------------------|---------------|
| Buildings | 20 - 40 years |
| Improvements other than buildings | 25 - 50 years |
| Equipment | 4 - 10 years |
| Infrastructure | 25 - 50 years |

Deferred outflows of resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the governmental fund financial statements, the face amount of newly issued debt is reported as other financing sources and the amount of principal repayment is reported as an expenditure.

Compensated absences

Vested vacation is accrued when earned by employees and a liability is recorded in the government-wide financial statements. No liability is recorded for nonvesting accumulated rights to receive sick pay benefits, as the City does not pay these amounts when employees separate from service.

The City pays outstanding vacation leave at separation. The accrual of \$907,710 is included as "non-current liabilities" in the government-wide statements.

Compensated absences have generally been liquidated by the General Fund.

Deferred inflows of resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Net position

Equity is classified as net position and is displayed in three components:

Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings, and reduced or increased by deferred inflows and outflows attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation and are reduced by liabilities and deferred inflows of resources related to those constraints.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

Unrestricted net position - Consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as needed.

Governmental fund balances

In the governmental fund financial statements, fund balances are classified as follows:

1. Non-Spendable Fund Balance - amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance - amounts that can be spent only for specific purposes because of restrictions imposed externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the City Charter, City Code or enabling legislation.
3. Committed Fund Balance - amounts that can be used only for specific purposes determined by a formal action (ordinance) by City Council, the City's highest level of decision-making authority, and can only be changed by a formal action by City Council ordinance.
4. Assigned Fund Balance - amounts that are constrained by the City's intent that they will be used for specific purposes but are neither restricted nor committed. Pursuant to the City Charter, the City Manager and the City Council are authorized to assign amounts for specific purposes.
5. Unassigned Fund Balance - all amounts not included in other spendable classifications.

The City considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The City also considers committed fund balances to be spent first, assigned fund balances to be spent second and unassigned fund balances be spent last when other unrestricted fund balance classifications are available for use.

Note 2 - Stewardship, compliance and accountability

Budgetary information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The budget ordinance becomes effective July 1 and provides spending authority for the operations of the City government.
3. In compliance with the City Charter, a general expenditure contingency (equal to at least 0.5% of total budgeted revenue for the general fund) is budgeted. The account is maintained to meet extraordinary or unanticipated expenditures as directed by the Council.
4. The City Manager may reallocate expenditures within the budget adopted by the Council, subject to such restrictions as the Council shall impose by ordinance. Subsequent to passage of the budget ordinance, the City Council must approve additional expenditures.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

5. At the end of the fiscal year, unencumbered appropriations lapse.
6. The annual budgets for the General, Stormwater Management, Speed Camera Fund, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary control is maintained at the fund level. An annual budget is not adopted for the Rehabilitation Loans and Grants Fund and the Facilities Construction Fund.
7. The budget information presented in the accompanying basic financial statements includes all budget ordinances and amendments as approved by the City Council for the fiscal year ended June 30, 2016.

Note 3 - Cash and investments

Cash on hand

At year-end, cash on hand for petty cash and change funds was \$1,376.

Deposits

At year-end, the carrying amount of the City of Takoma Park (the "City") deposits was \$4,557,260 and the corresponding bank balances were \$4,553,188. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$4,303,188 was covered by collateral held in the pledging bank's trust department in the City's name. The City was not exposed to custodial credit risk as of June 30, 2016. The City has a contractual arrangement with the bank for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented.

Investments

At June 30, 2016, the City's investment balances by type were as follows:

| | Credit rating | Fair value | Investment maturities (in year) | | |
|--|---------------|----------------------|---------------------------------|----------------------|---------------------|
| | | | Less than 1 | 1-5 | More than 5 |
| Repurchase agreements | AAA | \$ 10,250,804 | \$ 10,250,804 | \$ - | \$ - |
| Maryland Local Government Investment Poo | AAAm | 1,342,207 | 1,342,207 | - | - |
| Money Market Mutual Funds* | AAAm | 340,918 | - | 340,918 | - |
| Money Market | AAAm | 6,349 | 6,349 | - | - |
| Equities* | N/A | 7,808,041 | - | 7,808,041 | - |
| Certificates of Deposit | Not Rated | 2,155,853 | 355,224 | 1,800,629 | - |
| Fixed Income* | ** | 4,177,661 | 76,382 | 2,858,072 | 1,243,207 |
| Total investments | | <u>\$ 26,081,833</u> | <u>\$ 12,030,966</u> | <u>\$ 12,807,660</u> | <u>\$ 1,243,207</u> |

* Included in fiduciary funds.

** 68.6% of portfolio is rated Aaa; 4.2% is rated Aa; 12.4% is rated A and 14.8% is rated Baa.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2016**

Reconciliation of cash and investments as shown on the statement of net position

| | |
|--|---------------------------------|
| Cash on hand | \$ 1,376 |
| Carrying amount of deposits | 4,557,260 |
| Carrying amount of investments | <u>26,081,833</u> |
| Total cash and investments | 30,640,469 |
| Less fiduciary funds | <u>12,326,620</u> |
| Total cash and investments per Statement of Net Position | <u><u>\$ 18,313,849</u></u> |
| Cash and cash equivalents | \$ 4,558,636 |
| Investments | <u>13,755,213</u> |
| Total cash and investments per Statement of Net Position | <u><u>\$ 18,313,849</u></u> |

Investment interest rate risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities except in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. The City's management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost for that purpose. The investments at June 30, 2016 met the City's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2016:

| | |
|---|-------------------------|
| Total net investment income per Statement of Activities | <u><u>\$ 58,265</u></u> |
|---|-------------------------|

Net investment income per the Statement of Activities of \$58,265 is comprised of dividends and interest.

The net investment earnings per the *Statement of Changes in Fiduciary Net Position* is comprised of the following:

| | |
|------------------------|-------------------------|
| Dividends and interest | \$ 305,479 |
| Realized gain | 36,439 |
| Unrealized gain (loss) | <u>(248,117)</u> |
| | <u><u>\$ 93,801</u></u> |

The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments, and realized gains and losses of the current period include unrealized amounts from prior periods.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

Credit Risk

The City follows Government Accounting Standards Board Statement 79, "Certain External Investment Pools and Pool Participants," which requires disclosure of specific criteria regarding external investment pools. The City invests in the Maryland Local Government Investment Pool ("MLGIP") which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The City's policy is to attain a rate of return consistent with credit risk. All investments in U.S. Government Agencies Bonds are rated AAA by Standard & Poor's as of June 30, 2016. The MLGIP is rated AAAM by Standard & Poor's. The repurchase agreements are guaranteed by financial institutions that are rated AAA by Standard & Poor's. The City places no limit on the amount the City may invest in any one issuer. The Fiduciary Fund investments have an investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment program that achieves a reasonable long-term total return consistent with the level of risk assumed.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The City's investments were \$10,250,804 in repurchase agreements, \$1,342,207 in MLGIP, \$7,808,041 in direct securities, \$2,155,853 in certificates of deposit, and \$347,267 in money market funds. At June 30, 2016, all of the City's investments were insured or registered, or the securities were held by the City or its agent in the City's name or were invested in MLGIP.

Note 4 - Fair value measurements

The City has adopted GASB Statement No. 72 - *Fair Value Measurement and Application*. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value:

- Level 1 - quoted market prices in active markets
- Level 2 - inputs other than quoted market prices that are observable either directly or indirectly
- Level 3 - unobservable inputs

The City has the following recurring fair value measurements as of June 30, 2016:

- Amounts invested in equities of \$7,808,041 are comprised of securities valued using quoted market prices (Level 1) which are then allocated to position holders. These funds are required to publish their daily net asset value and to transact at that price.
- Amounts invested in money markets and fixed income of \$4,524,928 are comprised of securities which are priced by industry standard vendors, using observable inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads (Level 2) which are then allocated to position holders at a per unit value.
- Amounts invested in repurchase agreements of \$10,250,804 are comprised of investments valued at their current market price plus accrued interest (Level 2) to compute their total value.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

The following table presents the financial assets that the City measures at fair value or amortized cost:

| | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|-------------------|----------|----------------------|
| Investments by fair value level: | | | | |
| Repurchase agreements | \$ - | \$ 10,250,804 | \$ - | \$ 10,250,804 |
| Money Market Mutual Funds | - | 340,918 | - | 340,918 |
| Money Market | - | 6,349 | - | 6,349 |
| Equities | 7,808,041 | - | - | 7,808,041 |
| Fixed Income | - | 4,177,661 | - | 4,177,661 |
| | <u>7,808,041</u> | <u>14,775,732</u> | <u>-</u> | <u>22,583,773</u> |
| Total investments by fair value level | | | | |
| | | | | <u>22,583,773</u> |
| Investments carried at amortized cost: | | | | |
| MLGIP - Mutual Funds | | | | 1,342,207 |
| Certificates of Deposit | | | | <u>2,155,853</u> |
| | | | | <u>3,498,060</u> |
| Total investments by amortized cost | | | | |
| | | | | <u>3,498,060</u> |
| Total Investments | | | | <u>\$ 26,081,833</u> |

Note 5 - Property taxes

Real and personal property taxes are levied at rates enacted by the City Council in the annual budget ordinance on the assessed value of the property as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings.

The real, personal property and public utility tax rate for fiscal year 2016 was \$0.585 per \$100, \$1.55 per \$100, and \$1.57 per \$100, respectively, of assessed value. The City charges taxpayers interest (at the rate of 2/3 of 1% per month) and penalties (at the rate of 1% per month) on all overdue taxes.

Property tax revenues are recognized in the year levied and when they become available, including amounts expected to be collected soon enough after the end of the year to be used to pay liabilities of the current period (estimated by the City as 60 days). At June 30, 2016, taxes receivable, net of an allowance for uncollectibles of \$103,977, amounted to \$323,009.

Note 6 - Notes receivable, net

Notes receivable of \$22,774 are comprised of \$17,501 and \$5,273 recorded in Special Revenue Fund and the Rehabilitation Loans and Grants Fund ("Rehabilitation Loans Fund"), respectively. Notes receivable recorded in the Rehabilitation Loans Fund consist mainly of below market interest rate loans made to City homeowners of low and moderate income through the rehabilitation loan and grant program, for the purpose of conforming their homes to locally adopted codes and fund balance is nonspendable for general purposes, and may only be used for loans serving the same purpose. At June 30, 2016, notes receivable - Rehabilitation Loans Fund, net of allowances for uncollectibles of \$2,233, amounted to \$5,273.

The notes receivable in the amount of \$17,501, net of allowance for uncollectible of \$0, recorded in the Special Revenue Fund as a note receivable and unearned revenue consists of an unsecured loan to a nonprofit organization for repaving and other improvements along Maple Avenue. Repayment terms call for 0% interest rate and monthly payments of \$417 beginning in January 2010 with full payment no later than December 2019. If the organization defaults on the loan the interest rate may be increased to 6%.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2016**

Note 7 - Unavailable and unearned revenues

Governmental funds report advanced revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and Governmental Activities also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the fiscal year, the unavailable revenue and unearned revenue reported in the governmental funds were as follows:

| | Unavailable | Unearned | Total |
|---|-------------------|-------------------|-------------------|
| Income taxes, General Fund | \$ 406,189 | \$ - | \$ 406,189 |
| Property taxes receivable, General Fund | 257,857 | - | 257,857 |
| Charges for services, General Fund | 1,110 | - | 1,110 |
| Fees, General Fund | - | 120,404 | 120,404 |
| Stormwater receivable | 19,259 | - | 19,259 |
| General Fund | - | 49,854 | 49,854 |
| Grant funds received in excess of expenditures, Special Revenue Fund | - | 53,825 | 53,825 |
| | <u>\$ 684,415</u> | <u>\$ 224,083</u> | <u>\$ 908,498</u> |

Note 8 - Interfund receivables, payable and transfers

The General Fund periodically advances funds to the Special Revenue Fund and the Facilities Construction Fund to cover operating cash deficits. In addition, transfers are used to move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. All interfund balances are expected to be repaid within one year.

During the year ended June 30, 2016, the General Fund transferred \$27,108 to the Special Revenue Fund to provide the required matching funds for grants.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2016**

The balances at June 30, 2016 of individual fund interfund borrowings were as follows:

| | <u>Due from other Funds</u> | <u>Due to other Funds</u> |
|------------------|---------------------------------|-------------------------------|
| General Fund | \$ 2,979,884 | \$ 3,304,414 |
| Speed Camera | 5,959 | 2,414,121 |
| Special Revenue | <u>3,304,414</u> | <u>5,959</u> |
| | <u>6,290,257</u> | <u>5,724,494</u> |
| Non-major funds | | |
| Community Center | 207,226 | 207,226 |
| Storm Water | 308 | 563,933 |
| Rehab Loan | <u>-</u> | <u>2,138</u> |
| | <u>207,534</u> | <u>773,297</u> |
| Total | <u><u>\$ 6,497,791</u></u> | <u><u>\$ 6,497,791</u></u> |

Note 9 - Due from other governments

The June 30, 2016, balance of due from other governments is as follows:

| | |
|---|----------------------------|
| State of Maryland | |
| Income tax | \$ 184,873 |
| Income tax reserve | 406,189 |
| Highway user tax | 21,738 |
| Amusement tax | 37,118 |
| State Highway Administration | 142,772 |
| Department of Natural Resources | 133,906 |
| Montgomery County | |
| Police rebate | 232,665 |
| Library aid | 38,625 |
| Community Development Block Grant | 14,392 |
| Franchise fees | 241,057 |
| Other | 116,328 |
| Washington Suburban Sanitary Commission | <u>20,242</u> |
| Total | <u><u>\$ 1,589,905</u></u> |

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2016**

Note 10 - Capital assets and other property

A summary of changes in capital assets during fiscal year 2016 follows:

| | Balance June 30, 2015 | Additions and Transfers | Deletions and Transfers | Balance June 30, 2016 |
|--|--------------------------|----------------------------|----------------------------|--------------------------|
| Capital assets (not being depreciated) | | | | |
| Land | \$ 1,673,632 | \$ 35,479 | \$ - | \$ 1,709,111 |
| Total non-depreciable capital assets | <u>1,673,632</u> | <u>35,479</u> | <u>-</u> | <u>1,709,111</u> |
| Capital assets (being depreciated) | | | | |
| Buildings | 18,534,617 | 63,252 | - | 18,597,869 |
| Improvements other than buildings | 3,466,403 | - | - | 3,466,403 |
| Equipment | 6,516,881 | 813,931 | (274,302) | 7,056,510 |
| Infrastructure | <u>22,235,101</u> | <u>1,673,981</u> | <u>-</u> | <u>23,909,082</u> |
| Total depreciable capital assets | <u>50,753,002</u> | <u>2,551,164</u> | <u>(274,302)</u> | <u>53,029,864</u> |
| Less - accumulated depreciation for: | | | | |
| Buildings | (5,239,346) | (534,441) | - | (5,773,787) |
| Improvements other than buildings | (1,317,418) | (74,032) | - | (1,391,450) |
| Equipment | (3,540,221) | (545,233) | 274,302 | (3,811,152) |
| Infrastructure | <u>(12,350,440)</u> | <u>(471,545)</u> | <u>-</u> | <u>(12,821,985)</u> |
| Total accumulated depreciation | <u>(22,447,425)</u> | <u>(1,625,251)</u> | <u>274,302</u> | <u>(23,798,374)</u> |
| Total capital assets being depreciated | <u>28,305,577</u> | <u>925,913</u> | <u>-</u> | <u>29,231,490</u> |
| Total capital assets | <u>\$ 29,979,209</u> | <u>\$ 961,392</u> | <u>\$ -</u> | <u>\$ 30,940,601</u> |

Depreciation expense was charged to functions/programs in governmental activities as follows:

| | |
|-----------------------------------|---------------------|
| General government | \$ 404,293 |
| Public safety | 182,603 |
| Housing and community development | 11,884 |
| Public works | 849,545 |
| Recreation and culture | <u>176,926</u> |
| | <u>\$ 1,625,251</u> |

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

Note 11 - Non-current liabilities

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2016:

| | Balance June 30, 2015 | Increase | Decrease | Balance June 30, 2016 | Due within one year | Coupon interest rate | Date of maturity |
|---|--------------------------|---------------------|-----------------------|--------------------------|------------------------|-------------------------|---------------------|
| Notes payable | | | | | | | |
| Loan payable | | | | | | | |
| Maryland Department of Housing and Community Development ("DHCD") | \$ 150,000 | \$ - | \$ - | \$ 150,000 | \$ - | 0.00% | June 2022 |
| Other long-term liabilities | | | | | | | |
| Bonds payable | 1,538,500 | - | (1,538,500) | - | - | 4.00% | May 2025 |
| Bonds payable | 805,000 | - | (155,000) | 650,000 | 155,000 | 2.97% | June 2020 |
| Bonds payable | - | 1,518,202 | (101,702) | 1,416,500 | 143,000 | 2.34% | April 2025 |
| Compensated absences | 854,571 | 706,379 | (653,240) | 907,710 | 654,000 | | |
| Net pension liability | 13,981,566 | 2,809,990 | (1,018,935) | 15,772,621 | - | | |
| | <u>\$ 17,329,637</u> | <u>\$ 5,034,571</u> | <u>\$ (3,467,377)</u> | <u>\$ 18,896,831</u> | <u>\$ 952,000</u> | | |

Notes and bonds

In June 2004, the City entered into a Community Legacy Program Loan Agreement with the Maryland Department of Housing and Community Development for an unsecured loan of up to \$300,000 for the construction of a multi-level public parking structure in the Old Town business district. This Agreement was amended in June 2008, and funds were reallocated for other parking related improvements. The total amount of the loan proceeds through June 30, 2010 was \$150,000. The interest rate is 0% annually and principal and interest payments are deferred until June 30, 2022, at which time the unpaid and unforgiven portion of the loan is due and payable. The balance of the loan at June 30, 2016 is \$150,000.

| Fiscal years | Principal | Interest | Total |
|--------------|-------------------|-------------|-------------------|
| 2017 | \$ - | \$ - | \$ - |
| 2018 | - | - | - |
| 2019 | - | - | - |
| 2020 | - | - | - |
| 2021 | - | - | - |
| 2022 | 150,000 | - | 150,000 |
| Total | <u>\$ 150,000</u> | <u>\$ -</u> | <u>\$ 150,000</u> |

On May 26, 2005, the City issued bonds in the amount of \$2,600,000 to be used for the community center construction project. The principal is to be repaid in variable amounts, increasing each year until the bond is paid. Interest payments are based on variable interest rates. The interest rate at June 30, 2015 was 4.00%. The bond was refinanced on August 27, 2015.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2016**

On August 27, 2015, the City issued bonds in the amount of \$1,518,202 to be used for the community center construction project. The principal is to be repaid in variable amounts, increasing each year until the bond is paid. Interest payments are based on variable interest rates. The interest rate at June 30, 2016 was 2.34%. The balance at June 30, 2016 is \$1,416,500. The annual installments for the repayment of the bond as of June 30, 2016 are as follows:

| Fiscal years | Principal | Interest | Total |
|--------------|---------------------|-------------------|---------------------|
| 2017 | \$ 143,000 | \$ 39,683 | \$ 182,683 |
| 2018 | 144,000 | 38,525 | 182,525 |
| 2019 | 147,500 | 35,645 | 183,145 |
| 2020 | 151,500 | 31,220 | 182,720 |
| 2021 | 156,500 | 26,675 | 183,175 |
| 2022 - 2025 | 674,000 | 58,340 | 732,340 |
| Total | <u>\$ 1,416,500</u> | <u>\$ 230,088</u> | <u>\$ 1,646,588</u> |

In July 2010, the City issued bonds in the amount of \$1,500,000 to renovate the Public Works facility. The interest rate is 2.97% annually. Principal is repaid annually and interest payments are made semiannually. The loan matures on June 15, 2020. The balance of the loan at June 30, 2016 is \$650,000. The annual installments for the repayment of the loan as of June 30, 2016 are as follows:

| Fiscal years | Principal | Interest | Total |
|--------------|-------------------|------------------|-------------------|
| 2017 | \$ 155,000 | \$ 19,305 | \$ 174,305 |
| 2018 | 160,000 | 14,702 | 174,702 |
| 2019 | 165,000 | 9,950 | 174,950 |
| 2020 | 170,000 | 5,049 | 175,049 |
| Total | <u>\$ 650,000</u> | <u>\$ 49,006</u> | <u>\$ 699,006</u> |

Note 12 - Deferred inflows of resources - governmental funds

Deferred inflows of resources are comprised of the following amounts as of June 30, 2016:

| | General Fund | Non-major fund | Total |
|---------------------------|-------------------|------------------|-------------------|
| Income taxes | \$ 406,189 | \$ - | \$ 406,189 |
| Property taxes receivable | 257,857 | - | 257,857 |
| Charges for services | 1,110 | - | 1,110 |
| Stormwater receivable | - | 19,259 | 19,259 |
| | <u>\$ 665,156</u> | <u>\$ 19,259</u> | <u>\$ 684,415</u> |

Note 13 - Fund balances

Fund balances for the City's governmental funds consisted of the following as of June 30, 2016

Nonspendable fund balances

Nonspendable fund balances totaling \$7,831 as of June 30, 2016 are comprised of trash bins of \$7,831 in the General Fund.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

Restricted fund balances

Restricted fund balances total \$3,867,200 as of June 30, 2016. The General Fund restricted fund balance at June 30, 2016 is \$96,369 pertaining to street improvements. Fund balance in the Speed Camera Fund is restricted to public safety projects. At June 30, 2016, this amount was \$400,329. Most of the fund balance in the Special Revenue Fund is restricted to cable equipment and related expenditures. At June 30, 2016, this amount was \$3,337,536. The remaining fund balance in the Special Revenue Fund of \$27,693 is restricted for police-related expenditures allowed by the Department of Justice Equitable Sharing Program for forfeitures. The amount restricted in the Rehabilitation Loans and Grants Fund related to notes receivable is \$5,273 as of June 30, 2016.

Committed fund balances

The General Fund has \$4,896,053 in committed fund balances as of June 30, 2016. This is comprised of the following:

| | |
|-------------------------------|---------------------|
| Equipment replacement reserve | \$ 3,844,655 |
| Emergency reserve | 455,068 |
| Facility maintenance reserve | <u>596,330</u> |
| | <u>\$ 4,896,053</u> |

The Charter requires a minimum reservation of \$250,000 to cover emergencies, plus a percentage increase each year, equal to the percentage increase in the Consumer Price Index. The City has committed \$455,068 for emergency expenses as of June 30, 2016.

Assigned fund balances

Assigned fund balances totaling \$2,498,093 are comprised of \$173,128 in the Stormwater Management Fund assigned to stormwater management projects and \$2,324,965 in the General Fund for future expenditures.

Note 14 - Retirement plans

The City has adopted GASB No. 68 - *Accounting and Financial Reporting for Pensions* ("GASB 68") for the year ended June 30, 2016. The City participates in the Maryland State Retirement and Pension System (the "System") described below and qualifies as a Participating Governmental Unit ("PGU"). The State Retirement Agency (the "Agency") is the Plan administrator and fiduciary. GASB No. 68 requires that a PGU recognize its proportionate share of the System's net pension liability (i.e., unfunded pension liability) and pension expense. The City's proportionate share is based on total System contributions and approximates \$5,881,653 as of the measurement date of June 30, 2015.

The City has also adopted GASB No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date* - An Amendment of GASB No. 68. GASB No. 71 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The City's fiscal 2016 contribution of \$566,946 is therefore recognized as a pension-related deferred outflow of resources.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

Description of plans

The State of Maryland identifies multiple-employer defined benefit pension plans as cost-sharing plans.

On October 1, 1941, the Employees' Retirement System of the State of Maryland was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established.

The Employees' Pension System of the State of Maryland ("Pension System") was established January 1, 1980. The Pension System covers employees hired after December 31, 1979, as well as Retirement System participants who have voluntarily joined the Pension System. The Employees Contributory Pension System of the State of Maryland ("Contributory Pension System") was established July 1, 1998. As of July 1, 1999, and retroactively to July 1, 1998, the City elected to participate in the Contributory Pension System for all service earned on or after July 1, 1998.

Under the terms of the Contributory Pension System, a member hired may retire with full benefits upon attaining age 60 or after completing 30 years of eligible service regardless of age. A member may retire with reduced benefits prior to attaining age 60 after completing 25 years of eligible service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested retirement allowance upon age 60.

Under the terms of the Contributory Pension System, a member hired before July 1, 2011 may retire after 30 years of service regardless of age; at age 65 with two years of service; at age 64 with three years of service; at age 63 with four years of service; or at age 62 with at least five years of service. An employee hired before July 1, 2011 may also take early retirement with reduced benefits at age 55 with 15 years of service. A member hired before July 1, 2011 terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 62. Members hired on or after July 1, 2011 may retire when their age and years of eligibility service totals 90 years or at age 65 with 10 years of eligibility service. Members hired on or after July 1, 2011 may retire with reduced benefits at age 60 with 15 years of eligibility service. A member hired on or after July 1, 2011 terminating employment before attaining retirement age, but after completing ten years of eligible service becomes eligible for a vested pension allowance upon reaching age 65.

On retirement from service, a member of any of these plans shall receive an annual service retirement allowance based on the member's average final compensation and years of creditable service multiplied by a factor. This factor varies from 1.2% to 2.0% per eligible service year, depending on employee/employer contributions and other plan-specific provisions. Early retirement, where available, is subject to provisions that reduce the benefit received.

Benefits under the two plans are established under the State Personnel and Pensions Article of the Annotated Code of Maryland.

The State Retirement and Pension System of Maryland issues a comprehensive annual financial report that includes disclosures regarding: plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The pension plans' fiduciary net position has been determined on the same basis used by the pension plans. The pension plans' financial statements are prepared on the accrual basis of accounting and are prepared in accordance with principles generally accepted in the United States of America that apply to governmental accounting for fiduciary funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ended June 30, 2015 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were adjusted by increasing contributions by approximately \$251,000,000 to adjust for differences between actuarially determined contributions and actual contributions by the State of Maryland. This report can be obtained from the agency's office as follows:

State Retirement and Pension System of Maryland
120 E. Baltimore Street, Suite 1601
Baltimore, Maryland 21202-1600

Funding Policy

Obligations to contribute to the plans are under the Annotated Code of Maryland. Members of the three plans contribute a percentage of their gross employee compensation. For the Retirement System and Contributory Pension System, members contribute 7 percent, 5 percent or 2 percent. Contribution rate to the Contributory Pension System was 5 percent for fiscal year 2011 and will be 7 percent for each fiscal year thereafter.

Required contributions under the plans are not funded by employee contributions but are funded entirely by the City. Contributions by the City to all three State plans take place during the fiscal year and are based upon salaries for the preceding fiscal year. The City contributions for the year ended June 30, 2016 are based on salaries for the year ended June 30, 2015. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees, and contributions by the City are authorized by the City Council. The required and actual contributions for the fiscal years ended June 30th were as follows:

| | Fiscal year ended June 30 | | |
|-------------------------------|---------------------------|------------|------------|
| | 2016 | 2015 | 2014 |
| Retirement plan contributions | \$ 566,946 | \$ 596,532 | \$ 571,845 |

The City contributed \$566,946 to the System for fiscal year 2016 which was actuarially determined based on statutory provisions. The City has also recognized in Pension Expense its proportionate share of the System's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and the difference between projected and actual experience. The City has recognized in Pension Expense its proportionate share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions, net difference in projected and actual investment earnings on pension plan assets and change in proportionate share.

Actuarial assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2015 rolled forward to June 30, 2016. The key assumptions used to perform the June 30, 2016 pension liability calculation for the System are as follows:

- Actuarial: Entry Age Normal
- Amortization Method: Level Percentage of Payroll, Closed
- Remaining Amortization Period: In the 2012 actuarial valuation: eight years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000 and 25 years from each subsequent

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

valuation date for each year's additional UAAL for the State systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013, actuarial valuation: 25 years for the State Systems, 26 years for LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: seven years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.

- Asset Valuation Method: 5-year smoothed market; 20% collar
- Inflation: 2.95% general and 3.45% wage.
- Salary Increases: 3.45% to 10.7% including inflation.
- Discount Rate: 7.55%
- Investment Rate of Return: 7.55%
- Retirement Age: Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
- Mortality: RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

Note: There were no benefit changes during the year. Adjustments to the rollforward liabilities were made to reflect the change in the Investment Return assumption from 7.65% to 7.55%.

The components of the net pension liability for the System as of June 30, 2015, calculated in accordance with GASB Statement No. 67, are shown in the following table:

| | |
|---|-------------------------|
| Total Pension Liability | \$66,571,552,000 |
| Plan Fiduciary Net Position | <u>45,789,840,000</u> |
| Net Pension Liability | <u>\$20,781,712,000</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | <u>68.78%</u> |

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Pension System's Board after considering input from the investment consultant(s) and actuary(s).

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

For each major asset class that is included in the Pension System's target asset allocation, these best estimates are summarized in the following table:

| Asset class | Target allocation | Long-term expected real rate of return |
|--------------------|-------------------|--|
| Public Equity | 35% | 6.30% |
| Fixed income | 10% | 0.60% |
| Credit opportunity | 10% | 3.20% |
| Real return | 14% | 1.80% |
| Absolute return | 10% | 4.20% |
| Private equity | 10% | 7.20% |
| Real estate | 10% | 4.40% |
| Cash | 1% | 0.00% |
| | <u>100%</u> | |

The above was the Pension System's Board of Trustee's adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2015.

Discount rate

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the System's net pension liability and the City's proportionate share of the System's net pension liability, calculated using a single discount rate of 7.55%, a single discount rate that is 1 percentage point lower (i.e., 6.55%), and a single discount rate that is 1 percentage point higher (i.e., 8.55%).

| | 1% Lower - 6.55% | Current Rate - 7.55% | 1% Higher - 8.55% |
|---|------------------|-------------------------|----------------------|
| The System's Net Pension Liability | \$29,371,763,000 | \$20,781,712,000 | \$13,658,848,000 |
| The City's Proportionate Share of Net Pension Liability | \$ 8,312,826 | \$ 5,881,653 | \$ 3,865,741 |

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2016**

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the City reported a liability of \$5,881,653 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2015, the City's proportion was approximately 0.028 percent.

For the year ended June 30, 2016, the City recognized pension expense of \$156,165. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|--|--------------------------|-------------------------|
| Change in assumptions | \$ 341,489 | \$ - |
| Difference between actual and expected experience | - | 120,451 |
| Net difference between projected and actual earnings on pension plan investments | 518,051 | 356,132 |
| Change in proportionate share | 621,855 | - |
| Contributions subsequent to the measurement date | <u>566,946</u> | <u>-</u> |
| Total | <u>\$ 2,048,341</u> | <u>\$ 476,583</u> |

The deferred outflow of resources of \$566,946 relating to contributions subsequent to the measurement date will be recognized as a reduction of the City's net pension liability during the fiscal year ended June 30, 2017. The deferred outflows and inflows of resources due to changes in assumptions, differences between actual and expected experience, change in proportion, and differences between projected and actual investment earnings represent the City's proportionate share of the unamortized portions of the System's original amounts. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 5.87 years. The 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of 5 years. The net difference in investment earnings for both 2015 and 2014 are being amortized over a closed 5 year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed 5 year period.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

The following table shows the amortization of these deferred outflows and inflows:

| Fiscal Year Ended June 30 | Amortization of 2015 Balance | | | | Amortization of 2014 Balance | |
|------------------------------|---|--|---|---|--|---|
| | Deferred Outflows - Net Difference in Investment Earnings | Deferred Outflows - Change in Assumptions | Deferred Outflows - Change in Proportion | Deferred Inflows - Actual vs Expected Experience | Deferred Outflows - Change in Assumptions | Deferred Inflows - Net Difference in Investment Earnings |
| 2017 | \$ 129,513 | \$ 60,457 | \$ 127,691 | \$ 24,733 | \$ 15,689 | \$ 118,710 |
| 2018 | 129,513 | 60,457 | 127,691 | 24,733 | 15,688 | 118,711 |
| 2019 | 129,513 | 60,457 | 127,691 | 24,733 | 15,688 | 118,711 |
| 2020 | 129,512 | 60,457 | 127,691 | 24,733 | - | - |
| 2021 | - | 52,596 | 111,091 | 21,519 | - | - |

Net pension liability

The components of the City's proportionate share of the Pension System's net pension liability as of the measurement date of June 30, 2015 were as follows:

| | |
|---|----------------------------|
| Total Pension Liability | \$ 18,841,147 |
| Plan Fiduciary Net Position | <u>12,959,494</u> |
| Net Pension Liability | <u><u>\$ 5,881,653</u></u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | <u><u>68.78%</u></u> |

City of Takoma Park Police employees' retirement plan

General

The Police Retirement Plan is a single-employer contributory defined benefit pension plan established by City ordinance ("Title 4 of the City's Municipal Code"). The plan is governed by the City of Takoma Park Retirement Plan Committee which is responsible for the management of plan assets. The plan committee consists of 7 members including the City Administrator, City Treasurer, Chief of Police, Police Supervisor, or their designees, a representative of Local 400 of the United Food and Commercial Workers and two citizens elected by the City Council. The City has delegated the authority to manage plan assets to PNC Institutional Investments.

The City does not issue a separate audited annual financial report for the Retirement Plan.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated values.

The annual money-weighted rate of return was 4.14% for the year ended June 30, 2016. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

Plan Membership

As of July 1, 2016, the pension plan's membership consisted of:

| | |
|---|------------------|
| Active plan members | 39 |
| Inactive plan members or beneficiaries currently receiving benefits | 26 |
| Inactive plan members entitled to benefits but not yet receiving them | <u>3</u> |
| Total | <u><u>68</u></u> |

Contribution information and funding policy

The Plan covers sworn police officers who are employed on a regular full-time basis. Provisions of the Plan include retirement, disability and death benefits to plan members and their beneficiaries. Cost of living adjustments are provided annually as prescribed by the City Code.

Title 4 of the City's Municipal Code establishes contribution rates to the Plan. Contributions to the Plan made by the City are based on an actuarially determined rate. The actuarially required contribution and the amount paid into the plan by the City for the year ended June 30, 2016 was \$1,296,482. The police officers contribute to the Plan based on 7% of salaries. Member's actual contributions were \$194,455 at June 30, 2016. Administrative costs are financed through investment earnings.

The annual pension cost for 2016, 2015, and 2014 was \$1,296,482, \$1,101,564, and \$1,044,504, respectively. The contributions made as a percentage of the annual pension cost for 2016, 2015, and 2014 were 100%, 100%, and 100%, respectively. The net pension benefit as of June 30, 2016, 2015, and 2014 was \$0, \$0, and \$5,065, respectively. The net pension benefit is the cumulative difference between the annual required contribution ("ARC") adjusted for interest and contributions made. The net pension assets for 2016, 2015, and 2014 were \$12,077,719, \$11,311,413, and \$10,436,237, respectively.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established by Title 4 of the City's Municipal Code and may be amended by the City. The plan's investment policy is to construct a diversified portfolio of several different asset classes that will potentially lower total risk (as measured by volatility of returns) and increase total expected return. Key considerations in the implementation of the plan's investment policy include, but are not limited to, the financial condition of the plan, the expected long-term outlook for capital markets, the plan's risk tolerance, future growth of plan participants and the liquidity requirements of the plan.

The plan's target asset allocation and long-term expected real rate of return was the following as of June 30, 2016.

| Asset class | Target allocation | Long-term expected real rate of return |
|-----------------|--------------------|--|
| Domestic Equity | 50% | 5.90% |
| Foreign Equity | 10% | 6.80% |
| Fixed Income | 35% | 1.10% |
| Cash | 5% | 0.00% |
| Inflation | <u>0%</u> | 3.00% |
| | <u><u>100%</u></u> | |

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2016**

The amortization period for the year ended June 30, 2016 was closed.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3%). The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized above.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made equal to the actuarially determined contribution. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

The key assumptions used to perform the June 30, 2016 pension liability calculation for police are as follows:

- Actuarial Cost Method: Projected Unit Credit
- Amortization Method: Level Percentage of Payroll, Closed
- Asset Valuation Method: 5-year smoothed market
- Inflation: 3.0%
- Salary Increase: 5.5%, including inflation
- Discount Rate: 7.5%
- Investment Rate of Return: 7.5%, net pension plan investment expense, including inflation
- Retirement Age: Rates vary by participant and service
- Mortality: RP-2000 Combined Healthy Mortality Table with blue collar adjustment, projected seven years beyond the year of the valuation by scale AA

Note: Discount rate at prior measurement date was 7.5%. There were no benefit changes during the year. Investment returns and inflation assumptions did not change from last year.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2016**

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City calculated using a discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

| | 1% Decrease - 6.5% | Current Rate - 7.5% | 1% Increase - 8.5% |
|------------------------------|-----------------------|------------------------|-----------------------|
| City's net pension liability | \$ 12,970,784 | \$ 9,890,968 | \$ 7,362,388 |

Following is the schedule of changes in the City's Net Pension Liability (dollar amounts in thousands):

| | 2016 |
|---|-----------------------|
| Total pension liability | |
| Service cost | \$ 790 |
| Interest | 1,543 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | (562) |
| Changes of assumptions | - |
| Benefit payments, including refunds of member contributions | (757) |
| | <hr/> |
| Net change in total pension liability | 1,014 |
| Total pension liability - beginning | <hr/> 20,955 |
| Total pension liability - end | <hr/> <hr/> \$ 21,969 |
| Plan fiduciary net position | |
| Contributions - employer | \$ 1,296 |
| Contributions - employees | 194 |
| Net investment income | 90 |
| Benefit payments, including refunds of member contributions | (757) |
| Administrative expenses | (56) |
| Other | - |
| | <hr/> |
| Net change in plan fiduciary net position | 767 |
| Plan fiduciary net position - beginning | <hr/> 11,311 |
| Plan fiduciary net position - end | <hr/> <hr/> \$ 12,078 |
| Net pension liability | <hr/> <hr/> \$ 9,891 |

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

For the year ended June 30, 2016, the City recognized pension expense of \$494,266. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

| | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|--|--------------------------|-------------------------|
| Change in assumptions | \$ 214,966 | \$ - |
| Difference between actual and expected experience | - | 1,291,650 |
| Net difference between projected and actual earnings on pension plan investments | <u>842,160</u> | <u>823,367</u> |
| Total | <u>\$ 1,057,126</u> | <u>\$ 2,115,017</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|--------------|
| Year ended June 30: | |
| 2017 | \$ (139,660) |
| 2018 | (139,660) |
| 2019 | (139,658) |
| 2020 | 63,143 |
| 2021 | (93,655) |
| Thereafter | - |

The following is the City's aggregate pension-related assets, liabilities, deferred inflows of resources, deferred outflows of resources, and pension expense associated with the net pension liability:

| | Maryland State Pension System | Police Employees' Plan | Total |
|---|----------------------------------|---------------------------|-------------------|
| Total pension liability | \$ 66,571,552,000 | \$ 21,969,000 | \$ 66,593,521,000 |
| Total fiduciary net position | \$ 45,789,840,000 | \$ 12,078,000 | \$ 45,801,918,000 |
| City's proportionate share of total pension liabilities | \$ 5,881,653 | \$ 9,890,968 | \$ 15,772,621 |
| Total pension assets | \$ 45,789,840,000 | \$ 12,077,719 | \$ 45,801,917,719 |
| Deferred outflows related to pensions | \$ 2,048,341 | \$ 1,057,126 | \$ 3,105,467 |
| Deferred inflows related to pensions | \$ 476,583 | \$ 2,115,017 | \$ 2,591,600 |
| Pension expense/expenditures for the period | \$ 156,165 | \$ 494,266 | \$ 650,431 |
| City's proportionate share of net pension liability | 0.02830% | 100% | |
| Measurement date of collective net pension liability | June 30, 2015 | June 30, 2016 | |
| Date of actuarial valuation | June 30, 2015 | June 30, 2016 | |

457 Deferred Compensation Plan

All employees of the City Government may participate in the deferred compensation plan organized under the Internal Revenue Code Section 457, and administered by the International City Management Association Retirement Corporation ("ICMA-RC"). Under the terms of the plan, participating employees may have a portion of their salaries withheld, subject to limitations imposed by the Internal Revenue Service, and invested in the plan. All income taxes are deferred on these contributions and related earnings until the participant terminates from the plan. The City is in compliance with the Internal Revenue Code Section 457(g) requiring all assets and income of the plan to be held in trust for the

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

exclusive benefit of participants and their beneficiaries. Management's involvement with the plan is limited to transferring amounts withheld from payroll to the Plan Administrator. Management has little administrative involvement with the plan and does not perform the investing function for the plan. Accordingly, the fair values of the plan assets are not reflected in the City's financial statements.

Defined contribution

The City of Takoma Park Governmental Money Purchase Plan & Trust is a defined contribution pension plan established to provide benefits to certain employees. Employees are not required to contribute to the plan and may make voluntary contributions. Employees are fully vested after 5 years. However, if an employee is terminated prior to the completion of 5 years, that employee will be immediately vested. The City is not required to contribute to the plan.

At June 30, 2016, there were three inactive participants. Plan provisions and contribution requirements are established and may be amended by the City Council. The amount of pension expense recognized by the City for the year ended June 30, 2016 was \$0. The City's liability was \$0 as of June 30, 2016. The plan administrator is ICMA-RC.

Condensed financial information

| | Pension Trust | Defined Contribution Plan | Total |
|---|------------------|---------------------------------|---------------|
| Assets | | | |
| Cash and cash equivalents | \$ 340,918 | \$ - | \$ 340,918 |
| Total investments | 11,736,801 | 248,901 | 11,985,702 |
| Total assets | 12,077,719 | 248,901 | 12,326,620 |
| Deferred outflows of resources | - | - | - |
| Total assets and deferred outflows of resources | \$ 12,077,719 | \$ 248,901 | \$ 12,326,620 |
| Net position - held in trust for pension benefits | \$ 12,077,719 | \$ 248,901 | \$ 12,326,620 |
| Additions | | | |
| Total contributions | \$ 1,490,937 | \$ - | \$ 1,490,937 |
| Net investment earnings | 89,735 | 4,066 | 93,801 |
| Total additions | 1,580,672 | 4,066 | 1,584,738 |
| Deductions | | | |
| Total deductions | 814,366 | - | 814,366 |
| Change in net position | 766,306 | 4,066 | 770,372 |
| Net position held in trust for pension benefits, beginning of year | 11,311,413 | 244,835 | 11,556,248 |
| Net position held in trust for pension benefits, end of year | \$ 12,077,719 | \$ 248,901 | \$ 12,326,620 |

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2016

Note 15 - Risks and uncertainties

The Police Employees' Retirement Plan and the Defined Contribution Plan invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position available for benefits.

Note 16 - Commitments and contingent liabilities

The City participates in certain federally-assisted grant programs, principally Community Development Block Grants. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial which has been the case in previous program audits.

The City is subject to various legal proceedings. In the opinion of the City Attorneys, the potential liability arising from claims against the City not covered by insurance, would not materially affect the financial statements.

Note 17 - Post retirement benefits

The City does not provide and has no liability for post-retirement benefits at June 30, 2016.

Note 18 - Risk management

The City's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance.

For property, general, excess and environmental liability coverage, the City is a member of the Maryland Local Government Insurance Trust ("LGIT"). This trust is a public entity risk pool which is owned and directed by the local governments that subscribe to its coverages and operates under the terms of a Trust Agreement.

The City pays LGIT an annual premium. Claims are processed and recoveries and administrative costs are paid by LGIT. Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits. No insurance settlement has exceeded the coverage in any of the past three fiscal years.

The City is fully insured for worker's compensation through the Chesapeake Employers' Insurance Company. Employees are bonded through commercial insurance carriers to limit the loss to the City in the event of employees committing acts of embezzlement or theft.

Note 19 - New accounting pronouncements

The GASB issued several pronouncements prior to the year ended June 30, 2016 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2016**

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, will be effective for the City beginning with its fiscal year ending June 30, 2017. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for the purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement requires the disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is effective for periods beginning after December 15, 2015. This statement amends the scope and applicability of Statement No. 68.

GASB Statement No. 82, *Pension Issues*, will be effective for the City beginning with the fiscal year ending June 30, 2017. This Statement amends certain provisions of GASBS No. 67, 68, and 73 as they relate to the disclosure of pension obligations.

Required Supplementary Information

This page intentionally left blank.

City of Takoma Park, Maryland

Required Supplementary Information

Police Employees' Retirement Plan Schedule of Changes in the City's Net Pension Liability and Related Ratios Last Ten Fiscal Years (Dollar Amounts in Thousands)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|------------------|------------------|------------------|---|------|------|------|------|------|------|
| Total pension liability | | | | | | | | | | |
| Service cost | \$ 790 | \$ 543 | \$ 796 | | | | | | | |
| Interest | 1,543 | 1,547 | 1,438 | | | | | | | |
| Changes of benefit terms | - | - | - | Information for years 2013 and prior is not available | | | | | | |
| Difference between expected and actual experience | (562) | (1,372) | - | | | | | | | |
| Changes of assumptions | - | - | - | | | | | | | |
| Benefit payments, including refunds of member contributions | (757) | (785) | (784) | | | | | | | |
| Net change in total pension liability | 1,014 | (67) | 1,450 | | | | | | | |
| Total pension liability - beginning | 20,955 | 21,022 | 19,572 | | | | | | | |
| Total pension liability - end | <u>\$ 21,969</u> | <u>\$ 20,955</u> | <u>\$ 21,022</u> | | | | | | | |
| Plan fiduciary net position | | | | | | | | | | |
| Contributions - employer | \$ 1,296 | \$ 1,102 | \$ 1,044 | | | | | | | |
| Contributions - member | 194 | 178 | 184 | | | | | | | |
| Net investment income | 90 | 441 | 1,354 | | | | | | | |
| Benefit payments, including refunds of member contributions | (757) | (786) | (784) | | | | | | | |
| Administrative expenses | (56) | (60) | (55) | | | | | | | |
| Other | - | - | - | | | | | | | |
| Net change in plan fiduciary net position | 767 | 875 | 1,743 | | | | | | | |
| Plan fiduciary net position - beginning | 11,311 | 10,436 | 8,693 | | | | | | | |
| Plan fiduciary net position - end | <u>\$ 12,078</u> | <u>\$ 11,311</u> | <u>\$ 10,436</u> | | | | | | | |
| Net pension liability | <u>\$ 9,891</u> | <u>\$ 9,644</u> | <u>\$ 10,586</u> | | | | | | | |
| Plan fiduciary net position as a percentage of total pension liability | 54.98% | 53.98% | 49.64% | | | | | | | |
| Covered employee payroll | \$ 2,843 | \$ 3,129 | \$ 3,305 | | | | | | | |
| Net pension liability as a percentage of covered employee payroll | 347.91% | 308.16% | 320.30% | | | | | | | |

The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

City of Takoma Park, Maryland

Required Supplementary Information

Police Employees' Retirement Plan Schedule of Changes in the City's Net Pension Liability and Related Ratios Last Ten Fiscal Years (Dollar Amounts in Thousands)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|----------|----------|----------|------|------|------|------|------|------|------|
| Contractually required contribution | \$ 1,296 | \$ 1,102 | \$ 1,045 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually determined contribution | 1,296 | 1,102 | 1,045 | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered employee payroll | \$ 2,843 | \$ 3,129 | \$ 3,305 | | | | | | | |
| Contributions as a percentage of covered-employee payroll | 45.6% | 35.2% | 31.6% | | | | | | | |

Notes to Schedule

Valuation date:

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

Actuarial cost method
Amortization method
Remaining amortization period
Asset valuation method
Inflation
Salary increases
Investment rate of return
Retirement age
Mortality

Projected Unit Credit
Level Percentage of Payroll, closed
22 years (closed)
5-year smoothed market
3.00%
5.5%, including inflation
7.5%, net of pension plan investment expense, including inflation
Rates vary by participant age and service
RP-2000 Combined Healthy Table with blue collar adjustment, projected seven years beyond the year of the valuation by scale AA

City of Takoma Park, Maryland

Schedule of Required Pension-Related Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability

| | <u>FY 2016</u> | <u>FY 2015</u> |
|--|----------------|----------------|
| City's proportion (%) of collective net pension liability | 0.028% | 0.024% |
| City's proportionate share (\$) of collective net pension liability | \$ 5,881,653 | \$ 4,338,175 |
| City's covered-employee payroll (\$) | \$ 7,617,864 | \$ 7,368,222 |
| City's proportionate share of collective net pension liability as a percentage of its covered-employee payroll | 77.21% | 58.88% |
| Pension plan's fiduciary net position as a percentage of the total pension liability | 68.78% | 71.87% |

City of Takoma Park, Maryland

Schedule of Required Pension-Related Supplementary Information

Schedule of the City's Pension Plan Contributions Last Ten Fiscal Years

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|--------------|--------------|--------------|------|------|------|------|------|------|------|
| Contractually required contribution | \$ 566,946 | \$ 596,532 | \$ 571,845 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually determined contribution | 566,946 | 596,532 | 571,845 | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered-employee payroll | \$ 7,617,864 | \$ 7,363,222 | \$ 6,083,944 | | | | | | | |
| Contributions as a percentage of covered-employee payroll | 7.4% | 8.1% | 9.4% | | | | | | | |

The above schedule is presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

Supplementary Information

City of Takoma Park, Maryland

**General Fund
Schedule of Revenues, Expenditures and
Other Financing Sources (Uses) - Budget and Actual
For the Fiscal Year Ended June 30, 2016**

| | Original budget | Final budget | Actual | Variance positive (negative) |
|-------------------------------|--------------------|-----------------|---------------|------------------------------------|
| Revenues | | | | |
| Taxes | | | | |
| <u>Property</u> | | | | |
| Real property | \$ 11,371,340 | \$ 11,371,340 | \$ 11,516,876 | \$ 145,536 |
| Business or other property | 549,750 | 549,750 | 595,570 | 45,820 |
| Penalty and interest | 30,000 | 30,000 | 64,336 | 34,336 |
| Additions and abatements | (35,000) | (35,000) | (8,713) | 26,287 |
| Total property | 11,916,090 | 11,916,090 | 12,168,069 | 251,979 |
| <u>Local taxes</u> | | | | |
| Admission and amusement | 135,000 | 135,000 | 134,062 | (938) |
| | 135,000 | 135,000 | 134,062 | (938) |
| <u>Shared taxes</u> | | | | |
| Highway | 341,665 | 341,665 | 346,015 | 4,350 |
| Income tax | 2,700,000 | 3,153,311 | 3,494,273 | 340,962 |
| Total shared taxes | 3,041,665 | 3,494,976 | 3,840,288 | 345,312 |
| Total taxes | 15,092,755 | 15,546,066 | 16,142,419 | 596,353 |
| Licenses and permits | 57,104 | 78,904 | 87,314 | 8,410 |
| Fines and forfeitures | 215,500 | 215,500 | 482,986 | 267,486 |
| Use of money and property | | | | |
| Interest and dividends | 15,000 | 15,000 | 53,213 | 38,213 |
| Charges for services | | | | |
| Public parking | 95,000 | 95,000 | 104,123 | 9,123 |
| Protective inspection fees | 320,740 | 320,740 | 318,668 | (2,072) |
| Waste collection and disposal | 70,700 | 70,700 | 69,011 | (1,689) |
| Passport | 45,000 | 45,000 | 81,613 | 36,613 |
| Recreation | 560,000 | 560,000 | 495,385 | (64,615) |
| Library fines and fees | 35,500 | 35,500 | 26,121 | (9,379) |
| Other | 44,715 | 44,715 | 46,860 | 2,145 |
| Total charges for services | 1,171,655 | 1,171,655 | 1,141,781 | (29,874) |

City of Takoma Park, Maryland

**General Fund
Schedule of Revenues, Expenditures and
Other Financing Sources (Uses) - Budget and Actual
For the Fiscal Year Ended June 30, 2016**

| | Original budget | Final budget | Actual | Variance positive (negative) |
|------------------------------------|--------------------|-----------------|------------|------------------------------------|
| Revenues (Continued) | | | | |
| Intergovernmental revenues | | | | |
| Police protection | \$ 431,752 | \$ 431,752 | \$ 401,570 | \$ (30,182) |
| In Lieu of Police | 2,515,147 | 2,515,147 | 2,515,147 | - |
| In Lieu of County Services | 998,496 | 998,496 | 998,496 | - |
| Police rebate | 945,540 | 945,540 | 930,658 | (14,882) |
| Bank share tax | 5,643 | 5,643 | 5,643 | - |
| Library Aid | 149,624 | 149,624 | 154,498 | 4,874 |
| Montgomery County Tax | 426,000 | 426,000 | 545,931 | 119,931 |
| Takoma/Langley Recreation Center | 87,650 | 87,650 | 85,020 | (2,630) |
| State Highway street project | 187,000 | 187,000 | 181,797 | (5,203) |
| Total intergovernmental revenues | 5,746,852 | 5,746,852 | 5,818,760 | 71,908 |
| Miscellaneous revenue - other | 63,000 | 135,994 | 215,009 | 79,015 |
| Total revenues | 22,361,866 | 22,909,971 | 23,941,482 | 1,031,511 |
| Expenditures | | | | |
| General government | | | | |
| City Council | 207,750 | 207,750 | 195,241 | 12,509 |
| City Manager | 1,348,250 | 1,428,575 | 1,342,145 | 86,430 |
| Finance | 701,150 | 702,050 | 636,476 | 65,574 |
| Legal | 273,100 | 275,100 | 263,591 | 11,509 |
| Information Systems Administration | 669,950 | 669,950 | 615,828 | 54,122 |
| Other - unclassified | 1,313,109 | 1,329,809 | 1,120,826 | 208,983 |
| Total general government | 4,513,309 | 4,613,234 | 4,174,107 | 439,127 |
| Public safety | | | | |
| Office of the Chief | 534,130 | 564,130 | 640,629 | (76,499) |
| Communications | 578,900 | 578,900 | 553,415 | 25,485 |
| Patrol | 3,787,910 | 3,794,660 | 3,887,392 | (92,732) |
| Criminal investigations | 1,406,780 | 1,406,780 | 1,415,989 | (9,209) |
| Administration | 707,970 | 725,970 | 749,414 | (23,444) |
| Total public safety | 7,015,690 | 7,070,440 | 7,246,839 | (176,399) |
| Public works | | | | |
| Administration | 559,125 | 559,125 | 522,643 | 36,482 |
| Building Maintenance | 888,700 | 888,700 | 796,291 | 92,409 |
| Equipment Maintenance | 492,000 | 492,000 | 457,229 | 34,771 |
| Right of Way | 1,052,550 | 1,055,700 | 1,057,921 | (2,221) |
| Solid Waste Management | 876,750 | 888,708 | 1,021,975 | (133,267) |
| Urban forest/ City Gardens | 496,175 | 496,175 | 416,765 | 79,410 |
| City engineer | 322,200 | 322,200 | 345,971 | (23,771) |
| Total public works | 4,687,500 | 4,702,608 | 4,618,795 | 83,813 |

City of Takoma Park, Maryland

**General Fund
Schedule of Revenues, Expenditures and
Other Financing Sources (Uses) - Budget and Actual
For the Fiscal Year Ended June 30, 2016**

| | Original budget | Final budget | Actual | Variance positive (negative) |
|---|--------------------|-----------------|--------------|------------------------------------|
| Expenditures (Continued) | | | | |
| Housing and Community Development | \$ 1,732,085 | \$ 1,729,495 | \$ 1,517,690 | \$ 211,805 |
| Recreation and culture | | | | |
| Recreation | 1,779,505 | 1,781,305 | 1,582,576 | 198,729 |
| Library and media | 1,793,630 | 1,808,130 | 1,681,661 | 126,469 |
| Total recreation and culture | 3,573,135 | 3,589,435 | 3,264,237 | 325,198 |
| Capital outlay | 2,549,599 | 3,000,994 | 1,783,454 | 1,217,540 |
| Debt service | | | | |
| Repayments | 376,800 | 1,902,517 | 1,902,426 | 91 |
| Total debt service | 376,800 | 1,902,517 | 1,902,426 | 91 |
| Total expenditures | 24,448,118 | 26,608,723 | 24,507,548 | 2,101,175 |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | (2,086,252) | (3,698,752) | (566,066) | 3,132,686 |
| Other financing sources (uses) | | | | |
| Debt issuance | - | 1,579,730 | 1,579,730 | - |
| Transfers | | | | |
| Special revenue | (20,500) | (20,500) | (27,108) | (6,608) |
| Total other financing sources (uses) | (20,500) | 1,559,230 | 1,552,622 | (6,608) |
| Excess (deficiency) of revenues over expenditures | (2,106,752) | (2,139,522) | 986,556 | 3,126,078 |
| Appropriation of fund balance | 2,106,752 | 2,139,522 | - | (2,139,522) |
| Excess of revenues and other financing sources over expenditures and other financing uses | \$ - | \$ - | \$ 986,556 | \$ 986,556 |

City of Takoma Park, Maryland

**Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2016**

| | Stormwater Management Fund | Facility Construction Fund | Rehabilitation loans and grants | Total nonmajor governmental funds |
|--|----------------------------------|----------------------------------|------------------------------------|--|
| Assets | | | | |
| Cash and temporary investments | \$ 1,031,721 | \$ - | \$ 211,072 | \$ 1,242,793 |
| Notes receivable, net | - | - | 5,273 | 5,273 |
| Other receivables | 20,762 | - | - | 20,762 |
| Due from other funds | 308 | 207,226 | - | 207,534 |
| | <u>1,052,791</u> | <u>207,226</u> | <u>216,345</u> | <u>1,476,362</u> |
| Total assets | | | | |
| | <u>1,052,791</u> | <u>207,226</u> | <u>216,345</u> | <u>1,476,362</u> |
| Deferred outflows of resources | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets and deferred outflows of resources | \$ 1,052,791 | \$ 207,226 | \$ 216,345 | \$ 1,476,362 |
| | <u>\$ 1,052,791</u> | <u>\$ 207,226</u> | <u>\$ 216,345</u> | <u>\$ 1,476,362</u> |
| Liabilities | | | | |
| Accounts payable | \$ 257,488 | \$ - | \$ - | \$ 257,488 |
| Accrued expenses | 5,687 | - | - | 5,687 |
| Deposits and escrows held | 33,296 | - | - | 33,296 |
| Due to other funds | 563,933 | 207,226 | 2,138 | 773,297 |
| Due to other governments | - | - | 208,934 | 208,934 |
| | <u>860,404</u> | <u>207,226</u> | <u>211,072</u> | <u>1,278,702</u> |
| Total liabilities | | | | |
| | <u>860,404</u> | <u>207,226</u> | <u>211,072</u> | <u>1,278,702</u> |
| Deferred inflows of resources | 19,259 | - | - | 19,259 |
| | <u>19,259</u> | <u>-</u> | <u>-</u> | <u>19,259</u> |
| Fund balances | | | | |
| Restricted | - | - | 5,273 | 5,273 |
| Committed | - | - | - | - |
| Assigned | 173,128 | - | - | 173,128 |
| Unassigned | - | - | - | - |
| | <u>173,128</u> | <u>-</u> | <u>5,273</u> | <u>178,401</u> |
| Total fund balances | | | | |
| | <u>173,128</u> | <u>-</u> | <u>5,273</u> | <u>178,401</u> |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,052,791 | \$ 207,226 | \$ 216,345 | \$ 1,476,362 |
| | <u>\$ 1,052,791</u> | <u>\$ 207,226</u> | <u>\$ 216,345</u> | <u>\$ 1,476,362</u> |

City of Takoma Park, Maryland

**Non-Major Governmental Funds
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2016**

| | <u>Stormwater Management Fund</u> | <u>Facility Construction Fund</u> | <u>Rehabilitation loans and grants</u> | <u>Total nonmajor governmental funds</u> |
|---|---|---|--|--|
| Revenues | | | | |
| Charges for service | \$ 416,651 | \$ - | \$ - | \$ 416,651 |
| Miscellaneous | 4,962 | - | - | 4,962 |
| | <u>421,613</u> | <u>-</u> | <u>-</u> | <u>421,613</u> |
| Total revenues | | | | |
| | <u>421,613</u> | <u>-</u> | <u>-</u> | <u>421,613</u> |
| Expenditures | | | | |
| Public works | 351,622 | - | - | 351,622 |
| Capital outlay | 152,397 | - | - | 152,397 |
| | <u>504,019</u> | <u>-</u> | <u>-</u> | <u>504,019</u> |
| Total expenditures | | | | |
| | <u>504,019</u> | <u>-</u> | <u>-</u> | <u>504,019</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | <u>(82,406)</u> | <u>-</u> | <u>-</u> | <u>(82,406)</u> |
| Other financing sources (uses) | | | | |
| Transfer from General Fund | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>(82,406)</u> | <u>-</u> | <u>-</u> | <u>(82,406)</u> |
| Fund balance, beginning of year | <u>255,534</u> | <u>-</u> | <u>5,273</u> | <u>260,807</u> |
| Fund balance, end of year | <u><u>\$ 173,128</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 5,273</u></u> | <u><u>\$ 178,401</u></u> |

City of Takoma Park, Maryland

**Stormwater Management Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016**

| | Original budget | Final budget | Actual | Variance with final budget positive (negative) |
|---|--------------------|-----------------|------------|---|
| Revenues | | | | |
| Charges for services | \$ 415,000 | \$ 415,000 | \$ 416,651 | \$ 1,651 |
| Intergovernmental | 168,750 | 168,750 | - | (168,750) |
| Miscellaneous | 5,000 | 5,000 | 4,962 | (38) |
| Total revenues | 588,750 | 588,750 | 421,613 | (167,137) |
| Expenditures | | | | |
| Public works | 379,000 | 379,000 | 351,622 | 27,378 |
| Capital outlay | 305,750 | 305,750 | 152,397 | 153,353 |
| Total expenditures | 684,750 | 684,750 | 504,019 | 180,731 |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | (96,000) | (96,000) | (82,406) | 13,594 |
| Net change in fund balance | (96,000) | (96,000) | (82,406) | 13,594 |
| Fund balance, beginning of year | 255,534 | 255,534 | 255,534 | - |
| Fund balance, end of year | \$ 159,534 | \$ 159,534 | \$ 173,128 | \$ 13,594 |

City of Takoma Park, Maryland

**Combining Statement of Fiduciary Net Position
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)**

| | | | <u>Totals</u> | |
|------------------------------------|----------------------|---------------------------------|----------------------|----------------------|
| | Pension trust | Defined contribution plan | 2016 | 2015 |
| Assets | | | | |
| Cash and cash equivalents | \$ 340,918 | \$ - | \$ 340,918 | \$ 278,909 |
| Investments, at fair value | | | | |
| Equities | 7,559,140 | 248,901 | 7,808,041 | 7,292,325 |
| Fixed income | <u>4,177,661</u> | <u>-</u> | <u>4,177,661</u> | <u>3,985,014</u> |
| Total investments | <u>11,736,801</u> | <u>248,901</u> | <u>11,985,702</u> | <u>11,277,339</u> |
| Total assets | <u>12,077,719</u> | <u>248,901</u> | <u>12,326,620</u> | <u>11,556,248</u> |
| Liabilities | - | - | - | - |
| Deferred inflows of resources | - | - | - | - |
| Net position | | | | |
| Held in trust for pension benefits | <u>\$ 12,077,719</u> | <u>\$ 248,901</u> | <u>\$ 12,326,620</u> | <u>\$ 11,556,248</u> |

City of Takoma Park, Maryland

**Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)**

| | Pension trust | Defined contribution plan | Totals | |
|---|----------------------|---------------------------------|----------------------|----------------------|
| | | | 2016 | 2015 |
| Additions | | | | |
| Employer contributions | \$ 1,296,482 | \$ - | \$ 1,296,482 | \$ 1,101,564 |
| Plan member contributions | 194,455 | - | 194,455 | 178,132 |
| Total contributions and other receipts | 1,490,937 | - | 1,490,937 | 1,279,696 |
| Investment earnings | 89,735 | 4,066 | 93,801 | 449,087 |
| Total additions | 1,580,672 | 4,066 | 1,584,738 | 1,728,783 |
| Deductions | | | | |
| Benefit and refunds paid | 757,205 | - | 757,205 | 785,603 |
| Administrative expenses | 57,161 | - | 57,161 | 59,652 |
| Total deductions | 814,366 | - | 814,366 | 845,255 |
| Change in net position | 766,306 | 4,066 | 770,372 | 883,528 |
| Net position held in trust for pension benefits, beginning of year | 11,311,413 | 244,835 | 11,556,248 | 10,672,720 |
| Net position held in trust for pension benefits, end of year | <u>\$ 12,077,719</u> | <u>\$ 248,901</u> | <u>\$ 12,326,620</u> | <u>\$ 11,556,248</u> |

This page intentionally left blank.

Statistical Section

This page intentionally left blank.

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's economic condition.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial position and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant own-source revenues.

Debt Capacity

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the City's financial report relates to the services the City provides and activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Takoma Park, Maryland

Table 1

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 28,874,101 | \$ 27,635,709 | \$ 26,176,611 | \$ 25,892,877 | \$ 24,247,163 | \$ 20,973,813 | \$ 19,250,374 | \$ 17,912,991 | \$ 17,227,232 | \$ 17,112,525 |
| Restricted | 8,763,254 | 8,579,827 | 7,985,381 | 6,485,552 | 5,757,899 | 4,836,215 | 2,381,395 | 1,766,922 | 1,672,038 | 1,327,101 |
| Unrestricted | (8,210,210) | (8,702,786) | 6,118,342 | 5,711,016 | 4,681,714 | 5,825,803 | 8,105,697 | 8,560,575 | 7,439,030 | 6,118,379 |
| TOTAL PRIMARY | | | | | | | | | | |
| GOVERNMENT NET POSITION | <u>\$ 29,427,145</u> | <u>\$ 27,512,750</u> | <u>\$ 40,280,334</u> | <u>\$ 38,089,445</u> | <u>\$ 34,686,776</u> | <u>\$ 31,635,831</u> | <u>\$ 29,737,466</u> | <u>\$ 28,240,488</u> | <u>\$ 26,338,300</u> | <u>\$ 24,558,005</u> |

Note: In 2013, the City implemented GASB 63 and accordingly net assets for the years 2005 through 2012 have been reclassified as net position.

City of Takoma Park, Maryland

Table 2

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| EXPENSES | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 4,724,481 | \$ 5,029,595 | \$ 4,280,357 | \$ 3,655,803 | \$ 3,528,633 | \$ 3,655,556 | \$ 5,719,008 | \$ 3,120,349 | \$ 3,425,823 | \$ 2,764,025 |
| Public safety | 9,301,092 | 8,116,371 | 8,245,260 | 7,628,389 | 7,637,072 | 7,213,649 | 7,563,656 | 6,048,350 | 5,797,560 | 5,214,230 |
| Public works | 6,170,250 | 5,943,464 | 5,532,265 | 5,332,321 | 5,107,165 | 5,564,151 | 5,099,655 | 5,774,672 | 4,798,252 | 4,526,174 |
| Housing and community development | 1,738,712 | 1,879,728 | 1,767,181 | 1,552,964 | 1,470,360 | 1,360,806 | 1,836,561 | 1,403,582 | 1,264,767 | 1,198,331 |
| Recreation and culture | 3,510,058 | 3,316,168 | 3,088,130 | 2,736,596 | 2,613,109 | 2,678,012 | 2,622,686 | 2,623,651 | 2,526,988 | 2,540,913 |
| Interest | 56,421 | 100,902 | 123,274 | 121,537 | 250,453 | 296,666 | 213,883 | 250,349 | 246,360 | 250,342 |
| Total primary government expenses | 25,501,014 | 24,386,228 | 23,036,467 | 21,027,610 | 20,606,792 | 20,768,840 | 23,055,449 | 19,220,953 | 18,059,750 | 16,494,015 |
| PROGRAM REVENUES | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 131,619 | 114,502 | 111,293 | 101,876 | 98,727 | 80,613 | 82,479 | 103,010 | 75,238 | 39,080 |
| Public safety | 2,165,333 | 2,207,710 | 2,094,462 | 1,709,357 | 2,335,397 | 2,044,513 | 2,424,778 | 882,331 | 236,428 | 181,219 |
| Public works | 539,786 | 554,600 | 535,722 | 555,926 | 507,571 | 484,608 | 485,424 | 490,129 | 513,215 | 840,248 |
| Housing and community development | 345,105 | 354,256 | 352,886 | 335,542 | 338,930 | 349,099 | 328,503 | 333,619 | 346,593 | - |
| Recreation and culture | 521,506 | 557,605 | 556,741 | 531,159 | 524,168 | 457,419 | 308,424 | 286,090 | 274,653 | 322,675 |
| Operating grants and contributions | 5,451,171 | 5,510,341 | 5,386,820 | 5,249,350 | 4,243,995 | 4,189,088 | 4,927,311 | 5,311,448 | 4,879,649 | 3,943,472 |
| Capital grants and contributions | 1,045,237 | 1,215,053 | 1,019,166 | 979,304 | 774,395 | 728,089 | 2,298,112 | - | 43,348 | 531,460 |
| Total primary government program revenues | 10,199,757 | 10,514,067 | 10,057,090 | 9,462,514 | 8,823,183 | 8,333,429 | 10,855,031 | 7,406,627 | 6,369,124 | 5,858,154 |
| Total primary government net expense | (15,301,257) | (13,872,161) | (12,979,377) | (11,565,096) | (11,783,609) | (12,435,411) | (12,200,418) | (11,814,326) | (11,690,626) | (10,635,861) |
| GENERAL REVENUES AND OTHER CHANGES IN NET POSITION | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | 12,321,307 | 11,564,561 | 11,514,020 | 12,134,376 | 11,668,702 | 11,381,629 | 11,085,519 | 10,459,749 | 9,627,880 | 8,764,784 |
| Intergovernmental / unrestricted | 4,595,582 | 4,140,563 | 3,561,666 | 2,791,760 | 3,003,680 | 2,914,276 | 2,472,591 | 3,030,468 | 3,342,710 | 3,662,840 |
| Unrestricted investment earnings | 58,265 | 30,901 | 27,012 | 27,248 | 48,663 | 46,947 | 76,217 | 172,830 | 353,747 | 359,342 |
| Miscellaneous and other | 240,498 | 167,602 | 67,568 | 14,381 | 113,509 | (9,076) | 63,069 | 53,467 | 146,584 | 180,062 |
| Total primary government | 17,215,652 | 15,903,627 | 15,170,266 | 14,967,765 | 14,834,554 | 14,333,776 | 13,697,396 | 13,716,514 | 13,470,921 | 12,967,028 |
| TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION | <u>\$ 1,914,395</u> | <u>\$ 2,031,466</u> | <u>\$ 2,190,889</u> | <u>\$ 3,402,669</u> | <u>\$ 3,050,945</u> | <u>\$ 1,898,365</u> | <u>\$ 1,496,978</u> | <u>\$ 1,902,188</u> | <u>\$ 1,780,295</u> | <u>\$ 2,331,167</u> |

City of Takoma Park, Maryland

Table 3

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 7,831 | \$ 562,529 | \$ 70,855 | \$ 581,896 | \$ 464,978 | \$ 383,459 | \$ 54,627 | \$ 18,175 | \$ 8,210 | \$ 46,969 |
| Restricted | 96,369 | 225,496 | 225,383 | 225,248 | 224,978 | 224,754 | 224,372 | 43,949 | 43,337 | - |
| Committed | 4,896,053 | 4,871,320 | 4,554,709 | 3,764,492 | 2,860,071 | 2,469,790 | 2,157,023 | 1,722,973 | 1,628,701 | 1,327,101 |
| Assigned | 2,324,965 | 1,269,153 | 1,138,984 | 1,193,243 | - | 1,539,234 | 3,417,680 | 1,559,362 | 1,715,916 | 1,513,213 |
| Unassigned | 4,926,643 | 4,336,807 | 5,234,114 | 5,434,260 | 5,533,428 | 5,158,361 | 3,481,662 | 5,576,736 | 4,553,565 | 3,517,381 |
| Total general fund | <u>\$ 12,251,861</u> | <u>\$ 11,265,305</u> | <u>\$ 11,224,045</u> | <u>\$ 11,199,139</u> | <u>\$ 9,083,455</u> | <u>\$ 9,775,598</u> | <u>\$ 9,335,364</u> | <u>\$ 8,921,195</u> | <u>\$ 7,949,729</u> | <u>\$ 6,404,664</u> |
| Total all other governmental funds | | | | | | | | | | |
| Restricted | \$ 3,770,831 | \$ 3,483,011 | \$ 3,205,289 | \$ 2,495,812 | \$ 2,672,850 | \$ 2,141,671 | \$ 1,678,614 | \$ 1,066,524 | \$ 485,574 | \$ 413,714 |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned | 173,128 | 252,718 | 286,956 | 270,757 | 282,846 | 311,814 | 465,618 | 381,953 | 300,162 | 272,423 |
| Total | <u>\$ 3,943,959</u> | <u>\$ 3,735,729</u> | <u>\$ 3,492,245</u> | <u>\$ 2,766,569</u> | <u>\$ 2,955,696</u> | <u>\$ 2,453,485</u> | <u>\$ 2,144,232</u> | <u>\$ 1,448,477</u> | <u>\$ 785,736</u> | <u>\$ 686,137</u> |

Note: In 2011, the City implemented GASB 54 and accordingly fund balances for years 2005 through 2010 have been revised.

City of Takoma Park, Maryland

Table 4

**Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---------------------|-------------------|-------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUES | | | | | | | | | | |
| Taxes | \$ 16,142,419 | \$ 14,768,703 | \$ 14,582,031 | \$ 14,650,731 | \$ 14,404,183 | \$ 13,751,914 | \$ 13,287,014 | \$ 13,318,311 | \$ 12,573,318 | \$ 11,486,637 |
| Licenses and permits | 87,314 | 76,103 | 81,746 | 79,372 | 81,235 | 78,664 | 75,030 | 72,291 | 45,470 | 104,597 |
| Fines and forfeitures | 2,044,381 | 2,058,764 | 1,955,306 | 1,626,267 | 2,269,843 | 1,987,826 | 2,376,632 | 839,804 | 213,197 | 181,219 |
| Use of money and property | 58,265 | 30,901 | 27,012 | 27,248 | 48,663 | 46,947 | 76,217 | 172,830 | 353,747 | 359,342 |
| Stimulus grant | - | - | - | - | - | 9,486 | 180,225 | - | - | - |
| Charges for services | 1,558,432 | 1,587,077 | 1,560,001 | 1,508,982 | 1,452,179 | 1,363,478 | 1,364,673 | 1,092,405 | 831,249 | 1,108,872 |
| Intergovernmental | 7,043,704 | 7,559,287 | 6,907,022 | 6,645,981 | 5,435,902 | 5,325,155 | 7,046,959 | 5,654,908 | 4,762,643 | 5,475,182 |
| Miscellaneous | 257,720 | 192,746 | 59,856 | 90,293 | 152,662 | 142,001 | 299,362 | 163,841 | 157,676 | 174,241 |
| Total revenues | 27,192,235 | 26,273,581 | 25,172,974 | 24,628,874 | 23,844,667 | 22,705,471 | 24,706,112 | 21,314,390 | 18,937,300 | 18,890,090 |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 4,243,776 | 3,883,556 | 3,781,298 | 3,265,503 | 3,209,319 | 3,308,640 | 5,357,962 | 3,077,096 | 2,994,878 | 2,621,670 |
| Public safety | 8,393,298 | 7,949,776 | 7,677,677 | 7,319,009 | 7,366,853 | 6,965,312 | 7,115,499 | 5,981,975 | 5,349,349 | 5,037,668 |
| Public works | 4,976,535 | 4,610,949 | 4,609,589 | 4,085,967 | 3,879,854 | 3,978,563 | 4,136,274 | 4,047,071 | 3,611,130 | 3,765,225 |
| Housing/community development | 1,720,577 | 1,851,865 | 1,637,193 | 1,531,295 | 1,455,351 | 1,332,775 | 1,751,912 | 1,392,147 | 1,277,216 | 1,189,911 |
| Recreation and culture | 3,270,987 | 3,104,779 | 2,940,692 | 2,602,741 | 2,444,878 | 2,513,391 | 2,545,113 | 2,389,783 | 2,324,744 | 2,160,849 |
| Capital outlay | 3,097,242 | 4,175,302 | 3,402,414 | 2,363,371 | 3,534,937 | 4,177,448 | 3,305,507 | 1,807,850 | 931,837 | 2,029,151 |
| Debt service: | | | | | | | | | | |
| Principal | 1,795,202 | 273,000 | 263,500 | 1,412,893 | 1,901,052 | 909,268 | 665,769 | 752,343 | 919,207 | 733,584 |
| Interest | 107,224 | 111,948 | 110,029 | 121,537 | 242,355 | 270,587 | 212,634 | 231,918 | 251,511 | 250,342 |
| Total expenditures | 27,604,841 | 25,961,175 | 24,422,392 | 22,702,316 | 24,034,599 | 23,455,984 | 25,090,670 | 19,680,183 | 17,659,872 | 17,788,400 |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | (412,606) | 312,406 | 750,582 | 1,926,558 | (189,932) | (750,513) | (384,558) | 1,634,207 | 1,277,428 | 1,101,690 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Bond/loan proceeds | 1,579,730 | - | - | - | - | 1,500,000 | 1,494,484 | - | 220,029 | 525,888 |
| Sale of property | - | - | - | - | - | - | - | - | 109,276 | - |
| Transfers in (out) | - | - | - | - | - | - | - | - | (61,668) | - |
| Total other financing sources | 1,579,730 | - | - | - | - | 1,500,000 | 1,494,484 | - | 267,637 | 525,888 |
| NET CHANGES IN FUND BALANCES | <u>\$ 1,167,124</u> | <u>\$ 312,406</u> | <u>\$ 750,582</u> | <u>\$ 1,926,558</u> | <u>\$ (189,932)</u> | <u>\$ 749,487</u> | <u>\$ 1,109,926</u> | <u>\$ 1,634,207</u> | <u>\$ 1,545,065</u> | <u>\$ 1,627,578</u> |
| Debt service as a percentage of noncapital expenditures | 7.76% | 1.68% | 1.71% | 7.36% | 11.44% | 5.86% | 3.93% | 5.34% | 6.93% | 6.03% |

City of Takoma Park, Maryland

Table 5

**General Fund Revenue by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

| Fiscal Year | General Property Taxes | Utility and Personal Property | Penalties and Interest on Delinquent Tax | Additions and Abatements | Amusement Tax | Income Tax | Highway Tax | Total |
|--------------------|-----------------------------------|--|---|---|--------------------------|-----------------------|------------------------|---------------|
| 2016 | \$ 11,516,876 | \$ 595,570 | \$ 64,336 | \$ (8,713) | \$ 134,062 | \$ 3,494,273 | \$ 346,015 | \$ 16,142,419 |
| 2015 | 11,016,039 | 545,109 | 48,066 | (64,967) | 122,970 | 2,797,878 | 303,608 | 14,768,703 |
| 2014 | 10,974,639 | 517,647 | 43,195 | (43,186) | 128,806 | 2,671,765 | 289,165 | 14,582,031 |
| 2013 | 11,496,734 | 570,360 | 70,971 | (8,176) | 48 | 2,437,127 | 83,667 | 14,650,731 |
| 2012 | 11,166,179 | 446,819 | 63,142 | - | 1,100 | 2,595,845 | 131,098 | 14,404,183 |
| 2011 | 10,858,055 | 460,664 | 62,267 | - | 514 | 2,330,225 | 40,189 | 13,751,914 |
| 2010 | 10,556,622 | 470,012 | 61,172 | - | 614 | 2,138,384 | 60,210 | 13,287,014 |
| 2009 | 10,007,250 | 434,015 | 58,807 | (1,139) | 268 | 2,310,208 | 508,902 | 13,318,311 |
| 2008 | 9,032,239 | 550,415 | 47,447 | (2,221) | 102 | 2,359,552 | 585,784 | 12,573,318 |
| 2007 | 8,232,645 | 535,626 | 78,387 | 18,071 | 420 | 2,016,347 | 605,141 | 11,486,637 |

Source: City's financial records.

City of Takoma Park, Maryland

Table 6

Real Property Tax Levies and Collections
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Total Tax Levy</u> | <u>Current Tax Collections and Credits</u> | <u>Percentage of Levy Collected</u> | <u>Delinquent Tax Collections and Credits</u> | <u>Total Tax Collections and Credits</u> | <u>Percentage of Total Tax Collections to Tax Levy</u> |
|--------------------|-----------------------|--|-------------------------------------|---|--|--|
| 2016 | \$ 11,532,103 | \$ 11,435,607 | 99.2% | \$ 35,227 | \$ 11,470,834 | 99.5% |
| 2015 | 11,044,215 | 10,958,911 | 99.2% | 54,987 | 11,013,898 | 99.7% |
| 2014 | 10,937,327 | 10,877,172 | 99.5% | 59,448 | 10,936,620 | 100.00% |
| 2013 | 11,533,580 | 11,468,702 | 99.4% | 55,922 | 11,524,624 | 99.9% |
| 2012 | 11,218,982 | 11,165,805 | 99.5% | 49,198 | 11,215,003 | 100.0% |
| 2011 | 10,839,223 | 10,610,360 | 97.9% | 117,035 | 10,727,395 | 99.0% |
| 2010 | 10,595,358 | 10,538,917 | 99.5% | 54,514 | 10,593,431 | 100.0% |
| 2009 | 10,025,305 | 9,953,428 | 99.3% | 8,783 | 9,962,211 | 99.4% |
| 2008 | 8,959,820 | 8,881,476 | 99.1% | 13,565 | 8,895,041 | 99.3% |
| 2007 | 8,730,162 | 8,649,985 | 99.1% | - | 8,649,985 | 99.1% |

Source: City's Finance Department.

City of Takoma Park, Maryland

Table 7

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

| Fiscal Year | Real Property | | Public Utilities | | Personal Property | | Total | | Ratio of Total Assessed to Total | Total Direct Tax Rate |
|-------------|-------------------|---|-------------------|---|-------------------|---|-------------------|------------------------------|--|--------------------------|
| | Assessed Value | Estimated Actual Value ⁽¹⁾ | Assessed Value | Estimated Actual Value ⁽²⁾ | Assessed Value | Estimated Actual Value ⁽²⁾ | Assessed Value | Estimated Actual Value | Estimated Actual Value | |
| 2016 | \$1,971,419,148 | \$1,971,419,148 | \$ 14,047,430 | \$ 14,047,430 | \$ 28,089,570 | \$ 28,089,570 | \$2,013,556,148 | \$2,013,556,148 | 1.0 | 0.585 |
| 2015 | 1,937,581,662 | 1,937,581,662 | 13,042,570 | 13,042,570 | 23,553,430 | 23,553,430 | 1,974,177,662 | 1,974,177,662 | 1.0 | 0.570 |
| 2014 | 1,918,829,231 | 1,918,829,231 | 11,405,440 | 11,405,440 | 23,161,990 | 23,161,990 | 1,953,396,661 | 1,953,396,661 | 1.0 | 0.570 |
| 2013 | 1,988,548,200 | 1,988,548,200 | 10,976,190 | 10,976,190 | 22,166,730 | 22,166,730 | 2,021,691,120 | 2,021,691,120 | 1.0 | 0.580 |
| 2012 | 1,934,307,192 | 1,934,307,192 | 11,178,450 | 11,178,450 | 19,536,290 | 19,536,290 | 1,965,021,932 | 1,965,021,932 | 1.0 | 0.580 |
| 2011 | 1,868,831,518 | 1,868,831,518 | 11,113,060 | 11,113,060 | 21,189,430 | 21,189,430 | 1,901,134,008 | 1,901,134,008 | 1.0 | 0.580 |
| 2010 | 1,826,785,810 | 1,826,785,810 | 10,919,000 | 10,919,000 | 20,707,720 | 20,707,720 | 1,858,412,530 | 1,858,412,530 | 1.0 | 0.580 |
| 2009 | 1,669,463,691 | 1,669,463,691 | 10,236,720 | 10,236,720 | 21,517,740 | 21,517,740 | 1,701,218,151 | 1,701,218,151 | 1.0 | 0.605 |
| 2008 | 1,480,266,902 | 1,480,266,902 | 10,139,630 | 10,139,630 | 24,076,170 | 24,076,170 | 1,514,482,702 | 1,514,482,702 | 1.0 | 0.610 |
| 2007 | 1,305,972,838 | 1,305,972,838 | 10,406,020 | 10,406,020 | 21,500,830 | 21,500,830 | 1,337,879,688 | 1,337,879,688 | 1.0 | 0.630 |

(1) Property owned by the City, other governments, churches and schools is exempt. No estimate of exempt property is included.

(2) Personal property and public utilities are assessed at 100% of estimated actual value.

Source: State of Maryland Department of Assessment and Taxation.

City of Takoma Park, Maryland

Table 8

**Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
(Per \$100 of Assessed Value)**

| Fiscal Year | Direct Tax Rate ⁽¹⁾ Takoma Park General | Overlapping Tax Rates ⁽¹⁾ | | | | | Direct and Overlapping Total |
|-------------|---|--------------------------------------|----------------------|--|---------------------|---------------------|------------------------------------|
| | | State of Maryland | Montgomery County | Maryland - National Capital Park and Planning Commission | Transit District | Recreation Areas | |
| 2016 | 0.5850 | 0.1120 | 0.7734 | 0.0728 | 0.0520 | 0.0230 | 1.6182 |
| 2015 | 0.5700 | 0.1120 | 0.7320 | 0.0740 | 0.0400 | 0.0230 | 1.5510 |
| 2014 | 0.5700 | 0.1120 | 0.7590 | 0.0720 | 0.0420 | 0.0200 | 1.5750 |
| 2013 | 0.5800 | 0.1120 | 0.7240 | 0.0720 | 0.0480 | 0.0210 | 1.5570 |
| 2012 | 0.5800 | 0.1120 | 0.7130 | 0.0650 | 0.0380 | 0.0180 | 1.5260 |
| 2011 | 0.5800 | 0.1120 | 0.6990 | 0.0610 | 0.0370 | 0.0180 | 1.5070 |
| 2010 | 0.5800 | 0.1120 | 0.6830 | 0.0690 | 0.0370 | 0.0190 | 1.5000 |
| 2009 | 0.6050 | 0.1120 | 0.6610 | 0.0730 | 0.0400 | 0.0220 | 1.5130 |
| 2008 | 0.6100 | 0.1120 | 0.6270 | 0.0780 | 0.0580 | 0.0240 | 1.5090 |
| 2007 | 0.6300 | 0.1120 | 0.6240 | 0.0780 | 0.0530 | 0.0240 | 1.5210 |

(1) In dollars per \$100 of assessed value.

Source: State of Maryland Department of Assessment and Taxation.
<https://www.montgomerycountymd.gov/Finance/Resources/Files/LY16RPtaxRate.pdf>

City of Takoma Park, Maryland

Table 9

**Computation of Legal Debt Margin
Year Ended June 30, 2016**

| | |
|---|------------------|
| Fiscal year 2015 real property assessed value | \$ 1,980,734,983 |
| Debt limit - 100% of assessed value | \$ 1,980,734,983 |
| Amount of debt applicable to debt limit - legal debt margin | 2,216,500 |
| Legal debt margin | \$ 1,978,518,483 |

SECTION 823 - AUTHORIZATION TO BORROW MONEY

- (a) The Council of Takoma Park shall have the power to borrow money for any proper purpose and to evidence such borrowing by the issue and sale of its general obligation bonds, notes, or other certificates of indebtedness in the manner prescribed in Sections 31 to 37 inclusive, of Article 23A of the Annotated Code of Maryland (1998 edition, as amended), entitled "Municipal Corporations," sub-titled "Creation of Municipal Public Debt." Notwithstanding the provisions of this subsection, the Council may authorize a private negotiated sale of bonds upon a finding by the Council that such private negotiated sale is in the best interests of the City of Takoma Park.
- (b) Any proposed new indebtedness that is greater than five percent (5%) of the revenue budgeted for that year shall be subject to a public hearing and the Council shall not take final action on the proposed indebtedness less than fourteen (14) days following the hearing.

SECTION 824 - PAYMENT OF INDEBTEDNESS

The power and obligation of the City to pay any and all bonds, notes, or other evidences of indebtedness issued by it shall be unlimited and the City shall levy ad valorem taxes on all the taxable property in the City for payment of such bonds, notes, or other evidences of indebtedness and interest thereon.

The faith and credit of the City is pledged for the payment of the principal and interest on all bonds, notes or other evidences of indebtedness issued under the authority of this Charter, whether or not such pledge is stated in the bonds, notes or other evidences of indebtedness, or in the ordinance authorizing their issuance.

City of Takoma Park, Maryland

Table 10

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years

| Year | Population ⁽¹⁾ | Assessed Value | Bonded Debt | Capital Leases ⁽²⁾ | Ratio of Net Bonded Debt Value | Net Bonded Debt Per Capita |
|------|---------------------------|------------------|--------------|----------------------------------|--------------------------------------|----------------------------------|
| 2016 | 16,715 | \$ 1,980,892,500 | \$ 2,216,500 | \$ - | 0.11% | \$125.44 |
| 2015 | 16,715 | 1,937,581,662 | 2,343,500 | - | 0.12% | \$140.20 |
| 2014 | 16,715 | 1,953,396,661 | 2,616,500 | - | 0.13% | \$156.54 |
| 2013 | 16,715 | 2,021,691,120 | 2,880,000 | - | 0.14% | \$172.30 |
| 2012 | 16,715 | 1,965,021,932 | 4,292,893 | - | 0.22% | \$256.83 |
| 2011 | 16,715 | 1,901,134,008 | 6,147,455 | 46,508 | 0.33% | \$367.78 |
| 2010 | 17,299 | 1,858,412,530 | 5,398,992 | 201,979 | 0.30% | \$312.10 |
| 2009 | 17,299 | 1,701,218,151 | 4,869,000 | 363,687 | 0.31% | \$281.46 |
| 2008 | 17,299 | 1,514,482,702 | 5,621,343 | 561,768 | 0.41% | \$324.95 |
| 2007 | 17,299 | 1,337,879,688 | 6,320,521 | 541,584 | 0.51% | \$365.37 |

(1) Source: U.S. Census Bureau.

(2) Capital leases were fully paid in FY 2012.

**Ratio Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures
Last Ten Fiscal Years**

| Fiscal Year | Principal | Interest | Debt Service | Total General Governmental Expenditures | Ratio of Debt Service to General Governmental Expenditures (Percent) |
|--------------------|------------------|-----------------|---------------------|--|---|
| 2016 | \$ 1,836,431 | \$ 65,994 | \$ 1,902,425 (3) | \$ 27,604,842 | 6.89% |
| 2015 | 273,000 | 111,948 | 384,948 | 25,961,175 | 1.48% |
| 2014 | 263,500 | 110,029 | 373,529 | 24,422,392 | 1.53% |
| 2013 | 1,412,893 | 121,537 | 1,534,430 (2) | 22,702,316 | 6.76% |
| 2012 | 1,901,052 | 242,355 | 2,143,407 (2) | 20,869,505 | 10.27% |
| 2011 | 909,268 | 270,587 | 1,179,855 | 20,612,228 | 5.72% |
| 2010 | 665,769 | 212,634 | 878,403 | 20,336,802 | 4.32% |
| 2009 | 752,343 | 231,918 | 984,261 | 18,127,353 | 5.43% |
| 2008 | 919,207 | 251,511 | 1,170,718 (1) | 17,659,872 | 6.63% |
| 2007 | 733,584 | 250,342 | 983,926 | 17,788,399 | 5.53% |

(1) Takoma Junction loan balance was fully paid.

(2) Bond issue was redeemed early.

(3) Community Bond 2005 was fully paid in FY16

Source: City's financial records.

Computation of Direct and Overlapping Debt⁽²⁾
June 30, 2016

| | Net Debt Outstanding | Percentage Applicable to this Governmental Unit | Share of Debt |
|--|---------------------------------|--|----------------------------|
| Direct debt - City of Takoma Park | <u>\$ 2,216,500</u> | 100% | <u>\$ 2,216,500</u> |
| Direct debt sub-total | <u>2,216,500</u> | | <u>2,216,500</u> |
| Overlapping debt - Montgomery County | 2,216,500 | 1% ⁽¹⁾ | 22,165 |
| Maryland - National Capital Park and Planning Commission Montgomery County | <u>42,663,946</u> | 1% ⁽¹⁾ | <u>426,639</u> |
| Overlapping debt sub-total | <u>44,880,446</u> | | <u>448,804</u> |
| Total direct and overlapping debt | <u><u>\$ 47,096,946</u></u> | | <u><u>\$ 2,665,304</u></u> |

(1) Rate of assessed value in the City to total assessed value in Montgomery County.

(2) The overlapping debt is not a debt of the City of Takoma Park, Maryland on either a direct or contingent basis, but represents the share of debt of overlapping governmental entities which the residents of the City of Takoma Park, Maryland are obligated to pay through direct tax levies of these governmental entities.

Source: Montgomery County Department of Finance.

City of Takoma Park, Maryland

Table 13

Demographic Statistics
Last Ten Fiscal Years

| Fiscal Year | Population ⁽¹⁾ | Personal Income ⁽²⁾ (thousands) | Per Capita Income ⁽²⁾ | Labor Force ⁽³⁾ | Unemployment Rate ⁽⁴⁾ | Registered Pupils ⁽⁵⁾ |
|--------------------|---------------------------|--|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------------|
| Montgomery County: | | | | | | |
| 2016 | 16,715 | \$ 82,490,000 | \$ 78,553 | \$ 549,900 | 3.4 | 156,447 |
| 2015 | 16,715 | 79,300,000 | 77,745 | 544,313 | 4.0 | 154,230 |
| 2014 | 16,715 | 75,940,000 | 74,597 | 540,128 | 4.4 | 151,289 |
| 2013 | 16,715 | 73,958,785 | 72,746 | 542,029 | 5.0 | 149,018 |
| 2012 | 16,715 | 73,467,234 | 73,140 | 540,444 | 5.2 | 146,497 |
| 2011 | 16,715 | 71,081,967 | 71,681 | 536,636 | 5.2 | 143,309 |
| 2010 | 17,299 | 67,890,159 | 69,559 | 532,549 | 5.6 | 140,500 |
| 2009 | 17,299 | 65,858,231 | 68,673 | 522,421 | 5.3 | 137,763 |
| 2008 | 17,299 | 67,279,968 | 71,366 | 515,987 | 3.2 | 137,745 |
| 2007 | 17,299 | 64,365,237 | 69,084 | 509,769 | 2.6 | 137,798 |

(1) U.S. Census Bureau. Includes annexed area.

(2) Personal income, per capita income and registered pupils are not available for the City of Takoma Park, Maryland on a separate basis. The best available information is provided by the Finance Department of Montgomery County, Maryland and the Bureau of Economic Analysis - U.S. Department of Commerce ("BEA"). Estimates for 2006-2013 revised by BEA. Data for 2014-2015 are estimates derived by the Montgomery County Department of Finance.

(3) Bureau of Labor Statistics ("BLS"), U.S. Department of Labor. Civilian labor force data includes all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2006-2014. Data for 2015 estimated by the Montgomery County Department of Finance based on the percent change from first half of CY2014 to the first half of CY2015.

(4) The unemployment rates for 2006 through 2014 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2015 estimated by the Montgomery County Department of Finance based on the average of the monthly unemployment rates for the first half of 2015.

(5) Montgomery County Executive's Recommended FY16 Operating Budget, Office of Management and Budget, Montgomery County, page 5 - 16.

City of Takoma Park, Maryland

Table 14

Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago

| Taxpayer | Fiscal Year 2016 | | | Taxpayer | Fiscal Year 2007 | | |
|---|------------------------|------|--|---|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Saul Subsidiary I LTD Partnership | \$ 28,968,200 | 1 | 1.41% | Saul Subsidiary I LTD Partnership | \$ 13,455,000 | 1 | 1.13% |
| JBG Takoma Retail Center LLC | 24,295,200 | 2 | 1.18% | Takoma Langley Improvements | 12,672,500 | 2 | 1.06% |
| Park Ritchie LLC | 18,845,300 | 3 | 0.92% | Franklin Associates | 11,366,000 | 3 | 0.96% |
| Orlo Takoma LLC | 13,000,000 | 4 | 0.63% | Park Ritchie Apartments | 8,382,300 | 4 | 0.70% |
| Takoma Business Center LLC | 12,557,700 | 5 | 0.61% | Hampshire Lodging LLC | 6,423,500 | 5 | 0.54% |
| Takoma Park Land LLP | 10,630,200 | 6 | 0.52% | Takoma Business Center LLC | 6,360,200 | 6 | 0.53% |
| MHP Parkview Towers LLP ⁽¹⁾ | 10,275,048 | 7 | 0.50% | Potomac Electric Power Company ⁽²⁾ | 6,292,910 | 7 | 0.53% |
| Potomac Electric Power Company ⁽²⁾ | 9,571,390 | 8 | 0.47% | CPDC Hampshire Towers Rental LLC | 5,630,100 | 8 | 0.47% |
| Maple View Apartments LLC | 8,909,100 | 9 | 0.43% | Hampshire Place LLC | 5,580,400 | 9 | 0.47% |
| FC-Gen Real Estate LLC | 8,670,000 | 10 | 0.42% | Tenacity 7333 New Hampshire Ave LLC | 5,394,800 | 10 | 0.45% |
| Total | <u>\$ 145,722,138</u> | | <u>7.09%</u> | Total | <u>\$ 81,557,710</u> | | <u>6.84%</u> |

Notes:

- (1) MHP Parkview Towers LLP also operates under MHP Edinburgh House LLP, MHP Flower-Maple LLC, MHP Maple Towers LLC, MHP Scattered Site Inc., & MHP TPP LLC.
 (2) Represents the assessed valuation for operating real and personal property taxes.

Sources: Montgomery County & State of Maryland Department of Assessments and Taxation

City of Takoma Park, Maryland

Table 15

Principal Employers
Current Fiscal Year and Nine Years Ago

| Employer | Fiscal Year 2016 | | | Fiscal Year 2007 | | |
|--|------------------|------|---|------------------|------|---|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Washington Adventist Hospital | 1,326 | 1 | 22.65% | 1,918 | 1 | 32.24% |
| Washington Adventist University ⁽¹⁾ | 650 | 2 | 11.10% | 119 | 7 | 2.00% |
| Montgomery College | 580 | 3 | 9.91% | 434 | 2 | 7.29% |
| Montgomery County Public Schools | 224 | 4 | 3.83% | 196 | 4 | 3.29% |
| City of Takoma Park | 218 | 5 | 3.72% | 197 | 3 | 3.31% |
| Genesis HealthCare - Sligo Creek Center | 108 | 6 | 1.84% | - | | - |
| Republic | 55 | 7 | 0.94% | - | | - |
| IHOP | 51 | 8 | 0.87% | - | | - |
| Don Bosco Cristo Rey High School | 50 | 9 | 0.85% | - | | - |
| Gryphon Scientific | 49 | 10 | 0.84% | - | | - |
| Adventist Healthcare Inc. | - | | - | 150 | 5 | 2.52% |
| Wackenhut Corporation (G4S) | - | | - | 120 | 6 | 2.02% |
| Long & Foster Real Estate Inc. | - | | - | 80 | 8 | 1.34% |
| Takoma Park Symphony Orchestra | - | | - | 75 | 9 | 1.26% |
| Takoma Park / Silver Spring Co-Op | - | | - | 50 | 10 | 0.84% |
| Total | 3,311 | | 56.55% | 3,339 | | -0.01% |

Notes:

(1) Formerly Columbia Union College

City of Takoma Park, Maryland

Table 16

Full-Time Equivalent City Government Employees by Function
Last Ten Years

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| FUNCTION | | | | | | | | | | |
| General government | 17.50 | 17.50 | 16.95 | 16.88 | 16.50 | 16.50 | 18.00 | 18.00 | 18.00 | 16.00 |
| Public safety | 62.47 | 62.47 | 61.83 | 61.35 | 59.87 | 59.49 | 60.69 | 60.87 | 59.50 | 58.73 |
| Public works | 37.00 | 36.00 | 34.00 | 34.00 | 33.00 | 33.00 | 33.38 | 33.38 | 33.38 | 33.58 |
| Housing and community development | 9.63 | 9.75 | 10.85 | 11.06 | 9.79 | 9.75 | 10.25 | 9.50 | 9.50 | 9.50 |
| Recreation and culture | 36.63 | 35.14 | 33.92 | 28.73 | 28.57 | 29.00 | 32.17 | 31.69 | 32.95 | 32.40 |
| TOTAL | <u>163.23</u> | <u>160.86</u> | <u>157.55</u> | <u>152.02</u> | <u>147.73</u> | <u>147.74</u> | <u>154.49</u> | <u>153.44</u> | <u>153.33</u> | <u>150.21</u> |

Source: City's Finance Department

City of Takoma Park, Maryland

Table 17

Operating Indicators by Function Last Ten Years

| Function | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|--------|---------|---------|---------|---------|---------|---------|---------|--------|--------|
| Public Safety: | | | | | | | | | | |
| Crimes reported | 617 | 664 | 528 | 550 | 550 | 565 | 653 | 764 | 739 | 832 |
| Dispatched Calls/Events Handled | 22,323 | 21,041 | 19,762 | 19,382 | 20,000 | 21,495 | 20,500 | 19,661 | 21,483 | 18,622 |
| Hours-foot/bike patrol | 2,263 | 2,200 | 2,500 | 3,000 | 3,000 | 3,500 | 3,600 | 2,897 | 3,689 | 3,705 |
| Physical arrests | 491 | 399 | 400 | 425 | 450 | 464 | 450 | 480 | 461 | 363 |
| Calls for service | 13,737 | 14,921 | 14,921 | 14,012 | 15,000 | 14,179 | 15,000 | 14,405 | 16,048 | 14,363 |
| Traffic stops | 8,585 | 7,593 | 7,593 | 5,370 | 5,000 | 7,105 | 5,300 | 5,256 | 5,435 | 4,259 |
| Parking tickets processed | 3,550 | 3,495 | 3,495 | 2,939 | 3,500 | 3,228 | 4,000 | 4,084 | 3,665 | 3,357 |
| Criminal investigations assigned | 229 | 239 | 239 | 214 | 350 | 310 | 400 | 426 | 324 | 370 |
| Criminal cases closed | 90 | 100 | 100 | 107 | 150 | 126 | 140 | 139 | 119 | 123 |
| Warrants received for service | 473 | 403 | 403 | 236 | 450 | 468 | 440 | 475 | 440 | 372 |
| NCIC Validations (Wanted Items/Persons) | 1,015 | 1,043 | 1,043 | 748 | 1,150 | 1,219 | 1,150 | 1,129 | 1,109 | 1,052 |
| Public Works: | | | | | | | | | | |
| Permits Processed | 316 | 297 | 303 | 204 | 193 | 133 | 229 | 297 | 321 | 293 |
| Vehicles maintained | 82 | 81 | 83 | 80 | 70 | 73 | 74 | 75 | 73 | 74 |
| Tons of leaves collected | 1,750 | 1,800 | 1,900 | 1,900 | 1,900 | 2,000 | 2,100 | 2,150 | 2,100 | 2,100 |
| Tons of refuse collected | 3,124 | 2,990 | 3,082 | 3,162 | 3,284 | 3,476 | 3,550 | 3,513 | 4,300 | 4,222 |
| Tons of recyclables collected | 1,420 | 1,506 | 1,679 | 1,489 | 1,470 | 1,544 | 1,500 | 1,662 | 1,440 | 1,380 |
| Tons of yard waste collected | 241 | 216 | 491 | 340 | 998 | 765 | 250 | 233 | 420 | 410 |
| Tons of food waste collected | 178 | 183 | 150 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Streets resurfacing (miles) | 1.81 | 1.70 | 1.76 | 2.00 | 1.00 | 0.40 | 0.43 | 0.44 | 0.63 | 0.98 |
| Storm drains inspected (linear feet) | 4,877 | 10,918 | 7,207 | 23,854 | 1,029 | 8,254 | 11,000 | 14,259 | 8,500 | 12,831 |
| New storm drain pipes (linear feet) | 577 | 272 | 439 | 450 | 1,027 | 307 | N/A | N/A | 300 | 350 |
| Replaced storm drain pipes (linear feet) | 260 | 150 | 50 | 88 | 73 | 125 | 50 | 181 | 100 | 50 |
| Recreation and culture: | | | | | | | | | | |
| Library materials circulated | 96,695 | 113,074 | 116,288 | 114,070 | 115,973 | 118,328 | 105,344 | 104,083 | 89,754 | 80,606 |
| Library program attendance | 17,731 | 16,648 | 14,612 | 15,130 | 14,365 | 14,682 | 14,963 | 13,133 | 11,539 | 6,346 |
| Housing and Community Development: | | | | | | | | | | |
| Rental housing inspections | 1,824 | 3,100 | 3,164 | 3,050 | 3,000 | 3,059 | 2,936 | 3,357 | 3,200 | 2,280 |
| Number of rental licenses issued | 402 | 402 | 436 | 420 | 420 | 407 | 431 | 341 | 351 | 213 |
| Landlord certifications issued | 124 | 234 | 148 | 195 | 215 | 199 | 132 | 130 | 212 | 112 |
| Number of new nuisance complaints | 183 | 209 | 210 | 245 | 300 | 236 | 364 | 356 | 186 | 108 |
| Number of nuisance complaints closed | 169 | 119 | 95 | 200 | 250 | 145 | 364 | 465 | 210 | 56 |
| Courtesy Notices issued | 1 | 280 | 266 | 140 | 210 | 135 | 290 | 390 | 674 | N/A |
| Handbill and flyers removed | 3,553 | 9,915 | 3,429 | 1,100 | 1,000 | 1,240 | 737 | 397 | 275 | N/A |
| Landlord and tenant contacts | 2,550 | 2,524 | 2,605 | 2,600 | 2,600 | 2,706 | 2,642 | 2,539 | 2,537 | 2,491 |
| Rent stabilization reports monitored | 329 | 295 | 283 | 260 | 280 | 260 | 251 | 273 | 276 | 251 |
| Permit letters issued | 279 | 268 | 207 | 200 | 234 | 190 | 178 | 185 | 150 | N/A |
| Rent increase petitions processed | 1 | 1 | 2 | 1 | 4 | 2 | 1 | 3 | 5 | 47 |
| General Government: | | | | | | | | | | |
| Original City TV program hours | 225 | 287 | 311 | 255 | 268 | 251 | 207 | 201 | 220 | 225 |

Source: Various government departments

Notes: 1 - Data was not routinely collected prior to 2007. Data that is unavailable is labeled as N/A.

City of Takoma Park, Maryland

Table 18

Capital Asset Statistics by Function
Last Ten Years

| Function | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Public Safety: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol Cars | 45 | 41 | 46 | 45 | 45 | 44 | 42 | 41 | 40 | 38 |
| Public Works: | | | | | | | | | | |
| Sanitation collection trucks | 5 | 5 | 5 | 5 | 5 | 6 | 4 | 4 | 6 | 6 |
| Leaf vacuums | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Stormwater drains (miles) | 17.01 | 17.01 | 17.01 | 17.01 | 17.01 | 16.82 | 16.72 | 16.72 | 16.72 | 16.66 |
| Streets (miles) | 34.60 | 34.60 | 34.60 | 34.60 | 34.60 | 34.60 | 34.60 | 34.60 | 34.60 | 34.60 |
| Streetlights | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 68 |
| Recreation and Culture: | | | | | | | | | | |
| Parks acreage | 8.98 | 8.98 | 8.98 | 8.98 | 8.98 | 8.98 | 8.98 | 8.98 | 8.98 | 8.98 |
| Parks | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Community Centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Vehicles | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

Sources: Various City departments.

Notes: No capital asset indicators are available for the General Government and Housing and Community Development Functions.

Miscellaneous Statistical Data
June 30, 2016

| | |
|--|-----------------------------------|
| Date of incorporation | 1890 |
| Date of adoption of City Charter | 1890 |
| Revision of City Charter | 2013 |
| Form of government | Council - Manager |
| Area - square miles | 2.4 |
| Miles of streets and sidewalks: | |
| Streets | 34.60 |
| Sidewalks | 32.65 |
| Housing: | |
| Number of housing units | 7,162 |
| Number of owner-occupied housing units | 3,444 |
| Fire and rescue services | Montgomery County Fire Department |
| Police protection: | |
| Number of stations | 1 |
| Number of authorized police (sworn officers) | 42 |
| Municipal water plant (Washington Suburban Sanitary Commission) | None |
| Telephone, natural gas and electricity services are furnished by private corporations | |
| Recreation and parks - number of acres | 8.98 |

| | <u>City</u> | <u>School</u> | <u>Park and Planning Commission</u> | <u>Total</u> |
|-------------------|-------------|---------------|---|--------------|
| Playgrounds | 7 | 2 | 5 | 14 |
| Baseball diamonds | 1 | 2 | 1 | 4 |
| Football fields | - | 1 | 1 | 2 |
| Swimming pools | - | 1 | - | 1 |
| Tennis courts | - | 4 | 4 | 8 |

Miscellaneous Statistical Data
June 30, 2016
(continued)

| | |
|-----------------------|---|
| Number of schools: | |
| Elementary (public) | 2 |
| Intermediate (public) | 1 |
| Private | 3 |
| Colleges | 2 |

| | |
|--------------------------------------|--------|
| Election: | |
| Registered voters - November 2015 | 12,158 |
| Number of votes cast - November 2015 | 2,552 |
| Percentage voting | 21% |

Population by age group
(Source: U.S. Census Bureau)

| Age | 2010 | 2000 | 1990 | 1980 | 1970 |
|--------------|---------------|---------------|---------------|---------------|---------------|
| Under 5 | 1,254 | 1,237 | 1,320 | 955 | 1,367 |
| 5 – 17 | 2,495 | 2,261 | 2,201 | 2,463 | 3,250 |
| 18 – 24 | 1,361 | 2,094 | 1,567 | 2,447 | 3,284 |
| 25 – 44 | 5,150 | 6,206 | 7,288 | 5,842 | 4,710 |
| 45 – 64 | 4,787 | 3,972 | 2,551 | 2,616 | 3,950 |
| 65 – 74 | 973 | 787 | 928 | 1,071 | 1,163 |
| 75 and over | 695 | 742 | 845 | 837 | 731 |
| Total | 16,715 | 17,299 | 16,700 | 16,231 | 18,455 |

City of Takoma Park, Maryland

Table 20

**Schedule of Insurance in Force
June 30, 2016**

| Type of Coverage/Company Name | Policy Number | From | To | Limits of Coverage | Premiums |
|---|----------------------|-------------|------------------------|--|-----------------|
| Commercial General Liability - Local Government Insurance Trust | PLP 542500 | 07/01/15 | ⁽¹⁾ 7/01/16 | \$3,000,000 aggregate - \$1,000,000/occurrence | \$ 15,127 |
| Public Officials Liability - Local Government Insurance Trust | PLP 542500 | 07/01/15 | ⁽¹⁾ 7/01/16 | \$3,000,000 aggregate - \$2,500 deductible | \$ 19,445 |
| Police Liability - Local Government Insurance Trust | PLP 542500 | 07/01/15 | ⁽¹⁾ 7/01/16 | \$3,000,000 aggregate - \$2,500 deductible | \$ 26,454 |
| Comprehensive Auto Liability - Local Government Insurance Trust | PLP 542500 | 07/01/15 | ⁽¹⁾ 7/01/16 | Physical damage: Comprehensive - \$1,000,000/occurrence, \$500 deductible Collision - \$1,000,000/occurrence, \$500 deductible Bodily Injury and Property Damage - no deductible \$1,000,000/occurrence, \$3,000,000 aggregate | \$ 50,722 |
| Excess Liability - Local Government Insurance Trust | PLP 542500 | 07/01/15 | ⁽¹⁾ 7/01/16 | Insurance for the City against losses in excess of \$1,000,000 up to an additional \$5,000,000 for automobile liability, commercial general liability, public officials, and police/personal injury liability | \$ 8,307 |
| Building and Contents (includes boiler and machinery) Local Government Insurance Trust | PLP 542500 | 07/01/15 | ⁽¹⁾ 7/01/16 | Insured to \$14,454,725, \$1,000 deductible. | \$ 13,559 |
| Chesapeake Employers' Insurance Company - Workers' Compensation | - | 07/01/15 | ⁽¹⁾ 7/01/16 | Statutory limit | \$ 536,664 |
| Fidelity Bond - United States Insurance Services | Various | Various | ⁽¹⁾ Various | \$15,000 to \$100,000 limits | \$ 1,128 |

(1) Insurance policy was renewed with the carrier for an additional one-year period.