

# *City of Takoma Park Maryland*



*Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2017*

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# *City of Takoma Park Maryland*



## *Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2017*

*Prepared by: City of Takoma Park, Maryland*

*Suzanne R. Ludlow  
City Manager*

*Susan Cheung  
Director of Finance*

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# 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

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**Suzanne R. Ludlow, City Manager**

October 31, 2017

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, 2017.

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 17,765 (U. S. Census 2016 estimate).

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. (However, in order to move the City's local elections to even-numbered years, the Councilmembers that will be elected in November 2017 will serve a three-year term.) Six Councilmembers 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 \$2.25 billion during Fiscal Year 2017. Housing values have risen sharply since 2000, despite a stagnant period during the recession in the late 2000's followed by rather slow growth. Housing values are now increasing at a moderately fast pace.

Real property in the State of Maryland is reassessed on a triennial basis. The 2016 reassessment showed an increase in the assessable base of 8.0 percent from Fiscal Year 2016. The State's estimated increase in the net assessable base for Fiscal Year 2017 was 5.9 percent.

The Census Bureau reported that the population of the Washington D.C. region grew by 53,508, or 0.9 percent between 2015 and 2016, to a total of approximately 6.1 million persons. The Bureau of Labor Statistics reported the unemployment rate in the region in August 2017 was 3.9 percent. The Montgomery County, Maryland unemployment rate was 3.5 percent.

While the Washington, D.C. area fared better than other parts of the country during the recession, the region was subsequently impacted by Congressional-mandated sequestration that resulted in deep cuts in federal funding and contracting. These cuts resulted in substantially less revenue for the region's state and county governments, which then cut intergovernmental payments to municipalities. Although the economic stability of both the State of Maryland and Montgomery County has improved, and payments to municipalities have increased, intergovernmental payments have not returned to pre-recession levels. The City of Takoma Park continues to work to have these funds fully restored.

While real property taxes and intergovernmental payments are the largest sources of revenue for the City of Takoma Park, the community's long term economic health depends on economic development of the City's commercial corridors, particularly along New Hampshire Avenue and University Boulevard.

After years of planning and delays from legal challenges, the State of Maryland has now begun construction of the Purple Line, a light rail transit system that will run along the northern border of Takoma Park, connecting transit lines and employment centers in Montgomery and Prince George's Counties. There will be a major station at Takoma Langley Crossroads, the intersection of University Boulevard and New Hampshire Boulevard. The transit system is to begin service in 2022.

In order to take advantage of this major infrastructure improvement that affects our largest commercial district, the City of Takoma Park contracted with the Cloudburst Group to have a housing and economic development strategic plan prepared. The draft plan was presented to the Takoma Park City Council in October 2017 and an implementation plan will be prepared in early 2018.

Major recommendations of the Housing and Economic Development Strategic Plan are: take advantage of the economic benefits of the Purple Line while protecting affordable housing in Takoma Park; increase economic development capacity by working to create a Bi-County Business Improvement District on both sides of New Hampshire Avenue and University Boulevard and by adding economic development staff; work to redevelop the New Hampshire Avenue Corridor with pedestrian, bicycle and transit infrastructure and new higher-density mixed-use development; encourage entrepreneurship and increase access to training; retain and assist existing businesses while marketing underutilized properties to firms that provide needed goods and services.

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 Takoma-Langley Crossroads area and the Long Branch business district are part of a Maryland Enterprise Zone that provides tax incentives to new and expanding businesses. These commercial areas are thriving, with a number of new exciting 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. Site design work is underway, with development approvals expected in 2019.

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. The adjacent 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. Montgomery County will be doing a feasibility study this fiscal year regarding locating an aquatics facility on the site that would serve community and therapeutic needs.

## **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. The Facility Maintenance Reserve was established to have funds available for large facility maintenance expenses over time and a newer fund, the Housing Reserve, is to have monies available to advance affordable housing efforts such as those identified in the Housing and Economic Development Strategic Plan.

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. 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 2017 were largely focused on these City Council priorities:

- Livable Community For All
- Fiscally Sustainable Government
- Environmentally Sustainable Community
- Engaged, Responsive, and Service-Oriented Government
- Advance Economic Development Efforts

In addition, the Council committed to applying a racial equity lens in all decision-making, with the goal of continuing to build an inclusive and equitable community for all Takoma Park residents.

Major accomplishments related to these priorities during Fiscal Year 2017 included the following:

- The City issued a \$2 million, 15-year Transportation Bond for the City's match to grant funds for the Flower Avenue Green Street and Ethan Allen Gateway Projects, and issued a \$7 million, 30-year Library Bond for the Library renovation and expansion project.
- Finalized 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.

- Continued work on planning for a proposed Library renovation and expansion, and received \$150,000 from the State of Maryland for the project.
- 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. In addition to exciting neighborhood challenges and business assistance for energy savings, fast charging electric vehicle charging stations were installed and Takoma Park is the only U.S. community testing new solar technology for street and crosswalk lighting.
- Using up to \$50,000 from the City's Housing Reserve, instituted the Home Stretch Program which provides down payment assistance to qualifying home purchasers.
- Contracted for a Housing and Economic Development Strategic Plan with The Cloudburst Group to provide recommendations on actions to take to assist residents to gain employment access, provide them with decent and safe places to live, and ensure that the City's tax base continues to perform well in order to support existing programs that contribute to quality of life.

### **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, 2016. This was the eleventh 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,



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

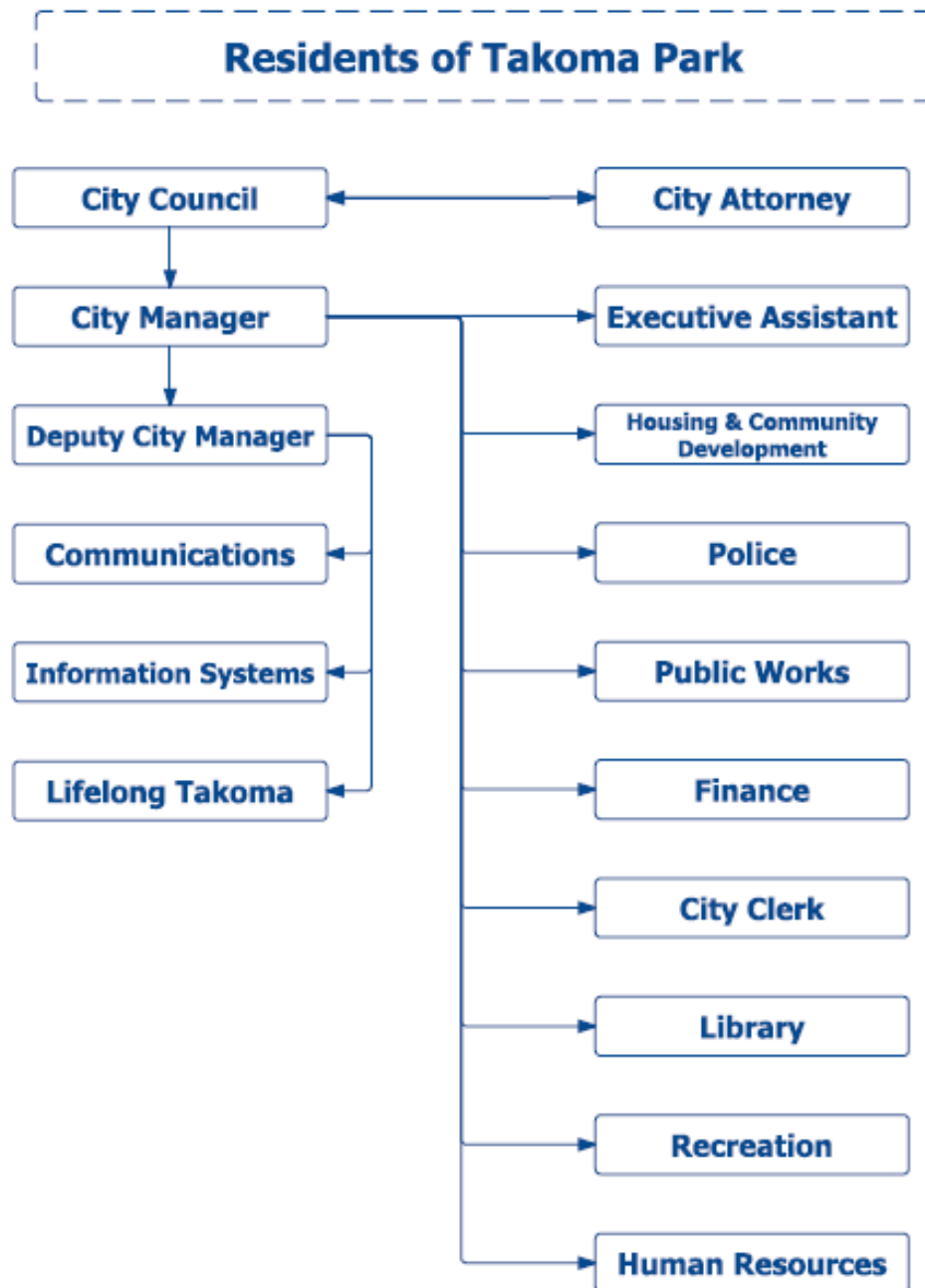
**June 30, 2016**

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

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, 2017

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*



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## **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, 2017, 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, 2017, 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 schedules, 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 schedules 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 schedules 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, 2017, 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 and compliance and the results of that testing, and not to provide an opinion on 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, 2017

## **City of Takoma Park, Maryland**

### **Management's Discussion and Analysis June 30, 2017**

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, 2017. 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 2017 by \$30,439,544 (net position). This represents an increase of \$1,012,399 from the prior year. Approximately 48 percent or \$481,728 of this variance was due to the increases in real property taxes, and 30 percent or \$299,696 was due to increase in Cable Operating income from Montgomery County. Police Protection from Maryland State increased about \$50,120 and Recreation's program revenue increased about \$62,980.
- Of the City's total net position, the unrestricted net position decreased from (\$8,210,210) in fiscal year 2016 to (\$8,998,932) in fiscal year 2017. The unrestricted net position is in deficit due primarily to the required reporting of the net pension liability of \$16,591,832 related to the City's two pension plans. Beginning 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, 2017, the City of Takoma Park's governmental funds reported combined ending fund balances of \$17,443,148, an increase of \$1,247,328 or seven percent, from the prior year. The ending fund balances of \$17,443,148 include \$7,704,043 that is available for spending at the City's discretion (unassigned fund balance). The increase in the combined ending governmental fund balances was primarily due to revenue increases in real property tax and Cable Operating fee.
- At the end of fiscal year 2017, the unassigned fund balance for the General Fund was \$7,704,043 or 33 percent of total General Fund expenditures.
- The City of Takoma Park's long-term debt decreased by \$359,129 during the fiscal year. The decrease was due to the principal payments on existing debt totaling \$298,000 and decrease of \$61,129 in Compensated Absences.

#### **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, 2017

**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.

## City of Takoma Park, Maryland

### Management's Discussion and Analysis June 30, 2017

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 Fund, Facility Construction 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 - 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 - 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. Supplemental information can be found on pages 79 - 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 \$30,439,544 as of June 30, 2017. 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 \$29,902,496 or 98 percent of the City's net position as of June 30, 2017. Due to the nature of these assets, they are not available for future spending.

The unrestricted portion of the net position was a deficit totaling \$8,998,932. 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 \$16,591,832 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.

**City of Takoma Park, Maryland**

**Management's Discussion and Analysis  
June 30, 2017**

The remaining balance of net position (\$9,535,980 or 31 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 \$1,012,399. Factors contributing to this growth include the increase in real property tax and cable operating fee totaling approximately \$432,584.

**Governmental Activities  
Statement of Net Position**

The following table reflects the City's net position as of June 30, 2017 compared to June 30, 2016.

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current and other assets	\$21,066,337	\$20,295,229
Capital assets	31,670,996	30,940,601
Total assets	52,737,333	51,235,830
Deferred outflows of resources	3,727,439	3,105,467
<b>Liabilities</b>		
Current and other liabilities	2,836,884	3,425,721
Long-term liabilities	19,356,913	18,896,831
Total liabilities	22,193,797	22,322,552
Deferred inflows of resources	3,831,431	2,591,600
<b>Net position</b>		
Net investment in capital assets	29,902,496	28,874,101
Restricted	9,535,980	8,763,254
Unrestricted	(8,998,932)	(8,210,210)
<b>Total net position</b>	<b>\$30,439,544</b>	<b>\$29,427,145</b>



**City of Takoma Park, Maryland**

**Management's Discussion and Analysis  
June 30, 2017**

**Governmental Activities**

Governmental activities increased the City of Takoma Park's net position by \$1,012,399 during fiscal year 2017, 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.

<b>Governmental Activities</b>	<b>2017</b>	<b>2016</b>
<b>Change in Net Position</b>		
<b>Revenues</b>		
Program revenues:		
Charges for services	\$3,543,338	\$3,703,349
Operating grants and contributions	5,410,987	5,451,171
Capital grants and contributions	568,579	1,045,237
General revenues:		
Property taxes	12,700,750	12,321,307
Intergovernmental	4,648,723	4,595,582
Miscellaneous	137,691	240,498
Unrestricted investment earnings	37,163	58,265
<b>Total revenues</b>	<b>27,047,231</b>	<b>27,415,409</b>
<b>Expenses</b>		
General Government	4,775,439	4,724,481
Public Safety	9,840,299	9,301,092
Public Works	6,144,871	6,170,250
Housing and Community Development	1,415,654	1,738,712
Recreation and Culture	3,797,152	3,510,058
Interest on long-term debt	61,417	56,421
<b>Total expenses</b>	<b>26,034,832</b>	<b>25,501,014</b>
<b>Change in net position</b>	<b>1,012,399</b>	<b>1,914,395</b>
<b>Net position, beginning of year</b>	<b>29,427,145</b>	<b>27,512,750</b>
<b>Net position, end of year</b>	<b>\$30,439,544</b>	<b>\$29,427,145</b>

Overall revenues decreased \$368,178 from fiscal year 2016 to fiscal year 2017. Charges for services decreased \$160,011, operating and capital grants decreased \$516,842 and miscellaneous revenue decreased \$123,807. This decrease was offset by the \$379, 443 increase in property tax and \$53,141 increase in intergovernmental income.

**City of Takoma Park, Maryland**

**Management's Discussion and Analysis  
June 30, 2017**

Capital grants and contributions decreased \$476,658, primarily due to the reduction of \$548,278 in Cable equipment revenue. The MEA Home Energy grant revenue decreased \$100,372, due to a change in the project that is paid by Special Revenue funds each year. This decrease was offset by the \$49,507 increase in Maryland Energy Assistance grant, the \$89,056 increase in Transportation grant and the \$78,800 increase in Commemorative programs.

Charges for services decreased \$160,011. This variance is due primarily to the \$121,267 decrease in Summons and Forfeiture revenues in the Public Safety category and \$40,907 increase in additions and abatements.

Miscellaneous revenue and investment earnings decreased \$123,807, primarily due to extraordinary events that took place in fiscal year 2016 but not in fiscal year 2017. During fiscal year 2016, the City 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. In August 2015, 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 2016, the City had suffered total loss of two police cars and received auto insurance reimbursements of \$40,037 from Local Government Insurance Trust.

Expenses increased by \$533,818 from fiscal year 2016 to fiscal year 2017. General Government expenses increased \$50,958 primarily due to the \$104,750 increase in general government pension expenses and the \$152,420 increase in workers' compensation premiums. The increase was offset by the \$26,185 decrease in compensated absences costs and the \$180,020 decrease in operating expenditures. These operating expenditures include decreased personnel costs (\$50,940). The remaining variance was due to decreases in community festival and organization support (\$129,095).

Public Safety expenses are \$539,207 more than fiscal year 2016. The variance is primarily due to the \$297,765 increase in pension expenses. The balance of the variance is due to the increase in personnel costs of \$241,400.

Public Works expenses decreased \$25,379 primarily due to the \$226,653 decrease in capital expenditures. The difference in the variance in Public Works expenses was due to the increase in pension expenses totaling \$201,253.

Housing and Community Development expenses decreased \$322,058 due primarily to the \$200,800 decrease in personnel costs and the \$121,831 decrease in the MEA Home Energy project expenditures and other intergovernmental project expenditures.

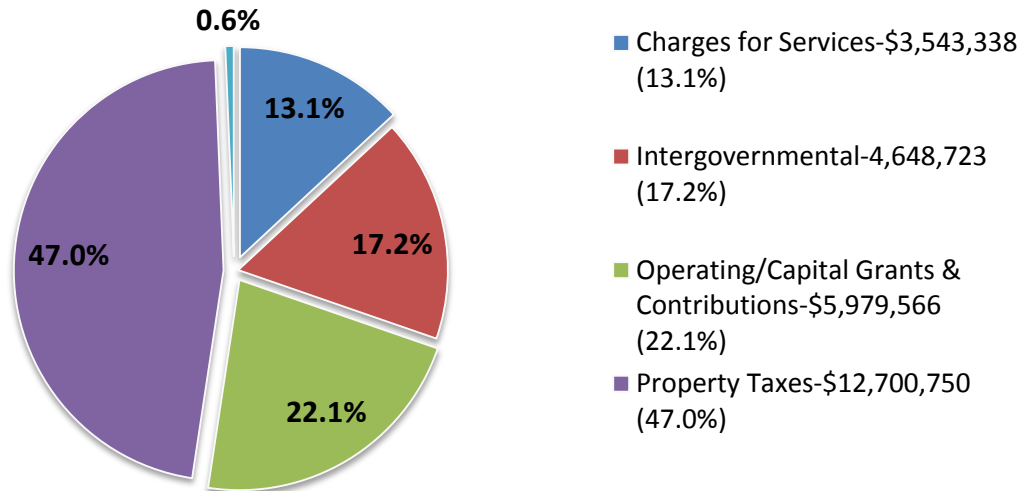
Recreation and Culture expenses increased \$287,094 from fiscal year 2016 to fiscal year 2017. The increase is primarily due to the increase in the pension cost of \$127,225. The Library expense variance is due to the \$20,334 increase in personnel costs. Recreation's personnel expenses increased \$56,181 and additional special events costs increased by \$19,240. Special contract programs (e.g., Camps, Lunch and Learn, and Manup) increased by \$64,304 from fiscal year 2016.

As shown previously, the cost of all governmental activities was \$26,034,832. Those who directly benefited from the services paid \$3,543,338 of the activity costs. The City also received operating and capital grants and contributions from other governments and organizations of \$5,979,566 which reduced the amount paid by City residents for certain services. The net cost of the City's governmental activities totaled \$16,511,928 and was funded with general revenues, including property taxes.

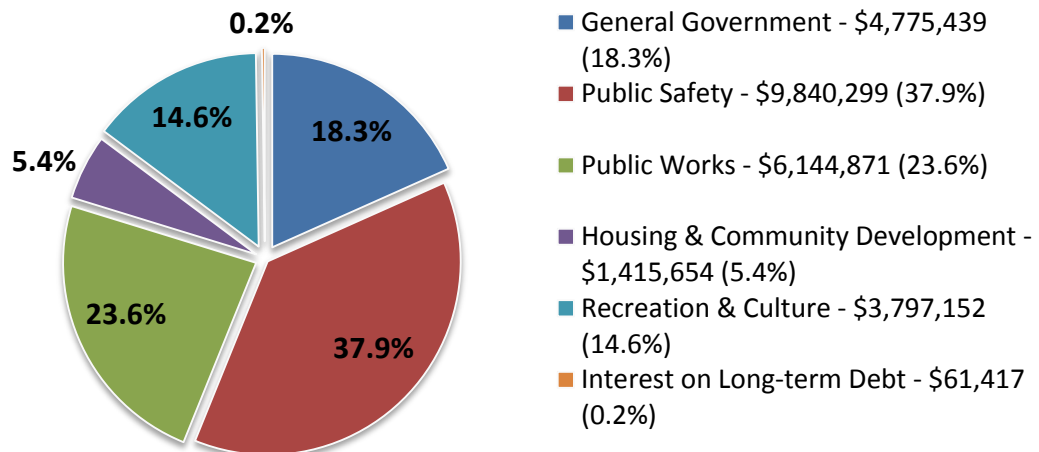
**City of Takoma Park, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Governmental Activities**  
**Fiscal Year Ended June 30, 2017**

## Revenues



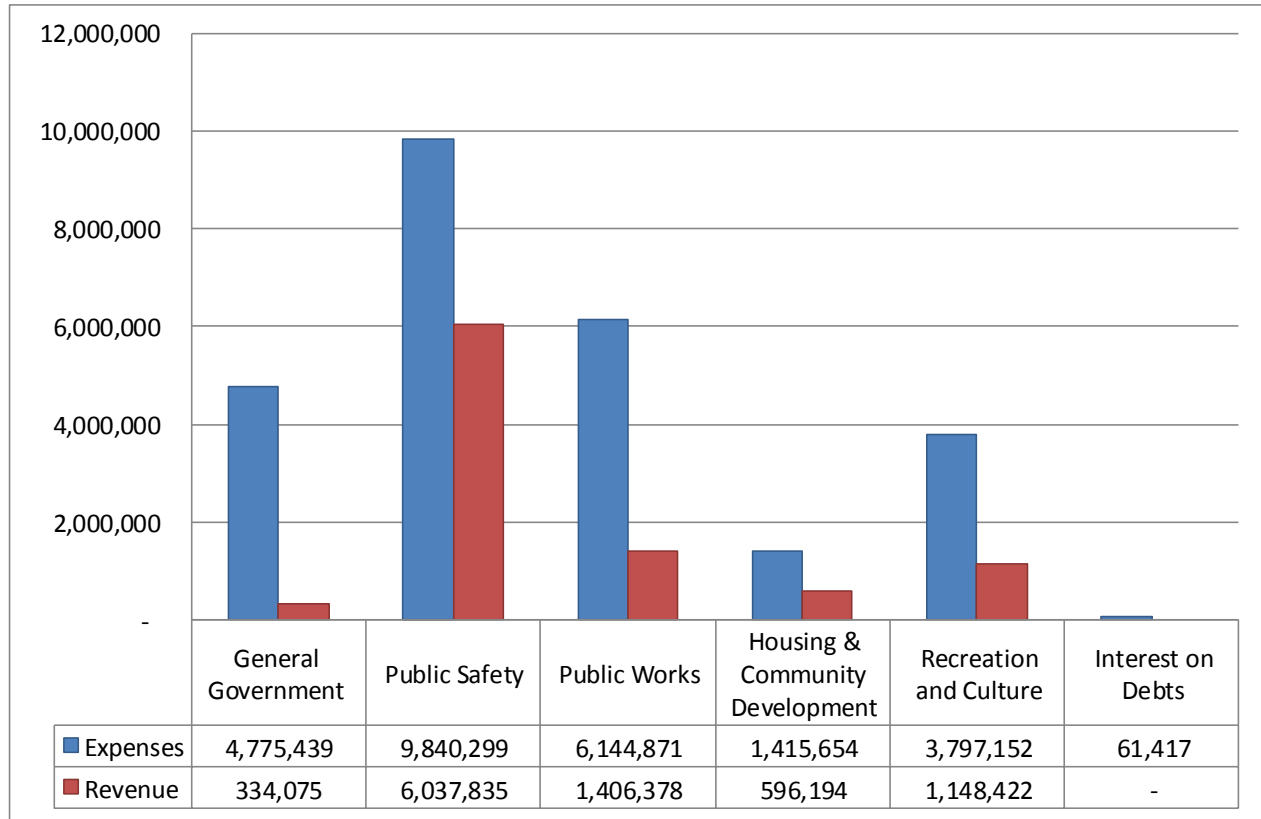
## Expenses



## City of Takoma Park, Maryland

### Management's Discussion and Analysis June 30, 2017

#### Governmental Activities Comparison of Program Revenues versus Expenses Fiscal Year Ended June 30, 2017



### 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, 2017, the City's governmental funds had combined fund balances of \$17,443,148, an increase of \$1,247,328 from the prior year. This increase is due primarily to the increase in real property tax revenue. 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 \$4,251,006. The use of these funds is restricted for expenditures primarily for street improvement, 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 \$13,097,677, an increase of \$845,816. The increase is due to the increase in revenues from real property tax, cable operating fee and police protection income.

## City of Takoma Park, Maryland

### Management's Discussion and Analysis June 30, 2017

The General Fund fund balance includes \$96,567 which is restricted for street improvements and \$12,093 which is nonspendable (e.g., deposits and prepaid expenditures). A portion of the General Fund fund balance, totaling \$5,284,974 or 40 percent, is committed for the following purposes:

• Equipment Replacement	\$3,957,813
• Emergency	464,807
• Facility Maintenance	461,524
• Housing Fund Reserve	400,830

The unassigned portion of the General Fund fund balance as of June 30, 2017 is \$7,704,043.

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 2017 totaled about \$1.5 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 \$754,555 at June 30, 2017. 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 \$3,394,545 as of June 30, 2017. Most of the fund balance is restricted for the acquisition of cable equipment. The amount that is restricted for cable equipment is \$3,366,852. The remaining fund balance of \$27,693 is restricted for police-related expenditures allowed by the Department of Justice Equitable Sharing Program. The \$29,316 increase in the fund balance of the Special Revenue Fund is due primarily to the net difference of the excess of program expenditures \$50,719 and the transfer of City match \$80,035 from general fund to the POS park grants in fiscal year 2017.

The City has three non-major funds: the Stormwater Management Fund, the Rehabilitation Loans and Grants Fund, and the Facility Construction 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 \$191,032 as of June 30, 2017.

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 \$5,339 as of June 30, 2017. 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 2017, 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, 2017.

**City of Takoma Park, Maryland**

**Management's Discussion and Analysis  
June 30, 2017**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, there were net decreases totaling \$1,002,757 in the General Fund expenditure appropriations between the original and the final budget. The largest decrease in the appropriations was related to capital outlay. The net decrease in the budget for the capital outlay was \$1,121,653. These projects included the Ethan Allen Gateway (decreased \$1 million) and design for Library construction (decreased \$390,000). The reduction in appropriations was due to project delays. This budget decrease was offset by the budget increase of other capital projects. These projects included the overhauling of the security door system in the Community Center (\$20,590), price increase of pressure washing equipment (\$12,834), addition of HVAC rooftop unit (\$17,233). The budget amendments also included appropriations for items such as the additional cost to replace truck 215 and 216 (\$67,450) and truck 245 (\$61,420). The budget amendments included appropriations for Public Arts (\$35,800) and a number of transfers (\$56,888) 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 \$262,212. The increase is due to property tax and utilities revenue exceeding the budget by \$425,613, and miscellaneous income including sales of city property that exceeded budget by \$36,174. This increase is offset by the lower than expected budget revenue from fines and forfeiture (\$132,549) and intergovernmental revenue (\$80,639).

Actual General Fund expenditures were \$4,059,195 less than the revised budget authorization. General Government expenditures were \$1,055,686 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 general contingencies and unemployment taxes were \$155,669 less than budgeted. Housing Fund expenditure, partnership programs and City grants to community organizations were \$567,047 less than budgeted. Contractual services and personnel costs in Legislative Government were \$38,789 less than budgeted. Labor and employment legal service costs were \$63,978 less than budgeted. Computer support and contractual expenditures for the digitizing of City records, and the assessment of the Information Technology functions were \$48,492 less than budgeted. Personnel costs were \$26,377 less than budgeted in the City Manager's office primarily due to the elimination of the part-time program manager position.

Public Safety expenditures were \$165,335 less than budgeted due to lower than expected personnel costs in the new Neighborhood Service division.

Public Works expenditures were \$302,080 less than budgeted. The variance was due to staff vacancies, lower than anticipated expenditures for tree maintenance and sub-contractor work. In the Administration division, lower than anticipated expenditures included intern salaries (\$20,610), contracts (\$50,573) and special events (\$16,186). In the Building Maintenance division, lower than anticipated expenditures included salaries (\$13,910), special projects (\$30,121) and service contracts (\$9,038). In the Right of Way division, lower than expected expenditures included salaries (\$50,592), fringe benefits (\$16,025), snow removal expenses (\$27,872), and leaf collection (\$14,123).

Housing and Community Development expenditures were \$500,560 less than budgeted. Overall personnel costs were down \$322,289 due to staff turnover. Contract services were down \$228,249 due to the delays in the implementation of projects that were deferred until the Strategic Plan was completed and lower than anticipated need for contracted services.

**City of Takoma Park, Maryland**

**Management's Discussion and Analysis  
June 30, 2017**

Expenditures for Recreation and Culture were \$379,868 less than budgeted. Recreation and Culture activities include those of the Recreation, Takoma Park Library and Communications Departments. In the Community Center division, the actual expenditures were \$132,675 lower than budgeted. The variances of \$29,414 in personnel costs were attributed to the shortage of part-time staff. The variance of contract costs (\$42,989) were attributable to a reduction in the number of contracted classes and the cancellation of teen program offerings due to low or no enrollment. In addition, the largest variance (\$85,904) was primarily due to staff vacancies. Library expenditures were under the budgeted amount mainly due to the reduction of personnel related salaries and fringe benefits totaling \$42,000. Communications expenditures were under the budgeted \$108,548 primarily due to the cancellation of job production and the departure of several part-time staff members.

Capital Outlay expenditures were \$1,235,564 less than budgeted. Expenditures anticipated for the construction work on the \$1 million Ethan Allen Streetscape project was postponed to fiscal year 2018. Another project that was not completed in fiscal year 2017 was the concept design (\$390,000) for the Library renovation project.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

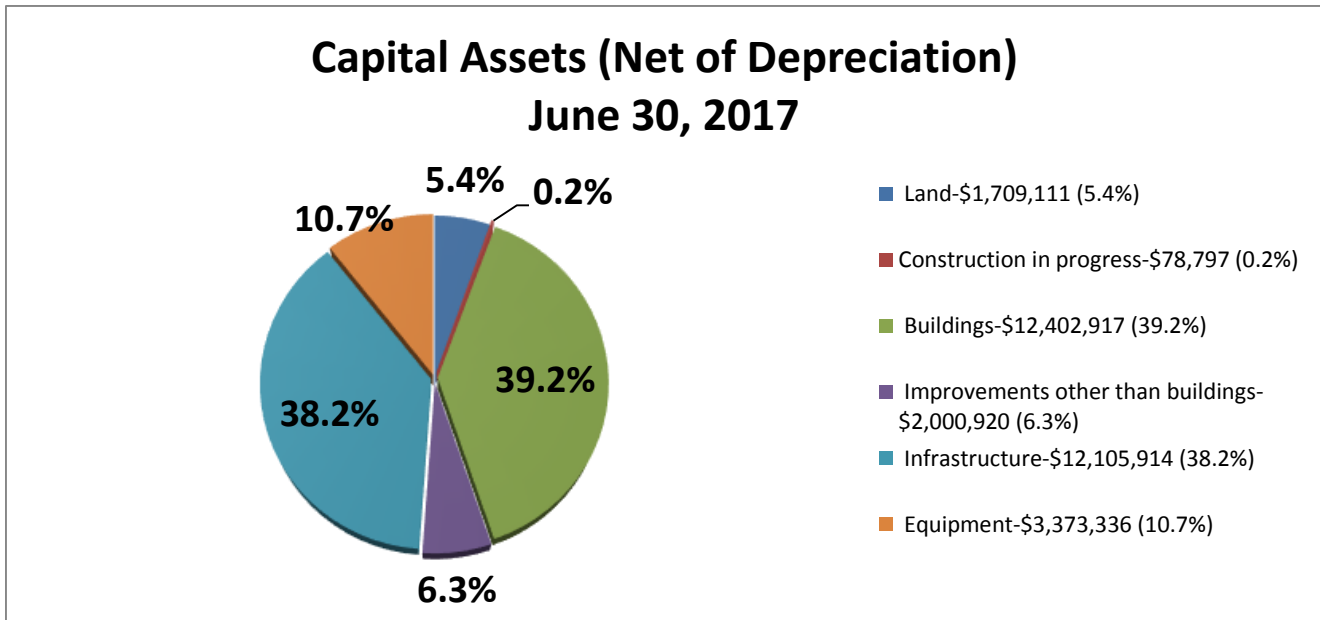
**Capital Assets**

As of June 30, 2017, the City of Takoma Park's investment in capital assets (buildings, roads and other infrastructure, vehicles, and equipment) for its governmental activities totaled \$31,670,996 (net of accumulated depreciation). This amount represents an increase of \$730,395 from the prior year. The increase was attributable to asset additions totaling \$2,441,461, net of depreciation expense of \$1,711,066 and asset disposals with a book value of \$-0-. Asset additions made during the fiscal year included vehicles (\$192,354) for Public Safety, equipment for Public Works (\$360,762), Recreation hardware equipment (\$11,922), and Housing Public Arts (\$14,200) and two Bike-share stations (\$106,076). Infrastructure improvements totaling \$1,535,560 included ADA sidewalk retrofits, new sidewalks, Dog Park and Colby Park playground installation. Further information on the City's capital assets is shown in following table:

<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>
<b>Capital Assets (net of depreciation)</b>		
Land	\$1,709,111	\$1,709,111
Construction in progress	78,797	-0-
Buildings	12,402,917	12,824,082
Infrastructure	12,105,914	11,087,097
Equipment	3,373,336	3,245,358
<b>Total</b>	<b>\$31,670,996</b>	<b>\$30,940,601</b>

City of Takoma Park, Maryland

Management's Discussion and Analysis  
June 30, 2017



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 \$2,765,081 in outstanding debt, a decrease of \$359,129 or about 11.5 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 totaling \$298,000, net of the decrease of \$61,129 in compensated absences.

The City's aggregate net pension liability totaled \$16,591,832 at year-end, an increase of \$819,211 from the prior year. The increase is due to the additional service costs, change of assumptions and increase of interest liabilities based on the GASB 68 Actuarial Information for the measurement period ended June 30, 2017.

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.

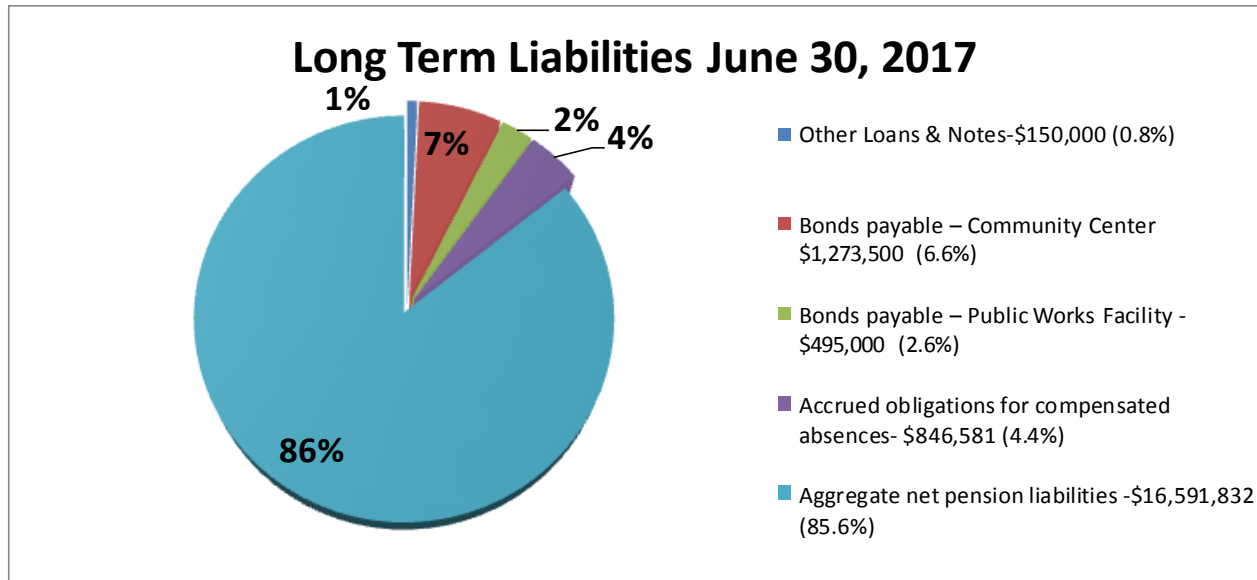


## City of Takoma Park, Maryland

### Management's Discussion and Analysis June 30, 2017

#### Governmental Activities

	2017	2016
<b>Long-Term Liabilities</b>		
Loan Payable- MD Department of Housing & Community Development	\$150,000	\$150,000
Bonds payable – Community Center (2015)	1,273,500	1,416,500
Bonds payable – Public Works Facility	495,000	650,000
Accrued obligations for compensated absences	846,581	907,710
Aggregate net pension liabilities	16,591,832	15,772,621
<b>Total</b>	<b>\$19,356,913</b>	<b>\$18,896,831</b>



Additional information on the City's long-term debt can be found in Note 11 - Non-Current Liabilities on pages 56- 57 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, 2017:

- The tax rate for real property decreased from \$0.5675 to \$0.5348 per \$100 of the assessed valuation. The personal property tax rate and the railroad and utilities tax rate did not change.
- Projected decrease of approximately \$22,397 in real property tax revenue from the prior fiscal year's budgeted amount based upon the projected taxable values.
- Anticipated revenues of \$1.31 million from the Speed Camera Program with estimated expenditures of \$1.33 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.

## **City of Takoma Park, Maryland**

### **Management's Discussion and Analysis June 30, 2017**

- Increase in staffing level by 0.3 full-time equivalents. The increase includes an Economic Development Planner position, the elimination of the Community Partnership position and adjustments to part-time hours.
- Anticipated General Fund expenditures of \$1.5 million for street, sidewalk and Ethan Allen Gateway improvements. General Fund expenditures also include \$849,000 for the Flower Avenue Green Street Project to be paid by City's issuance of a \$2 million Transportation Bond. The General Fund expenditures will also include Library design and renovation funded by a \$7 million Library Bond. Funding to continue Council priorities of Housing Reserve Fund (\$300,000) and Partnership program (\$100,000).
- Expenditures of \$809,650 for the construction, maintenance, and repair of storm drains, inlets, and channels, along with several bio-retention projects.
- Contribution of \$720,000 to the Equipment Replacement Reserve. Funds from the Equipment Replacement Reserve will be used to replace vehicles and equipment, including police cars, backhoe and leaf collection vacuum.
- Fund in the amount of \$5,473,386 in Special Revenue Funds for special projects, including \$1.3 million in grant funds for the Ethan Allen Gateway Streetscape and \$125,000 for the Sligo Mill Overlook park construction.
- Contribution of \$100,000 in excess of the actuarial 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.

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## **Basic Financial Statements**

**City of Takoma Park, Maryland**

**Statement of Net Position  
June 30, 2017**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 16,974,424
Investments	2,175,755
Accounts receivable, net	307,661
Notes receivable, net	17,774
Due from other governments	1,578,630
Other assets	12,093
Capital assets, net	
Non-depreciable	1,787,908
Depreciable	29,883,088
	<hr/>
Total assets	52,737,333
	<hr/>
Deferred outflows of resources - pension related	3,727,439
	<hr/>
Liabilities	
Accounts payable	1,856,331
Accrued liabilities	328,066
Deposits and escrows held	177,897
Due to other governments	208,869
Unearned revenue	265,721
Non-current liabilities:	
Due within one year	1,094,000
Due in more than one year	18,262,913
	<hr/>
Total liabilities	22,193,797
	<hr/>
Deferred inflows of resources - pension related	3,831,431
	<hr/>
Net position	
Net investment in capital assets	29,902,496
Restricted for:	
Public safety	754,555
Cable equipment	3,366,852
Loans	5,339
Streets	96,567
Equipment replacement	3,957,813
Emergency expenses	464,807
Facility maintenance	461,524
Housing	400,830
Justice forfeiture	27,693
Unrestricted	(8,998,932)
	<hr/>
Total net position	\$ 30,439,544
	<hr/>

See Notes to Financial Statements.

**City of Takoma Park, Maryland**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

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	\$ 4,775,439	\$ 106,638	\$ -	\$ 227,437	\$ (4,441,364)
Public safety	9,840,299	1,943,492	4,094,343	-	(3,802,464)
Public works	6,144,871	546,761	757,933	101,684	(4,738,493)
Housing and community development	1,415,654	364,215	231,979	-	(819,460)
Recreation and culture	3,797,152	582,232	326,732	239,458	(2,648,730)
Interest on long-term debt	61,417	-	-	-	(61,417)
Total governmental activities	<u>\$ 26,034,832</u>	<u>\$ 3,543,338</u>	<u>\$ 5,410,987</u>	<u>\$ 568,579</u>	<u>(16,511,928)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					12,700,750
Intergovernmental - unrestricted					4,648,723
Miscellaneous					137,691
Unrestricted investment earnings					<u>37,163</u>
Total general revenues					<u>17,524,327</u>
Change in net position					1,012,399
Net position, beginning of year					<u>29,427,145</u>
Net position, end of year					<u>\$ 30,439,544</u>

See Notes to Financial Statements.

# City of Takoma Park, Maryland

## Balance Sheet Governmental Funds June 30, 2017

	General Fund	Speed Camera Fund	Special Revenue Fund	Non-Major Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 12,141,054	\$ 3,681,450	\$ -	\$ 1,151,920	\$ 16,974,424
Investments	2,175,755	-	-	-	2,175,755
Receivables, net					
Taxes	281,771	-	-	-	281,771
Notes	-	-	12,501	5,273	17,774
Other	3,340	-	3,500	19,050	25,890
Due from other funds	3,324,337	5,959	2,937,714	207,534	6,475,544
Due from other governments	1,001,962	-	576,668	-	1,578,630
Other assets	12,093	-	-	-	12,093
<b>Total assets</b>	<b>18,940,312</b>	<b>3,687,409</b>	<b>3,530,383</b>	<b>1,383,777</b>	<b>27,541,881</b>
<b>Deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 18,940,312</b>	<b>\$ 3,687,409</b>	<b>\$ 3,530,383</b>	<b>\$ 1,383,777</b>	<b>\$ 27,541,881</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,627,485	\$ 114,407	\$ 65,633	\$ 48,806	\$ 1,856,331
Accrued expenditures	309,995	5,820	-	2,006	317,821
Deposits and escrows held	128,032	-	8,185	41,680	177,897
Due to other funds	2,937,714	2,812,627	5,959	719,244	6,475,544
Due to other units of government	-	-	-	208,869	208,869
Unearned revenue	209,660	-	56,061	-	265,721
<b>Total liabilities</b>	<b>5,212,886</b>	<b>2,932,854</b>	<b>135,838</b>	<b>1,020,605</b>	<b>9,302,183</b>
<b>Deferred inflows of resources</b>	<b>629,749</b>	<b>-</b>	<b>-</b>	<b>166,801</b>	<b>796,550</b>
<b>Fund balances</b>					
Nonspendable	12,093	-	-	-	12,093
Restricted	96,567	754,555	3,394,545	5,339	4,251,006
Committed	5,284,974	-	-	-	5,284,974
Assigned	-	-	-	191,032	191,032
Unassigned	7,704,043	-	-	-	7,704,043
<b>Total fund balances</b>	<b>13,097,677</b>	<b>754,555</b>	<b>3,394,545</b>	<b>196,371</b>	<b>17,443,148</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 18,940,312</b>	<b>\$ 3,687,409</b>	<b>\$ 3,530,383</b>	<b>\$ 1,383,777</b>	<b>\$ 27,541,881</b>

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, 2017**

Total fund balances - Governmental Funds	\$ 17,443,148
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 \$57,180,436 and the accumulated depreciation is \$25,509,440.	31,670,996
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,765,081)
Interest on long-term debt and other expenses are not accrued in governmental funds, but rather are recognized as an expenditure when due.	(10,245)
Net pension liability is recognized as a liability on the Statement of Net Position but not in the fund financial statements.	(16,591,832)
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.	3,727,439
Deferred inflows of resources related to pension liability and earnings on pension plan investments are not reported in the fund financial statements.	(3,831,431)
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>796,550</u>
Total net position - Governmental Activities	<u><u>\$ 30,439,544</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, 2017**

	General Fund	Speed Camera Fund	Special Revenue Fund	Non-Major Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes and utility fees	\$ 16,357,516	\$ -	\$ -	\$ -	\$ 16,357,516
Licenses and permits	69,718	-	-	-	69,718
Fines and forfeitures	372,451	1,463,521	-	-	1,835,972
Use of money and property	24,105	12,992	-	66	37,163
Charges for services	1,197,124	-	-	418,796	1,615,920
Intergovernmental	6,084,854	-	769,233	-	6,854,087
Miscellaneous	107,674	-	35,626	21,420	164,720
<b>Total revenues</b>	<b>24,213,442</b>	<b>1,476,513</b>	<b>804,859</b>	<b>440,282</b>	<b>26,935,096</b>
<b>Expenditures</b>					
General government	4,041,315	-	198,754	-	4,240,069
Public safety	7,552,139	1,122,287	-	-	8,674,426
Public works	4,580,090	-	55,625	348,690	4,984,405
Housing and community development	1,257,612	-	82,169	-	1,339,781
Recreation and culture	3,431,082	-	146	-	3,431,228
Capital outlay	2,065,455	-	518,884	73,622	2,657,961
Debt service					
Principal	298,000	-	-	-	298,000
Interest	61,898	-	-	-	61,898
<b>Total expenditures</b>	<b>23,287,591</b>	<b>1,122,287</b>	<b>855,578</b>	<b>422,312</b>	<b>25,687,768</b>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	925,851	354,226	(50,719)	17,970	1,247,328
<b>Other financing sources (uses)</b>					
Transfers in (out)	(80,035)	-	80,035	-	-
<b>Total other financing sources (uses)</b>	<b>(80,035)</b>	<b>-</b>	<b>80,035</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>845,816</b>	<b>354,226</b>	<b>29,316</b>	<b>17,970</b>	<b>1,247,328</b>
<b>Fund balances, beginning of year</b>	<b>12,251,861</b>	<b>400,329</b>	<b>3,365,229</b>	<b>178,401</b>	<b>16,195,820</b>
<b>Fund balances, end of year</b>	<b>\$ 13,097,677</b>	<b>\$ 754,555</b>	<b>\$ 3,394,545</b>	<b>\$ 196,371</b>	<b>\$ 17,443,148</b>

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, 2017**

Total net change in fund balances - Governmental Funds	\$ 1,247,328
<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 (\$2,441,461) exceeds depreciation expense (\$1,711,066) in the period.	730,395
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 used exceeded earned by \$61,129.	61,129
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 2017.	298,000
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.	(1,437,069)
Interest expense in the statement of activities differs from the amount reported in governmental funds due to the net decrease in accrued interest.	481
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.	112,135
Change in net position of Governmental Activities	<u><u>\$ 1,012,399</u></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, 2017**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Taxes and utility fees	\$ 15,931,903	\$ 15,931,903	\$ 16,357,516	\$ 425,613
Licenses and permits	76,804	76,804	69,718	(7,086)
Fines and forfeitures	505,000	505,000	372,451	(132,549)
Use of money and property	22,000	22,000	24,105	2,105
Charges for services	1,178,530	1,178,530	1,197,124	18,594
Intergovernmental	6,165,493	6,165,493	6,084,854	(80,639)
Miscellaneous	1,071,500	71,500	107,674	36,174
Total revenues	<u>24,951,230</u>	<u>23,951,230</u>	<u>24,213,442</u>	<u>262,212</u>
Expenditures				
Current				
General government	5,008,893	5,097,001	4,041,315	1,055,686
Public safety	7,717,474	7,717,474	7,552,139	165,335
Public works	4,875,670	4,882,170	4,580,090	302,080
Housing and community development	1,733,884	1,758,172	1,257,612	500,560
Recreation and culture	3,810,950	3,810,950	3,431,082	379,868
Capital outlay	4,422,672	3,301,019	2,065,455	1,235,564
Debt service	780,000	780,000	359,898	420,102
Total expenditures	<u>28,349,543</u>	<u>27,346,786</u>	<u>23,287,591</u>	<u>4,059,195</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(3,398,313)</u>	<u>(3,395,556)</u>	<u>925,851</u>	<u>4,321,407</u>
Other financing sources (uses)				
Debt issuance	1,000,000	-	-	-
Transfers in (out)	<u>(450)</u>	<u>79,133</u>	<u>(80,035)</u>	<u>(159,168)</u>
Total other financing sources (uses)	<u>999,550</u>	<u>79,133</u>	<u>(80,035)</u>	<u>(159,168)</u>
Net change in fund balance	(2,398,763)	(3,316,423)	845,816	4,162,239
Fund balance, beginning of year	<u>12,251,861</u>	<u>12,251,861</u>	<u>12,251,861</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,853,098</u>	<u>\$ 8,935,438</u>	<u>\$ 13,097,677</u>	<u>\$ 4,162,239</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, 2017**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues				
Fines and forfeitures	\$ 1,300,000	\$ 1,300,000	\$ 1,463,521	\$ 163,521
Use of money and property - interest income	<u>2,500</u>	<u>2,500</u>	<u>12,992</u>	<u>10,492</u>
Total revenues	<u>1,302,500</u>	<u>1,302,500</u>	<u>1,476,513</u>	<u>174,013</u>
Expenditures				
Public safety	1,224,417	1,224,417	1,122,287	102,130
Capital outlay	<u>39,800</u>	<u>39,800</u>	<u>-</u>	<u>39,800</u>
Total expenditures	<u>1,264,217</u>	<u>1,264,217</u>	<u>1,122,287</u>	<u>141,930</u>
Net change in fund balance	38,283	38,283	354,226	32,083
Fund balance, beginning of year	<u>400,329</u>	<u>400,329</u>	<u>400,329</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 438,612</u></u>	<u><u>\$ 438,612</u></u>	<u><u>\$ 754,555</u></u>	<u><u>\$ 32,083</u></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, 2017**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues				
Intergovernmental	\$ 3,337,810	\$ 1,650,007	\$ 769,233	\$ (880,774)
Miscellaneous	<u>40,000</u>	<u>40,000</u>	<u>35,626</u>	<u>(4,374)</u>
Total revenues	<u>3,377,810</u>	<u>1,690,007</u>	<u>804,859</u>	<u>(885,148)</u>
Expenditures				
General government	450	205,770	198,754	7,016
Public works	7,295	62,268	55,625	6,643
Housing and community development	360,680	679,011	82,169	596,842
Recreation	-	-	146	(146)
Capital outlay	<u>2,719,450</u>	<u>930,450</u>	<u>518,884</u>	<u>411,566</u>
Total expenditures	<u>3,087,875</u>	<u>1,877,499</u>	<u>855,578</u>	<u>1,021,921</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	289,935	(187,492)	(50,719)	136,773
Other financing sources (uses)				
Transfer from General Fund	<u>-</u>	<u>79,583</u>	<u>80,035</u>	<u>452</u>
Net change in fund balance	289,935	(107,909)	29,316	137,225
Fund balance, beginning of year	<u>3,365,229</u>	<u>3,365,229</u>	<u>3,365,229</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,655,164</u>	<u>\$ 3,257,320</u>	<u>\$ 3,394,545</u>	<u>\$ 137,225</u>

See Notes to Financial Statements.

**City of Takoma Park, Maryland**  
**Statement of Fiduciary Net Position**  
**June 30, 2017**

	<u>Total</u>
Assets	
Cash and cash equivalents	<u>\$ 373,545</u>
Investments, at fair value:	
Equities	9,220,091
Fixed income	<u>4,778,941</u>
Total investments	<u>13,999,032</u>
Total assets	<u>14,372,577</u>
Deferred outflows of resources	-
Liabilities	-
Deferred inflows of resources	-
Net position restricted for pensions	<u><u>\$ 14,372,577</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, 2017**

	<u>Total</u>
Additions	
Employer contributions	\$ 1,285,557
Plan member contributions	<u>189,057</u>
Total contributions and other receipts	1,474,614
Net investment earnings	<u>1,486,184</u>
Total additions	<u>2,960,798</u>
Deductions	
Benefits and refunds paid	856,595
Administrative expenses	<u>58,246</u>
Total deductions	<u>914,841</u>
Change in net position	2,045,957
Net position held in trust for pension benefits, beginning of year	<u>12,326,620</u>
Net position held in trust for pension benefits, end of year	<u>\$ 14,372,577</u>

See Notes to Financial Statements.

## **City of Takoma Park, Maryland**

### **Notes to Financial Statements June 30, 2017**

#### **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, 2017

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, 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. All cash, cash equivalents and investments are reported at fair value except for the position in the Maryland Local Government Investment Pool ("MLGIP"). The MLGIP operates in conformity with all of the requirements of the Securities and Exchange Commission ("SEC") Rule 2(a)-7 as promulgated under the Investment Compact Act of 1940, as amended. Accordingly, the MLGIP qualifies as a 2(a)7-like pool and is

## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2017

reported using the amortized cost method. 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.

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.

## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2017

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.

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 \$846,581 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.

## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2017

*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.

*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.

## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2017

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.
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, 2017.

#### Note 3 - Cash, cash equivalents 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 \$17,346,593 and the corresponding bank balances were \$17,360,779. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$18,947,145 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, 2017.

##### Investments

At June 30, 2017, 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
Equities*	N/A	\$ 9,220,091	\$ -	\$ 9,220,091	\$ -
Certificates of Deposit	Not Rated	2,175,755	378,521	1,797,234	-
Fixed Income*	**	4,778,941	29,814	3,400,120	1,349,007
Total investments		<u>\$ 16,174,787</u>	<u>\$ 408,335</u>	<u>\$ 14,417,445</u>	<u>\$ 1,349,007</u>

\* Included in fiduciary funds.

\*\* 70% of portfolio is rated Aaa; 4.5% is rated Aa; 11.9% is rated A and 13.7% is rated Baa.

**City of Takoma Park, Maryland**

**Notes to Financial Statements  
June 30, 2017**

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

Cash on hand	\$ 1,376
Carrying amount of deposits	17,346,593
Carrying amount of investments	<u>16,174,787</u>
 Total cash, cash equivalents and investments	 33,522,756
 Less fiduciary funds	 <u>14,372,577</u>
 Total cash, cash equivalents and investments per Statement of Net Position	 <u>\$ 19,150,179</u>
 Cash and cash equivalents	\$ 16,974,424
Investments	<u>2,175,755</u>
 Total cash, cash equivalents and investments per Statement of Net Position	 <u>\$ 19,150,179</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, 2017 met the City's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2017:

Total net investment income per Statement of Activities	<u>\$ 37,163</u>
---	------------------

Net investment income per the Statement of Activities of \$37,163 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	\$ 327,370
Realized gain	64,264
Unrealized gain	<u>1,094,550</u>
	<u>\$ 1,486,184</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, 2017

#### *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, 2017. 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 \$1,349,186 in MLGIP, \$9,220,091 in direct securities, \$2,169,614 in certificates of deposit, and \$379,686 in money market funds. At June 30, 2017, 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, 2017:

- Amounts invested in equities of \$9,220,091 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 certificates of deposit of \$2,175,755 and fixed income of \$4,778,941 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.

## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2017

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				
Equities	\$ 9,220,091	\$ -	\$ -	\$ 9,220,091
Certificates of Deposit	-	2,175,755	-	2,175,755
Fixed Income	-	4,778,941	-	4,778,941
Total investments by fair value level	<u>\$ 9,220,091</u>	<u>\$ 6,954,696</u>	<u>\$ -</u>	<u>\$ 16,174,787</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 2017 was \$0.5675 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, 2017, taxes receivable, net of an allowance for uncollectibles of \$103,977, amounted to \$281,771.

#### Note 6 - Notes receivable, net

Notes receivable of \$17,774 are comprised of \$12,501 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, 2017, notes receivable - Rehabilitation Loans Fund, net of allowances for uncollectibles of \$2,233, amounted to \$5,273.

The notes receivable in the amount of \$12,501, 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, 2017**

**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:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Income taxes, General Fund	\$ 375,211	\$ -	\$ 375,211
Property taxes receivable, General Fund	254,396	-	254,396
Charges for services, General Fund	142	-	142
Fees, General Fund	-	145,884	145,884
Stormwater receivable General Fund	166,801	-	166,801
	-	63,776	63,776
Grant funds received in excess of expenditures, Special Revenue Fund	-	56,061	56,061
	<u>\$ 796,550</u>	<u>\$ 265,721</u>	<u>\$ 1,062,271</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, 2017, the General Fund transferred \$80,035 to the Special Revenue Fund to provide the required matching funds for grants.

**City of Takoma Park, Maryland**

**Notes to Financial Statements  
June 30, 2017**

The balances at June 30, 2017 of individual fund interfund borrowings were as follows:

	<u>Due from other Funds</u>	<u>Due to other Funds</u>
General Fund	\$ 3,324,337	\$ 2,937,714
Speed Camera	5,959	2,812,627
Special Revenue	<u>2,937,714</u>	<u>5,959</u>
	<u>6,268,010</u>	<u>5,756,300</u>
Non-major funds		
Community Center	207,226	207,226
Storm Water	308	509,880
Rehab Loan	<u>-</u>	<u>2,138</u>
	<u>207,534</u>	<u>719,244</u>
Total	<u><u>\$ 6,475,544</u></u>	<u><u>\$ 6,475,544</u></u>

**Note 9 - Due from other governments**

The June 30, 2017, balance of due from other governments is as follows:

State of Maryland	
Income tax	\$ 231,313
Income tax reserve	375,211
Highway user tax	21,374
Amusement tax	34,312
State Highway Administration	14,226
Department of Natural Resources	373,364
Other	35,000
Montgomery County	
Police protection	123,723
Community Development Block Grant	80,327
Franchise fees	238,302
Other	51,203
Washington Suburban Sanitary Commission	<u>275</u>
Total	<u><u>\$ 1,578,630</u></u>

**City of Takoma Park, Maryland**

**Notes to Financial Statements  
June 30, 2017**

**Note 10 - Capital assets and other property**

A summary of changes in capital assets during fiscal year 2017 follows:

	<u>Balance June 30, 2016</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Balance June 30, 2017</u>
Capital assets (not being depreciated)				
Land	\$ 1,709,111	\$ -	\$ -	\$ 1,709,111
Construction in progress	<u>-</u>	<u>78,797</u>	<u>-</u>	<u>78,797</u>
Total non-depreciable capital assets	<u>1,709,111</u>	<u>78,797</u>	<u>-</u>	<u>1,787,908</u>
Capital assets (being depreciated)				
Buildings	18,597,869	110,104	-	18,707,973
Improvements other than buildings	3,466,403	-	-	3,466,403
Equipment	7,056,510	717,000	(266,126)	7,507,384
Infrastructure	<u>23,909,082</u>	<u>1,535,560</u>	<u>-</u>	<u>25,444,642</u>
Total depreciable capital assets	<u>53,029,864</u>	<u>2,362,664</u>	<u>(266,126)</u>	<u>55,126,402</u>
Less - accumulated depreciation for:				
Buildings	(5,773,787)	(531,269)	-	(6,305,056)
Improvements other than buildings	(1,391,450)	(74,032)	-	(1,465,482)
Equipment	(3,811,152)	(589,022)	266,126	(4,134,048)
Infrastructure	<u>(12,821,985)</u>	<u>(516,743)</u>	<u>-</u>	<u>(13,338,728)</u>
Total accumulated depreciation	<u>(23,798,374)</u>	<u>(1,711,066)</u>	<u>266,126</u>	<u>(25,243,314)</u>
Total capital assets being depreciated	<u>29,231,490</u>	<u>651,598</u>	<u>-</u>	<u>29,883,088</u>
Total capital assets	<u>\$ 30,940,601</u>	<u>\$ 730,395</u>	<u>\$ -</u>	<u>\$ 31,670,996</u>

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

General government	\$ 397,688
Public safety	199,670
Housing and community development	22,004
Public works	908,519
Recreation and culture	<u>183,185</u>
	<u>\$ 1,711,066</u>

# City of Takoma Park, Maryland

## Notes to Financial Statements June 30, 2017

### 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, 2017:

	Balance June 30, 2016	Increase	Decrease	Balance June 30, 2017	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	650,000	-	(155,000)	495,000	160,000	2.97%	June 2020
Bonds payable	1,416,500	-	(143,000)	1,273,500	144,000	2.34%	April 2025
Compensated absences	907,710	700,000	(761,129)	846,581	790,000		
Net pension liability	15,772,621	2,059,041	(1,239,830)	16,591,832	-		
	<u>\$ 18,896,831</u>	<u>\$ 2,759,041</u>	<u>\$ (2,298,959)</u>	<u>\$ 19,356,913</u>	<u>\$ 1,094,000</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, 2017 is \$150,000.

Fiscal years	Principal	Interest	Total
2018	\$ -	\$ -	\$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	150,000	-	150,000
Total	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</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, 2017 is \$495,000. The annual installments for the repayment of the loan as of June 30, 2017 are as follows:

Fiscal years	Principal	Interest	Total
2018	\$ 160,000	\$ 14,702	\$ 174,702
2019	165,000	9,950	174,950
2020	170,000	5,049	175,049
Total	<u>\$ 495,000</u>	<u>\$ 29,701</u>	<u>\$ 524,701</u>

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 interest rate is 2.34%. Principal is repaid annually and interest

**City of Takoma Park, Maryland**

**Notes to Financial Statements  
June 30, 2017**

payments are made semiannually. The loan matures on April 1, 2025. The balance at June 30, 2017 is \$1,273,500. The annual installments for the repayment of the bond as of June 30, 2017 are as follows:

<u>Fiscal years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	161,000	21,980	182,980
2023 - 2025	<u>513,000</u>	<u>36,360</u>	<u>549,360</u>
Total	<u>\$ 1,273,500</u>	<u>\$ 190,405</u>	<u>\$ 1,463,905</u>

**Note 12 - Deferred inflows of resources - governmental funds**

Deferred inflows of resources are comprised of the following amounts as of June 30, 2017:

	<u>General Fund</u>	<u>Non-major fund</u>	<u>Total</u>
Income taxes	\$ 375,211	\$ -	\$ 375,211
Property taxes receivable	254,396	-	254,396
Charges for services	142	-	142
Stormwater receivable	<u>-</u>	<u>166,801</u>	<u>166,801</u>
	<u>\$ 629,749</u>	<u>\$ 166,801</u>	<u>\$ 796,550</u>

**Note 13 - Fund balances**

Fund balances for the City's governmental funds consisted of the following as of June 30, 2017:

**Nonspendable fund balances**

Nonspendable fund balances as of June 30, 2017 are comprised of trash bins of \$12,093 in the General Fund.

**Restricted fund balances**

Restricted fund balances total \$4,251,006 as of June 30, 2017. The General Fund restricted fund balance at June 30, 2017 is \$96,567 pertaining to street improvements. Fund balance in the Speed Camera Fund is restricted to public safety projects. At June 30, 2017, this amount was \$754,555. Most of the fund balance in the Special Revenue Fund is restricted to cable equipment and related expenditures. At June 30, 2017, this amount was \$3,366,852. 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 \$5,339 as of June 30, 2017.

## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2017

#### Committed fund balances

The General Fund has \$5,284,974 in committed fund balances as of June 30, 2017. This is comprised of the following:

Equipment replacement reserve	\$ 3,957,813
Emergency reserve	464,807
Facility maintenance reserve	461,524
Housing fund reserve	<u>400,830</u>
	<u>\$ 5,284,974</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 \$464,807 for emergency expenses as of June 30, 2017.

#### Assigned fund balances

Assigned fund balance totaling \$191,032 as of June 30, 2017 is assigned to stormwater management projects.

#### 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, 2017. 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 \$6,866,508 as of the measurement date of June 30, 2016.

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 2017 contribution of \$560,772 is therefore recognized as a pension-related deferred outflow of resources.

In March 2016, the GASB issued Statement No. 82 - *Pension Issues* ("GASB 82"), which is effective for financial statements with periods beginning after June 15, 2016. This statement amends GASB 68 to require the presentation of covered payroll (the payroll or compensation paid to all employees on which contributions to the pension plan are based), and the related ratios, in the required supplementary information. Previously, GASB 68 required presentation of covered-employee payroll (the payroll of employees that are provided with pensions through the pension plan,) and the related ratios, in the required supplementary information. The City adopted GASB 82 during fiscal year ended June 30, 2017 and has retroactively applied the related changes to the accompanying required supplementary information to reflect covered payroll instead of covered-employee payroll for all periods presented.

## **City of Takoma Park, Maryland**

### **Notes to Financial Statements June 30, 2017**

#### **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, 2017

Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ended June 30, 2016 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 \$77,000,000 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, 2017 are based on salaries for the year ended June 30, 2016. 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		
	2017	2016	2015
Retirement plan contributions	<u>\$ 560,772</u>	<u>\$ 566,946</u>	<u>\$ 596,532</u>

The City contributed \$560,772 to the System for fiscal year 2017 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, the difference between projected and actual experience and change in proportionate share. 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, 2016 rolled forward to June 30, 2017. The key assumptions used to perform the June 30, 2017 pension liability calculation for the System are as follows:

- Actuarial: Entry Age Normal
- Amortization Method: Level Percentage of Payroll, Closed



## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2017

- 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 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: 2.7% general and 3.2% wage.
- Salary Increases: 3.3% to 9.2% 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 Inflation assumptions from 2.95% and 3.45% to 2.7% and 3.2%. Investment returns assumptions did not change from last year.

The components of the net pension liability for the System as of June 30, 2016, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total Pension Liability	\$ 68,959,954,000
Plan Fiduciary Net Position	<u>45,365,927,000</u>
Net Pension Liability	<u><u>\$ 23,594,027,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>65.79%</u></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, 2017

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	37%	6.60%
Private Equity	10%	7.40%
Rate Sensitive	20%	1.30%
Credit Opportunity	9%	4.20%
Real Assets	15%	4.70%
Absolute Return	9%	3.70%
	<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, 2016.

#### 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	\$ 32,408,442,000	\$ 23,594,027,000	\$ 16,259,112,000
The City's Proportionate Share of Net Pension Liability	\$ 9,431,732	\$ 6,866,508	\$ 4,731,841

**City of Takoma Park, Maryland**

**Notes to Financial Statements  
June 30, 2017**

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

At June 30, 2017, the City reported a liability of \$6,866,508 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was approximately 0.029 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$696,829. At June 30, 2017, 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	\$ 265,345	\$ -
Difference between actual and expected experience	-	170,951
Net difference between projected and actual earnings on pension plan investments	1,069,646	237,422
Change in proportionate share	494,164	121,771
Contributions subsequent to the measurement date	<u>560,772</u>	<u>-</u>
Total	<u>\$ 2,389,927</u>	<u>\$ 530,144</u>

The deferred outflow of resources of \$560,772 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, 2018. 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 2015 and 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 2016, 2015 and 2014 are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed five-year period.

## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2017

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

Fiscal Year Ended June 30	Amortization of 2016 Balance		Amortization of 2015 Balance				Amortization of 2014 Balance	
	Deferred Outflows - Net Difference in Investment Earnings	Deferred Inflows - Actual vs Expected Experience	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
2018	\$ 170,277	\$ 15,465	\$ 129,513	\$ 60,457	\$ 127,691	\$ 24,733	\$ 15,689	\$ 118,711
2019	170,277	15,465	129,513	60,457	127,691	24,733	15,689	118,711
2020	170,277	15,465	129,512	60,457	127,691	24,733	-	-
2021	170,277	15,465	-	52,596	111,091	21,519	-	-
2022	-	13,373	-	-	-	-	-	-

#### 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, 2016 were as follows:

Total Pension Liability	\$ 20,069,209
Plan Fiduciary Net Position	<u>13,202,701</u>
Net Pension Liability	<u><u>\$ 6,866,508</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>65.79%</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 seven 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 11.7% for the year ended June 30, 2017. 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, 2017**

*Plan Membership*

As of July 1, 2017, the pension plan's membership consisted of:

Active plan members	38
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>67</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, 2017 was \$1,189,854. The police officers contribute to the Plan based on 7% of salaries. Member's actual contributions were \$189,057 at June 30, 2017. Administrative costs are financed through investment earnings.

The annual pension cost for 2017, 2016, and 2015 was \$1,189,854, \$1,296,482, and \$1,101,564, respectively. The contributions made as a percentage of the annual pension cost for 2017, 2016, and 2015 were 100%, 100%, and 100%, 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 2017, 2016, and 2015 were \$13,993,308, \$12,077,719, and \$11,311,413, 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 plans risk tolerance, future growth of plan participants and the liquidity requirements of the plan.

## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2017

The plan's target asset allocation and long-term expected real rate of return was the following as of June 30, 2017.

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	0%	0.00%
	100%	

The amortization period for the year ended June 30, 2017 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, 2017 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

# City of Takoma Park, Maryland

## Notes to Financial Statements June 30, 2017

- Retirement Age: Rates vary by participant and service
- Mortality: RP-2014 Healthy Blue Collar Tables with fully generational projection using scale MP-2015

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.

### *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	\$ 13,236,838	\$ 9,725,324	\$ 6,882,205

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

	2017
Total pension liability	
Service cost	\$ 809
Interest	1,616
Changes of benefit terms	-
Difference between expected and actual experience	(645)
Changes of assumptions	827
Benefit payments, including refunds of member contributions	(857)
Net change in total pension liability	1,750
Total pension liability - beginning	21,969
Total pension liability - end	\$ 23,719
Plan fiduciary net position	
Contributions - employer	\$ 1,190
Contributions - employees	189
Net investment income	1,452
Benefit payments, including refunds of member contributions	(857)
Administrative expenses	(58)
Other	-
Net change in plan fiduciary net position	1,916
Plan fiduciary net position - beginning	12,078
Plan fiduciary net position - end	\$ 13,994
Net pension liability	\$ 9,725

## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2017

For the year ended June 30, 2017, the City recognized pension expense of \$740,240. At June 30, 2017, 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	\$ 723,805	\$ -
Difference between actual and expected experience	-	1,862,052
Net difference between projected and actual earnings on pension plan investments	<u>613,707</u>	<u>1,439,235</u>
Total	<u>\$ 1,337,512</u>	<u>\$ 3,301,287</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:	
2018	\$ (551,387)
2019	(551,381)
2020	57,020
2021	(256,580)
2022	-
Thereafter	(661,447)

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:

	<u>Maryland State Pension System</u>	<u>Police Employees' Plan</u>	<u>Total</u>
Total pension liability	\$ 68,959,954,000	\$ 23,718,631	\$ 68,983,672,631
Total fiduciary net position	\$ 45,365,927,000	\$ 13,993,307	\$ 45,379,920,307
City's proportionate share of total pension liabilities	\$ 6,866,508	\$ 9,725,324	\$ 16,591,832
Total pension assets	\$ 45,365,927,000	\$ 13,993,307	\$ 45,379,920,307
Deferred outflows related to pensions	\$ 2,389,927	\$ 1,337,512	\$ 3,727,439
Deferred inflows related to pensions	\$ 530,144	\$ 3,301,287	\$ 3,831,431
Pension expense/expenditures for the period	\$ 696,829	\$ 740,240	\$ 1,437,069
City's proportionate share of net pension liability	0.02910%	100%	
Measurement date of collective net pension liability	June 30, 2016	June 30, 2017	
Date of actuarial valuation	June 30, 2016	June 30, 2017	

#### 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



## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2017

Revenue Code Section 457(g) requiring all assets and income of the plan to be held in trust for the 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 five years. However, if an employee is terminated prior to the completion of five years, that employee will be immediately vested. The City is not required to contribute to the plan.

At June 30, 2017, 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, 2017 was \$0. The City's liability was \$0 as of June 30, 2017. The plan administrator is ICMA-RC.

#### Condensed financial information

	Pension Trust	Defined Contribution Plan	Total
Assets			
Cash and cash equivalents	\$ 373,545	\$ -	\$ 373,545
Total investments	13,619,762	379,270	13,999,032
Total assets	13,993,307	379,270	14,372,577
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	\$ 13,993,307	\$ 379,270	\$ 14,372,577
Net position - held in trust for pension benefits	\$ 13,993,307	\$ 379,270	\$ 14,372,577
Additions			
Total contributions	\$ 1,378,911	\$ 95,703	\$ 1,474,614
Net investment earnings	1,451,518	34,666	1,486,184
Total additions	2,830,429	130,369	2,960,798
Deductions			
Total deductions	914,841	-	914,841
Change in net position	1,915,588	130,369	2,045,957
Net position held in trust for pension benefits, beginning of year	12,077,719	248,901	12,326,620
Net position held in trust for pension benefits, end of year	\$ 13,993,307	\$ 379,270	\$ 14,372,577

**City of Takoma Park, Maryland**

**Notes to Financial Statements  
June 30, 2017**

**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, 2017.

**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.

## City of Takoma Park, Maryland

### Notes to Financial Statements June 30, 2017

#### Note 19 - New accounting pronouncements

GASB issued several pronouncements prior to the year ended June 30, 2017 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:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the City beginning with the fiscal year ending June 30, 2019. This Statement addresses accounting and financial reporting requirements for asset retirement obligations ("ARO"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the City beginning with the fiscal year ending June 30, 2020. This Statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on 1) whether a government is controlling the assets of the activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 85, *Omnibus 2017*, will be effective for the City beginning with the fiscal year ending June 30, 2018. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective for the City beginning with the fiscal year ending June 30, 2018. This Statement establishes accounting and financial reporting guidelines for in-substance defeasance of debt in which existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB State No. 87, *Leases*, will be effective for the City beginning with the fiscal year ending June 30, 2021. This Statement removes the traditional classifications of leases as operating or capital and recognizes all leases as financing tools, resulting in reporting of lease transactions as both a liability and an intangible right to use the leased asset. This Statement defines lease transactions and establishes the new accounting and financial reporting requirements.

#### Note 20 - Subsequent events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition and disclosure. The effects of the subsequent events that provide evidence about conditions that exist after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the City through October 31, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements however management determined that the following events warrant disclosure in the notes to the financial statements.

In August 2017, the City issued bonds in the amount of \$7,000,000 to fund the future renovations to the library and community center. The interest rate is 3.61% annually. Principal is repaid annually and interest payments are made semiannually. The loan matures in August 2047.

In August 2017, the City issued bonds in the amount of \$2,000,000 to fund the transportation projects of Flower Avenue, Green Street and Ethan Ellen Gateway. The interest rate is 2.78% annually. Principal is repaid annually and interest payments are made semiannually. The loan matures in August 2032.

## **Required Supplementary Information**

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# 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total pension liability										
Service cost	\$ 809	\$ 790	\$ 543	\$ 796						
Interest	1,616	1,543	1,547	1,438						
Changes of benefit terms	-	-	-	-						
Difference between expected and actual experience	(645)	(562)	(1,372)	-						
Changes of assumptions	827	-	-	-						
Benefit payments, including refunds of member contributions	(857)	(757)	(785)	(784)						
Net change in total pension liability	1,750	1,014	(67)	1,450						
Total pension liability - beginning	21,969	20,955	21,022	19,572						
Total pension liability - end	<u>\$ 23,719</u>	<u>\$ 21,969</u>	<u>\$ 20,955</u>	<u>\$ 21,022</u>						
Plan fiduciary net position										
Contributions - employer	\$ 1,190	\$ 1,296	\$ 1,102	\$ 1,044						
Contributions - member	189	194	178	184						
Net investment income	1,452	90	441	1,354						
Benefit payments, including refunds of member contributions	(857)	(757)	(786)	(784)						
Administrative expenses	(58)	(56)	(60)	(55)						
Other	-	-	-	-						
Net change in plan fiduciary net position	1,916	767	875	1,743						
Plan fiduciary net position - beginning	12,078	11,311	10,436	8,693						
Plan fiduciary net position - end	<u>\$ 13,994</u>	<u>\$ 12,078</u>	<u>\$ 11,311</u>	<u>\$ 10,436</u>						
Net pension liability	<u>\$ 9,725</u>	<u>\$ 9,891</u>	<u>\$ 9,644</u>	<u>\$ 10,586</u>						
Plan fiduciary net position as a percentage of total pension liability	59.00%	54.98%	53.98%	49.64%						
Covered payroll	\$ 2,777	\$ 2,843	\$ 2,570	\$ 2,850						
Net pension liability as a percentage of covered payroll	350.20%	347.91%	375.20%	371.49%						

Information for years 2013 and prior is not available

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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 1,190	\$ 1,296	\$ 1,102	\$ 1,045	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually determined contribution	1,190	1,296	1,102	1,045	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,777	\$ 2,843	\$ 2,570	\$ 2,850						
Contributions as a percentage of covered payroll	42.9%	45.6%	42.9%	36.7%						

#### 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-2014 Healthy Blue Collar Tables with fully generational projections using scale MP-2015

**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 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
City's proportion (%) of collective net pension liability	0.029%	0.028%	0.024%
City's proportionate share (\$) of collective net pension liability	\$ 6,866,508	\$ 5,881,653	\$ 4,338,175
City's covered payroll (\$)	\$ 6,209,902	\$ 7,617,864	\$ 7,368,222
City's proportionate share of collective net pension liability as a percentage of its covered payroll	110.57%	77.21%	58.88%
Pension plan's fiduciary net position as a percentage of the total pension liability	65.79%	68.78%	71.87%

The above schedule is presented to illustrate the requirement for specified 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

### Schedule of Required Pension-Related Supplementary Information

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 560,772	\$ 566,946	\$ 596,532	\$ 571,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually determined contribution	560,772	566,946	596,532	571,845	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 6,209,902	\$ 7,617,864	\$ 7,363,222	\$ 6,083,944						
Contributions as a percentage of covered payroll	9.0%	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, 2017**

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues				
Taxes				
<u>Property</u>				
Real property	\$ 11,716,551	\$ 11,716,551	\$ 11,998,604	\$ 282,053
Business or other property	574,600	574,600	632,383	57,783
Penalty and interest	36,000	36,000	122,844	86,844
Additions and abatements	(35,000)	(35,000)	(49,620)	(14,620)
Total property	12,292,151	12,292,151	12,704,211	412,060
<u>Local taxes</u>				
Admission and amusement	125,000	125,000	136,238	11,238
	125,000	125,000	136,238	11,238
<u>Shared taxes</u>				
Highway	364,752	364,752	345,873	(18,879)
Income tax	3,150,000	3,150,000	3,171,194	21,194
Total shared taxes	3,514,752	3,514,752	3,517,067	2,315
Total taxes	15,931,903	15,931,903	16,357,516	425,613
Licenses and permits	76,804	76,804	69,718	(7,086)
Fines and forfeitures	505,000	505,000	372,451	(132,549)
Use of money and property				
Interest and dividends	22,000	22,000	24,105	2,105
Charges for services				
Public parking	95,000	95,000	101,616	6,616
Protective inspection fees	311,000	311,000	325,162	14,162
Waste collection and disposal	71,000	71,000	61,827	(9,173)
Passport	67,000	67,000	80,670	13,670
Recreation	554,200	554,200	558,363	4,163
Library fines and fees	35,500	35,500	23,869	(11,631)
Other	44,830	44,830	45,617	787
Total charges for services	1,178,530	1,178,530	1,197,124	18,594

**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, 2017**

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues (Continued)				
Intergovernmental revenues				
Police protection	\$ 437,295	\$ 437,295	\$ 451,694	\$ 14,399
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	986,340	986,340	945,118	(41,222)
Bank share tax	5,643	5,643	5,643	-
Library Aid	158,225	158,225	166,169	7,944
Montgomery County Tax	810,452	810,452	868,878	58,426
Takoma/Langley Recreation Center	85,020	85,020	87,650	2,630
State Highway street project	168,875	168,875	46,059	(122,816)
Total intergovernmental revenues	6,165,493	6,165,493	6,084,854	(80,639)
Miscellaneous revenue - other	1,071,500	71,500	107,674	36,174
Total revenues	24,951,230	23,951,230	24,213,442	262,212
Expenditures				
General government				
City Council	210,630	210,630	171,842	38,788
City Manager	1,302,125	1,335,625	1,240,751	94,874
Finance	610,880	610,880	593,317	17,563
Legal	298,100	331,639	260,234	71,405
Information Systems Administration	655,552	655,552	607,060	48,492
Other - unclassified	1,931,606	1,952,675	1,168,111	784,564
Total general government	5,008,893	5,097,001	4,041,315	1,055,686
Public safety				
Office of the Chief	610,971	610,971	715,665	(104,694)
Communications	605,110	605,110	546,077	59,033
Patrol	3,714,228	3,714,228	3,638,996	75,232
Criminal investigations	1,494,130	1,494,130	1,565,832	(71,702)
Administration	765,985	765,985	760,936	5,049
Neighborhood	527,050	527,050	324,633	202,417
Total public safety	7,717,474	7,717,474	7,552,139	165,335
Public works				
Administration	589,740	596,240	499,598	96,642
Building Maintenance	874,800	874,800	827,106	47,694
Equipment Maintenance	502,526	502,526	488,340	14,186
Right of Way	1,082,456	1,082,456	996,578	85,878
Solid Waste Management	1,001,488	1,001,488	990,127	11,361
Urban forest/ City Gardens	502,460	502,460	498,817	3,643
City engineer	322,200	322,200	279,524	42,676
Total public works	4,875,670	4,882,170	4,580,090	302,080

**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, 2017**

	Original budget	Final budget	Actual	Variance positive (negative)
Expenditures (Continued)				
Housing and Community Development	\$ 1,733,884	\$ 1,758,172	\$ 1,257,612	\$ 500,560
Recreation and culture				
Recreation	1,931,186	1,931,186	1,723,759	207,427
Library and media	1,879,764	1,879,764	1,707,323	172,441
Total recreation and culture	3,810,950	3,810,950	3,431,082	379,868
Capital outlay	4,422,672	3,301,019	2,065,455	1,235,564
Debt service				
Repayments	780,000	780,000	359,898	420,102
Total debt service	780,000	780,000	359,898	420,102
Total expenditures	28,349,543	27,346,786	23,287,591	4,059,195
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(3,398,313)	(3,395,556)	925,851	4,321,407
Other financing sources (uses)				
Debt issuance	1,000,000	-	-	-
Transfers				
Special revenue	(450)	79,133	(80,035)	(159,168)
Total other financing sources (uses)	999,550	79,133	(80,035)	(159,168)
Excess (deficiency) of revenues over expenditures	(2,398,763)	(3,316,423)	845,816	4,162,239
Appropriation of fund balance	2,398,763	3,316,423	-	(3,316,423)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 845,816	\$ 845,816

**City of Takoma Park, Maryland**

**Non-Major Governmental Funds  
Combining Balance Sheet  
June 30, 2017**

	Stormwater Management Fund	Facility Construction Fund	Rehabilitation loans and grants	Total nonmajor governmental funds
<b>Assets</b>				
Cash and temporary investments	\$ 940,847	\$ -	\$ 211,073	\$ 1,151,920
Notes receivable, net	-	-	5,273	5,273
Other receivables	19,050	-	-	19,050
Due from other funds	308	207,226	-	207,534
<b>Total assets</b>	<b>960,205</b>	<b>207,226</b>	<b>216,346</b>	<b>1,383,777</b>
<b>Deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 960,205</b>	<b>\$ 207,226</b>	<b>\$ 216,346</b>	<b>\$ 1,383,777</b>
<b>Liabilities</b>				
Accounts payable	\$ 48,806	\$ -	\$ -	\$ 48,806
Accrued expenditures	2,006	-	-	2,006
Deposits and escrows held	41,680	-	-	41,680
Due to other funds	509,880	207,226	2,138	719,244
Due to other governments	-	-	208,869	208,869
<b>Total liabilities</b>	<b>602,372</b>	<b>207,226</b>	<b>211,007</b>	<b>1,020,605</b>
<b>Deferred inflows of resources</b>	<b>166,801</b>	<b>-</b>	<b>-</b>	<b>166,801</b>
<b>Fund balances</b>				
Restricted	-	-	5,339	5,339
Assigned	191,032	-	-	191,032
<b>Total fund balances</b>	<b>191,032</b>	<b>-</b>	<b>5,339</b>	<b>196,371</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 960,205</b>	<b>\$ 207,226</b>	<b>\$ 216,346</b>	<b>\$ 1,383,777</b>

**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, 2017**

	Stormwater Management Fund	Facility Construction Fund	Rehabilitation loans and grants	Total nonmajor governmental funds
Revenues				
Charges for service	\$ 418,796	\$ -	\$ -	\$ 418,796
Use of money and property	-	-	66	66
Miscellaneous	21,420	-	-	21,420
Total revenues	440,216	-	66	440,282
Expenditures				
Public works	348,690	-	-	348,690
Capital outlay	73,622	-	-	73,622
Total expenditures	422,312	-	-	422,312
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	17,904	-	66	17,970
Net change in fund balance	17,904	-	66	17,970
Fund balance, beginning of year	173,128	-	5,273	178,401
Fund balance, end of year	\$ 191,032	\$ -	\$ 5,339	\$ 196,371

**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, 2017**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Licenses and permits	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Charges for services	414,000	414,000	418,796	4,796
Intergovernmental	168,750	168,750	-	(168,750)
Miscellaneous	5,000	5,000	21,420	16,420
Total revenues	588,750	588,750	440,216	(148,534)
Expenditures				
Public works	381,750	381,750	348,690	33,060
Capital outlay	298,750	298,750	73,622	225,128
Total expenditures	680,500	680,500	422,312	258,188
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(91,750)	(91,750)	17,904	109,654
Net change in fund balance	(91,750)	(91,750)	17,904	109,654
Fund balance, beginning of year	173,128	173,128	173,128	-
Fund balance, end of year	\$ 81,378	\$ 81,378	\$ 191,032	\$ 109,654



**City of Takoma Park, Maryland**

**Combining Statement of Fiduciary Net Position  
For the Year Ended June 30, 2017  
(With Comparative Totals for 2016)**

			<u>Totals</u>	
	Pension trust	Defined contribution plan	2017	2016
Assets				
Cash and cash equivalents	\$ 373,545	\$ -	\$ 373,545	\$ 340,918
Investments, at fair value				
Equities	8,840,821	379,270	9,220,091	7,808,041
Fixed income	<u>4,778,941</u>	<u>-</u>	<u>4,778,941</u>	<u>4,177,661</u>
Total investments	<u>13,619,762</u>	<u>379,270</u>	<u>13,999,032</u>	<u>11,985,702</u>
Total assets	<u>13,993,307</u>	<u>379,270</u>	<u>14,372,577</u>	<u>12,326,620</u>
Liabilities	-	-	-	-
Deferred inflows of resources	-	-	-	-
Net position				
Held in trust for pension benefits	<u>\$ 13,993,307</u>	<u>\$ 379,270</u>	<u>\$ 14,372,577</u>	<u>\$ 12,326,620</u>

**City of Takoma Park, Maryland**

**Combining Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2017  
(With Comparative Totals for 2016)**

			<u>Totals</u>	
	Pension trust	Defined contribution plan	2017	2016
Additions				
Employer contributions	\$ 1,189,854	\$ 95,703	\$ 1,285,557	\$ 1,296,482
Plan member contributions	189,057	-	189,057	194,455
Total contributions and other receipts	<u>1,378,911</u>	<u>95,703</u>	<u>1,474,614</u>	<u>1,490,937</u>
Investment earnings	<u>1,451,518</u>	<u>34,666</u>	<u>1,486,184</u>	<u>93,801</u>
Total additions	<u>2,830,429</u>	<u>130,369</u>	<u>2,960,798</u>	<u>1,584,738</u>
Deductions				
Benefit and refunds paid	856,595	-	856,595	757,205
Administrative expenses	<u>58,246</u>	<u>-</u>	<u>58,246</u>	<u>57,161</u>
Total deductions	<u>914,841</u>	<u>-</u>	<u>914,841</u>	<u>814,366</u>
Change in net position	1,915,588	130,369	2,045,957	770,372
Net position held in trust for pension benefits, beginning of year	<u>12,077,719</u>	<u>248,901</u>	<u>12,326,620</u>	<u>11,556,248</u>
Net position held in trust for pension benefits, end of year	<u><u>\$ 13,993,307</u></u>	<u><u>\$ 379,270</u></u>	<u><u>\$ 14,372,577</u></u>	<u><u>\$ 12,326,620</u></u>

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## **Statistical Section**

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## **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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 29,902,496	\$ 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
Restricted	9,535,980	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
Unrestricted	(8,998,932)	(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
<b>TOTAL PRIMARY</b>										
<b>GOVERNMENT NET POSITION</b>	<u>\$ 30,439,544</u>	<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>

Note: In 2013, the City implemented GASB 63 and accordingly net assets for the years 2008 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>EXPENSES</b>										
Governmental activities:										
General government	\$ 4,775,439	\$ 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
Public safety	9,840,299	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
Public works	6,144,871	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
Housing and community development	1,415,654	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
Recreation and culture	3,797,152	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
Interest	61,417	56,421	100,902	123,274	121,537	250,453	296,666	213,883	250,349	246,360
Total primary government expenses	26,034,832	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
<b>PROGRAM REVENUES</b>										
Governmental activities:										
Charges for services:										
General government	106,638	131,619	114,502	111,293	101,876	98,727	80,613	82,479	103,010	75,238
Public safety	1,943,492	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
Public works	546,761	539,786	554,600	535,722	555,926	507,571	484,608	485,424	490,129	513,215
Housing and community development	364,215	345,105	354,256	352,886	335,542	338,930	349,099	328,503	333,619	346,593
Recreation and culture	582,232	521,506	557,605	556,741	531,159	524,168	457,419	308,424	286,090	274,653
Operating grants and contributions	5,410,987	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
Capital grants and contributions	568,579	1,045,237	1,215,053	1,019,166	979,304	774,395	728,089	2,298,112	-	43,348
Total primary government program revenues	9,522,904	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
Total primary government net expense	(16,511,928)	(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)
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>										
Governmental activities:										
Taxes:										
Property taxes	12,700,750	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
Intergovernmental / unrestricted	4,648,723	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
Unrestricted investment earnings	37,163	58,265	30,901	27,012	27,248	48,663	46,947	76,217	172,830	353,747
Miscellaneous and other	137,691	240,498	167,602	67,568	14,381	113,509	(9,076)	63,069	53,467	146,584
Total primary government	17,524,327	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
<b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION</b>	<b>\$ 1,012,399</b>	<b>\$ 1,914,395</b>	<b>\$ 2,031,466</b>	<b>\$ 2,190,889</b>	<b>\$ 3,402,669</b>	<b>\$ 3,050,945</b>	<b>\$ 1,898,365</b>	<b>\$ 1,496,978</b>	<b>\$ 1,902,188</b>	<b>\$ 1,780,295</b>



City of Takoma Park, Maryland

Table 3

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Fund</b>										
Nonspendable	\$ 12,093	\$ 7,831	\$ 562,529	\$ 70,855	\$ 581,896	\$ 464,978	\$ 383,459	\$ 54,627	\$ 18,175	\$ 8,210
Restricted	96,567	96,369	225,496	225,383	225,248	224,978	224,754	224,372	43,949	43,337
Committed	5,284,974	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
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
Unassigned	7,704,043	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
Total general fund	<u>\$ 13,097,677</u>	<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>
<b>Total all other governmental funds</b>										
Restricted	\$ 4,154,439	\$ 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
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	191,032	173,128	252,718	286,956	270,757	282,846	311,814	465,618	381,953	300,162
Total	<u>\$ 4,345,471</u>	<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>

Note: In 2011, the City implemented GASB 54 and accordingly fund balances for years 2008 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>REVENUES</b>										
Taxes	\$ 16,357,516	\$ 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
Licenses and permits	69,718	87,314	76,103	81,746	79,372	81,235	78,664	75,030	72,291	45,470
Fines and forfeitures	1,835,972	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
Use of money and property	37,163	58,265	30,901	27,012	27,248	48,663	46,947	76,217	172,830	353,747
Stimulus grant	-	-	-	-	-	-	9,486	180,225	-	-
Charges for services	1,615,920	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
Intergovernmental	6,854,087	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
Miscellaneous	164,720	257,720	192,746	59,856	90,293	152,662	142,001	299,362	163,841	157,676
Total revenues	26,935,096	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
<b>EXPENDITURES</b>										
Current:										
General government	4,240,069	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
Public safety	8,674,426	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
Public works	4,984,405	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
Housing/community development	1,339,781	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
Recreation and culture	3,431,228	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
Capital outlay	2,657,961	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
Debt service:										
Principal	298,000	1,795,202	273,000	263,500	1,412,893	1,901,052	909,268	665,769	752,343	919,207
Interest	61,898	107,224	111,948	110,029	121,537	242,355	270,587	212,634	231,918	251,511
Total expenditures	25,687,768	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
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	1,247,328	(412,606)	312,406	750,582	1,926,558	(189,932)	(750,513)	(384,558)	1,634,207	1,277,428
<b>OTHER FINANCING SOURCES (USES)</b>										
Bond/loan proceeds	-	1,579,730	-	-	-	-	1,500,000	1,494,484	-	220,029
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
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ 1,247,328</b>	<b>\$ 1,167,124</b>	<b>\$ 312,406</b>	<b>\$ 750,582</b>	<b>\$ 1,926,558</b>	<b>\$ (189,932)</b>	<b>\$ 749,487</b>	<b>\$ 1,109,926</b>	<b>\$ 1,634,207</b>	<b>\$ 1,545,065</b>
Debt service as a percentage of noncapital expenditures	1.55%	7.60%	1.68%	1.71%	7.36%	11.44%	5.86%	3.93%	5.34%	6.93%

**City of Takoma Park, Maryland**

**Table 5**

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

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Utility and Personal Property</b>	<b>Penalties and Interest on Delinquent Tax</b>	<b>Additions and Abatements</b>	<b>Amusement Tax</b>	<b>Income Tax</b>	<b>Highway Tax</b>	<b>Total</b>
2017	\$ 11,998,604	\$ 632,384	\$ 122,844	\$ (49,620)	\$ 136,238	\$ 3,171,194	\$ 345,872	\$ 16,357,516
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

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>
2017	\$ 11,953,737	\$ 11,924,900	99.8%	\$ 44,667	\$ 11,969,567	100.1%
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%

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 <sup>(1)</sup>	Assessed Value	Estimated Actual Value <sup>(2)</sup>	Assessed Value	Estimated Actual Value <sup>(2)</sup>	Assessed Value	Estimated Actual Value	Estimated Actual Value	
2017	\$ 2,106,385,370	\$ 2,106,385,370	\$ 12,564,150	\$ 12,564,150	\$ 30,853,530	\$ 30,853,530	\$ 2,149,803,050	\$ 2,149,803,050	1.0	0.568
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

(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 <sup>(1)</sup> Takoma Park General	Overlapping Tax Rates <sup>(1)</sup>					Direct and Overlapping Total
		State of Maryland	Montgomery County	Maryland - National Capital Park and Planning Commission	Transit District	Recreation Areas	
2017	0.5675	0.1120	0.7484	0.0736	0.0520	0.0230	1.5765
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

(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, 2017**

Fiscal year 2016 real property assessed value	\$ 2,120,994,549
Debt limit - 100% of assessed value	\$ 2,120,994,549
Amount of debt applicable to debt limit - legal debt margin	1,918,500
Legal debt margin	\$ 2,119,076,049

**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 <sup>(1)</sup>	Assessed Value	Bonded Debt	Capital Leases <sup>(2)</sup>	Ratio of Net Bonded Debt Value	Net Bonded Debt Per Capita
2017	16,715	\$ 2,120,994,549	\$ 1,918,500	-	0.11%	\$114.78
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

(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**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>	<b>Total General Governmental Expenditures</b>	<b>Ratio of Debt Service to General Governmental Expenditures (Percent)</b>
2017	\$ 298,000	\$ 61,898	\$ 359,898	\$ 25,687,768	1.40%
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%

(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<sup>(2)</sup>**  
**June 30, 2017**

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to this Governmental Unit</u>	<u>Share of Debt</u>
Direct debt - City of Takoma Park	\$ 1,918,500	100%	\$ 1,918,500
Direct debt sub-total	<u>1,918,500</u>		<u>1,918,500</u>
Overlapping debt - Montgomery County	1,918,500	1% <sup>(1)</sup>	19,185
Maryland - National Capital Park and Planning Commission Montgomery County	<u>55,125,000</u>	1% <sup>(1)</sup>	<u>551,250</u>
Overlapping debt sub-total	<u>57,043,500</u>		<u>570,435</u>
<b>Total direct and overlapping debt</b>	<u><u>\$ 58,962,000</u></u>		<u><u>\$ 2,488,935</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 <sup>(1)</sup>	Personal Income <sup>(2)</sup> (thousands)	Per Capita Income <sup>(2)</sup>	Labor Force <sup>(3)</sup>	Unemployment Rate <sup>(4)</sup>	Registered Pupils <sup>(5)</sup>
Montgomery County:						
2017	17,765	\$ 86,730,000	\$ 82,209	\$ 554,029	3.2	161,909
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

(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 2017			Taxpayer	Fiscal Year 2008		
	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	\$ 30,145,466	1	1.37%	Saul Subsidiary I LTD Partnership	\$ 13,455,000	1	1.10%
JBG Takoma Retail Center LLC	27,388,099	2	1.25%	Walgreen Company Commercial	12,672,500	2	1.00%
Park Ritchie LLC	18,510,633	3	0.84%	Franklin Associates	11,366,000	3	0.80%
Orlo Takoma LLC	15,212,400	4	0.69%	Park Ritchie Apartments	8,382,300	4	0.60%
MHP Parkview Towers LLP(1)	13,212,496	5	0.60%	Takoma Park Land LLP	6,423,500	5	0.60%
Takoma Business Center LLC	12,818,734	6	0.58%	Hampshire Lodging LLC	6,360,200	6	0.50%
Takoma Park Land LLP	10,757,333	7	0.49%	Takoma Business Center LLC	6,292,910	7	0.50%
Potomac Electric Power Company(2)	9,823,750	8	0.45%	Tenacity 7333 New Hampshire Ave LLC	5,630,100	8	0.40%
Maple View Apartments LLC	8,980,700	9	0.41%	CPDC Hampshire Towers Rental LLC	5,580,400	9	0.40%
LG-OHI Takoma Park LLC	8,670,000	10	0.40%	Potomac Electric Power Company(2)	5,394,800	10	0.40%
Total	<u>\$ 155,519,611</u>		<u>7.08%</u>	Total	<u>\$ 81,557,710</u>		<u>6.30%</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 2017			Fiscal Year 2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Washington Adventist Hospital (1)	1,350	1	23.06%	1,700	1	44.58%
Montgomery College	452	2	7.72%	303	2	7.95%
Montgomery County Public School	279	3	4.77%	235	3	6.16%
City of Takoma Park	202	4	3.45%	134	5	3.51%
Washington Adventist University (2)	173	5	2.95%	119	7	3.12%
Genesis HealthCare - Sligo Creek Center	102	6	1.74%	-		-
Republic	55	7	0.94%	-		-
Don Bosco Cristo Rey High School	53	8	0.91%	-		-
IHOP	52	9	0.89%	-		-
Takoma Park / Silver Spring Co-Op	42	10	0.72%	55	10	1.44%
Adventist Healthcare Inc	-		-	150	4	3.93%
Wackenhut Corporation (G4S)	-		-	120	6	3.15%
Long & Foster Real Estate Inc	-		-	60	9	1.57%
Takoma Park Symphony Orchestra	-		-	75	8	1.97%
<b>Total</b>	<b>2,760</b>		<b>47.14%</b>	<b>2,951</b>		<b>77.38%</b>

Notes:

- (1) In FY17, new data research by Housing and Community Department indicates Washington Adventist Hospital employed 1,700 employees in 2008.  
 (2) Formally Columbia Union College

City of Takoma Park, Maryland

Table 16

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>FUNCTION</b>										
General government	17.25	17.50	17.50	16.95	16.88	16.50	16.50	18.00	18.00	18.00
Public safety	65.64	62.47	62.47	61.83	61.35	59.87	59.49	60.69	60.87	59.50
Public works	37.00	37.00	36.00	34.00	34.00	33.00	33.00	33.38	33.38	33.38
Housing and community development	8.51	9.63	9.75	10.85	11.06	9.79	9.75	10.25	9.50	9.50
Recreation and culture	36.75	36.63	35.14	33.92	28.73	28.57	29.00	32.17	31.69	32.95
<b>TOTAL</b>	<u>165.15</u>	<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>

Source: City's Finance Department

City of Takoma Park, Maryland

Table 17

Operating Indicators by Function  
Last Ten Years

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Public Safety:</b>										
Crimes reported	481	617	664	528	550	550	565	653	764	739
Dispatched Calls/Events Handled	20,000	22,323	21,041	19,762	19,382	20,000	21,495	20,500	19,661	21,483
Hours-foot/bike patrol	2,200	2,263	2,200	2,500	3,000	3,000	3,500	3,600	2,897	3,689
Physical arrests	366	491	399	400	425	450	464	450	480	461
Calls for service	12,000	13,737	14,921	14,921	14,012	15,000	14,179	15,000	14,405	16,048
Traffic stops	8,000	8,585	7,593	7,593	5,370	5,000	7,105	5,300	5,256	5,435
Parking tickets processed	4,567	3,550	3,495	3,495	2,939	3,500	3,228	4,000	4,084	3,665
Criminal investigations assigned	195	229	239	239	214	350	310	400	426	324
Criminal cases closed	103	90	100	100	107	150	126	140	139	119
Warrants received for service	298	473	403	403	236	450	468	440	475	440
NCIC Validations (Wanted Items/Persons)	906	1,015	1,043	1,043	748	1,150	1,219	1,150	1,129	1,109
Number of new nuisance complaints	346	183	209	210	245	300	236	364	356	186
Number of nuisance complaints closed	310	169	219	95	200	250	145	364	465	210
Courtesy Notices issued	62	1	280	266	140	210	135	290	390	674
Handbill and flyers removed	1,905	3,553	9,915	3,429	1,100	1,000	1,240	737	397	275
<b>Public Works:</b>										
Permits Processed	498	316	297	303	204	193	133	229	297	321
Vehicles maintained	83	82	81	83	80	70	73	74	75	73
Tons of leaves collected	1,800	1,750	1,800	1,900	1,900	1,900	2,000	2,100	2,150	2,100
Tons of refuse collected	3,193	3,124	2,990	3,082	3,162	3,284	3,476	3,550	3,513	4,300
Tons of recyclables collected	1,328	1,420	1,506	1,679	1,489	1,470	1,544	1,500	1,662	1,440
Tons of yard waste collected	168	241	216	491	340	998	765	250	233	420
Tons of food waste collected	212	178	183	150	N/A	N/A	N/A	N/A	N/A	N/A
Streets resurfacing (miles)	0	1.81	1.70	1.76	2.00	1.00	0.40	0.43	0.44	0.63
Storm drains inspected (linear feet)	5,914	4,877	10,918	7,207	23,854	1,029	8,254	11,000	14,259	8,500
New storm drain pipes (linear feet)	598	577	272	439	450	1,027	307	N/A	N/A	300
Replaced storm drain pipes (linear feet)	0	260	150	50	88	73	125	50	181	100
<b>Recreation and culture:</b>										
Library materials circulated	94,425	96,695	113,074	116,288	114,070	115,973	118,328	105,344	104,083	89,754
Library program attendance	16,798	17,731	16,648	14,612	15,130	14,365	14,682	14,963	13,133	11,539
<b>Housing and Community Development:</b>										
Rental housing inspections (Note 4)	2,850	1,824	3,100	3,164	3,050	3,000	3,059	2,936	3,357	3,200
Number of rental licenses issued	500	402	402	436	420	420	407	431	341	351
Landlord certifications issued	225	124	234	148	195	215	199	132	130	212
Landlord and tenant contacts	N/A	2,550	2,524	2,605	2,600	2,600	2,706	2,642	2,539	2,537
Rent stabilization reports monitored	330	329	295	283	260	280	260	251	273	276
Permit letters issued	283	279	268	207	200	234	190	178	185	150
Rent increase petitions processed	0	1	1	2	1	4	2	1	3	5
<b>General Government:</b>										
Original City TV program hours	215	225	287	311	255	268	251	207	201	220

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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Public Safety:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Cars	45	45	41	46	45	45	44	42	41	40
<b>Public Works:</b>										
Sanitation collection trucks	5	5	5	5	5	5	6	4	4	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	17.01	16.82	16.72	16.72	16.72
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	78
<b>Recreation and Culture:</b>										
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.



**City of Takoma Park, Maryland**

**Table 19**

**Miscellaneous Statistical Data  
June 30, 2017**

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

	<b>City</b>	<b>School</b>	<b>Park and Planning Commission</b>	<b>Total</b>
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, 2017**  
**(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)

<b>Age</b>	<b>2010</b>	<b>2000</b>	<b>1990</b>	<b>1980</b>	<b>1970</b>
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
<b>Total</b>	<b>16,715</b>	<b>17,299</b>	<b>16,700</b>	<b>16,231</b>	<b>18,455</b>

**City of Takoma Park, Maryland**

**Table 20**

**Schedule of Insurance in Force  
June 30, 2017**

<b>Type of Coverage/Company Name</b>	<b>Policy Number</b>	<b>From</b>	<b>To</b>	<b>Limits of Coverage</b>	<b>Premiums</b>
Commercial General Liability - Local Government Insurance Trust	PLP 542500	07/01/16	(1) 7/01/17	\$3,000,000 aggregate - \$1,000,000/occurrence	\$ 12,981
Public Officials Liability - Local Government Insurance Trust	PLP 542500	07/01/16	(1) 7/01/17	\$3,000,000 aggregate - \$2,500 deductible	\$ 18,989
Police Liability - Local Government Insurance Trust	PLP 542500	07/01/16	(1) 7/01/17	\$3,000,000 aggregate - \$2,500 deductible	\$ 28,402
Comprehensive Auto Liability - Local Government Insurance Trust	PLP 542500	07/01/16	(1) 7/01/17	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	\$ 63,633
Excess Liability - Local Government Insurance Trust	PLP 542500	07/01/16	(1) 7/01/17	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.	\$ 6,138
Building and Contents (includes boiler and machinery) Local Government Insurance Trust	PLP 542500	07/01/16	(1) 7/01/17	Insured to \$14,454,725, \$1,000 deductible.	\$ 13,621
Chesapeake Employers' Insurance Company - Workers' Compensation	-	07/01/16	(1) 7/01/17	Statutory limit	\$ 689,084
Fidelity Bond - United States Insurance Services	Various	Various	(1) Various	\$15,000 to \$100,000 limits	\$ 3,471

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