

City of Takoma Park Maryland



*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018*

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City of Takoma Park Maryland



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018

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

	<u>Page</u>
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	18
Basic Financial Statements	33
Government-wide Financial Statements	
Statement of Net Position	34
Statement of Activities	35
Fund Financial Statements	
Balance Sheet - Governmental Funds	36
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	39
General Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)	40
Speed Camera Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)	41
Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)	42

City of Takoma Park, Maryland

Index

Page

Fiduciary Funds Financial Statements

Statement of Fiduciary Net Position 43

Statement of Changes in Fiduciary Net Position 44

Notes to Financial Statements 45

Required Supplementary Information 75

Pension Trust Funds

Police Employees' Retirement Plan - Schedule of Changes in the City's Net
Pension Liability and Related Ratios 77

Schedule of Required Pension-Related Supplementary Information -
Schedule of the City's Proportionate Share of the Net Pension Liability 79

Schedule of Required Pension-Related Supplementary Information -
Schedule of the City's Pension Plan Contributions 80

Supplementary Information 81

General Fund Schedule of Revenues, Expenditures and Other Financing Sources
(Uses) - Budget and Actual 82

Stormwater Management Fund Schedule of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual 85

Non-Major Governmental Funds - Combining Balance Sheet 86

Non-Major Governmental Funds - Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances 87

Combining Statement of Fiduciary Net Position 88

Combining Statement of Changes in Fiduciary Net Position 89

Statistical Section

Statistical Section Contents 93

Net Position by Component 94

Changes in Net Position 95

Fund Balances of Governmental Funds 96

Changes in Fund Balances of Governmental Funds 97

General Fund Tax Revenue by Source 98

City of Takoma Park, Maryland

Index

	<u>Page</u>
Real Property Tax Levies and Collections	99
Assessed and Estimated Actual Value of Taxable Property	100
Property Tax Rates - Direct and Overlapping Governments	101
Computation of Legal Debt Margin	102
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	103
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	104
Computation of Direct and Overlapping Debt	105
Demographic Statistics	106
Principal Property Taxpayers	107
Principal Employers	108
Full-time Equivalent City Government Employees by Function	109
Operating Indicators by Function	110
Capital Asset Statistics by Function	111
Miscellaneous Statistical Data	112
Schedule of Insurance in Force	114

Introductory Section

City of Takoma Park, Maryland

Office of the City Manager

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Takoma Park, MD 20912
www.takomaparkmd.gov*Suzanne R. Ludlow, City Manager*

October 31, 2018

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, 2018.

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 17,885 (U. S. Census 2017 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 elected in November 2017 are serving three-year terms. 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 \$2.4 billion during Fiscal Year 2018. Housing values have risen sharply since 2000, despite a stagnant period during the recession in the late 2000's followed by rather slow growth for several years. Housing values are now increasing at a moderately fast pace.

The Washington, D.C. area has largely rebounded from the recession. Washington, D.C., and downtown Silver Spring and Hyattsville, Maryland are in the midst of a construction boom. These communities are on three sides of Takoma Park and the development pressure is affecting housing prices in Takoma Park.

Real property in the State of Maryland is reassessed on a triennial basis. Fiscal Year 2018 was the third year of the cycle; the next triennial assessment for Takoma Park will occur this winter, effective for Fiscal Year 2019. The State's estimated increase in the net assessable base for Fiscal Year 2018 was 6.5 percent. We expect a larger increase for Fiscal Year 2019.

The Census Bureau reported that the population of the Washington D.C. region grew by 65,908, or 1.1 percent between 2016 and 2017, to a total of over 6.2 million persons. The Bureau of Labor Statistics reported the unemployment rate in the region in August 2018 was 3.5 percent and 3.1 percent in Montgomery County, Maryland. The U.S. Dept. of Housing and Urban Development reported the median household income of the area is \$95,843 and median household income of Montgomery County is \$99,763.

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 is being considered by Council at this time.

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 existing business organizations 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 and Montgomery County to ensure that the hospital's Takoma Park campus remains a strong community asset when the hospital moves to the White Oak area of Montgomery County in 2019. The campus will retain an urgent care facility. To meet the needs of the community, there is interest in locating a public elementary school, affordable or senior housing and/or recreational facilities on the site.

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

During Fiscal Year 2018, the City Council adopted a Reserve Policy that sets the General Fund Unassigned Fund Balance to be no less than two months (17%) of the General Fund revenue amount, unless a special situation justifies a lower amount. 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 2018 were largely focused on these City Council priorities:

- Livable Community For All
- Fiscally Sustainable Government
- Environmentally Sustainable Community
- Engaged, Responsive, and Service-Oriented Government
- Community Development for an Improved and Equitable Quality of Life

In addition, the Council is 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 2018 included the following:

- Preparation of a draft Housing and Economic Development Strategic Plan and solicitation of community comments on the components of the Plan.
- 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. Actual construction work on the Ethan Allen Gateway Project was begun.
- Continued work on planning and engineering for a proposed Library renovation and expansion.
- Adopted and began implementing a new vision of community policing.
- Continued a remarkable community-wide effort to reduce energy usage. In addition to exciting neighborhood challenges and business assistance for energy savings, fast charging electric vehicle charging stations were installed and the City worked with Pepco to prepare to convert all City streetlights to LED technology.

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, 2017. This was the twelfth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

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

Suzanne R. Ludlow
City Manager



Government Finance Officers Association

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

Presented to

**City of Takoma Park
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

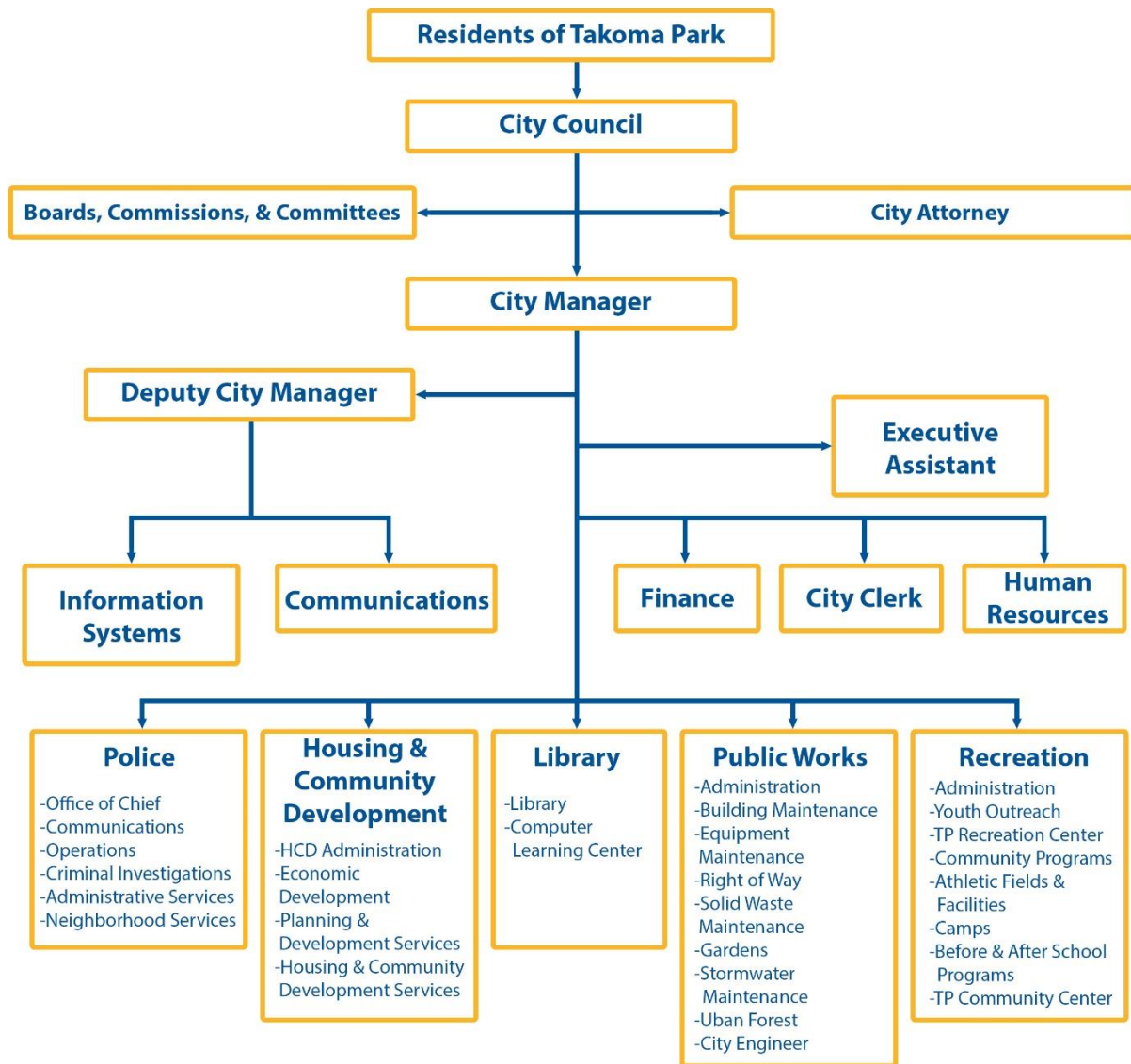
June 30, 2017

Christopher P. Morrell

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, 2018

MAYOR
KATE STEWART

CITY COUNCIL
PETER KOVAR
KACY KOSTIUK
CINDY DYBALLA
TERRY J. SEAMENS
JARRETT K. SMITH
TALISHA SEARCY

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, 2018, 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, 2018, 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 18 - 31 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 contribution on pages 77 - 80 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 schedules 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, the combining nonmajor and fiduciary fund schedules 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, 2018, 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 solely 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 the effectiveness of the City of Takoma Park, Maryland's 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, 2018

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2018

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, 2018. 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 2018 by \$32,988,089(net position). This represents an increase of \$2,558,545 from the prior year. Approximately 17.4 percent or \$440,291 of this variance was due to the increases in income tax, and 20.4 percent or \$516,325 was due to increase in Operating Grants from State Highway and Maryland National Capital Park and Planning Commission. Police Protection and Police Rebate funds from Montgomery County increased about \$74,124 and dividend interest revenue increased about \$58,498.
- Of the City's total net position, the unrestricted net position decreased from (\$8,998,932) in Fiscal Year 2017 to (\$17,509,397) in Fiscal Year 2018. The unrestricted net position is in deficit due primarily to the required reporting of the net pension liability of \$16,283,211 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, 2018, the City of Takoma Park's governmental funds reported combined ending fund balances of \$26,164,783 an increase of \$8,721,635 or 50.0 percent, from the prior year. The significant increase in fund balance was due to the \$8,968,565 debt issuance. The ending fund balances of \$26,164,783 include \$7,165,390 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 the unexpended bond debt and revenue increases in income tax and other operating grant funds.
- At the end of Fiscal Year 2018, the unassigned fund balance for the General Fund was \$7,165,390 or 29.3 percent of total General Fund expenditures.
- The City of Takoma Park's long-term debt increased by \$8,528,956 during the fiscal year. The increase was primarily due to the debt issuance of \$8,968,565 and principal payments on existing debt totaling \$529,500 and increase of \$58,456 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, 2018

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 34 and 35 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, 2018

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

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

The basic governmental fund financial statements can be found on pages 36 - 42 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 43 and 44 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 45 - 74 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 81 - 89 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 \$32,988,089 as of June 30, 2018. 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 \$31,715,123 or 96.1 percent of the City's net position as of June 30, 2018. 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 \$17,509,397. 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 \$16,283,211 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, 2018**

The remaining balance of net position (\$19,000,953 or 57.2 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 \$2,558,545. Factors contributing to this growth include the increase in income tax and other operating grants totaling approximately \$956,616. Additional revenue increases of \$74,124 related to Police Protection and Police Rebate from Montgomery County and dividend interest revenue from bank deposit account increased about \$58,498. The following table reflects the City's net position as of June 30, 2018 compared to June 30, 2017.

**Governmental Activities
Statement of Net Position**

The following table reflects the City's net position as of June 30, 2018 compared to June 30, 2017.

	2018	2017
Assets		
Current and other assets	\$30,088,549	\$21,066,337
Capital assets	33,179,623	31,670,996
Total assets	63,268,172	52,737,333
Deferred outflows of resources	4,841,735	3,727,439
Liabilities		
Current and other liabilities	4,398,763	2,836,884
Long-term liabilities	26,199,748	19,356,913
Total liabilities	30,598,511	22,193,797
Deferred inflows of resources	4,513,307	3,831,431
Net position		
Net investment in capital assets	31,715,123	29,902,496
Restricted	18,792,363	9,535,980
Unrestricted	(17,509,397)	(8,998,932)
Total net position	\$32,988,089	\$30,439,544

City of Takoma Park, Maryland

**Management's Discussion and Analysis
June 30, 2018**

Governmental Activities

Governmental activities increased the City of Takoma Park's net position by \$2,558,545 during Fiscal Year 2018, thereby accounting for the total growth in the net position. The key elements of this increase are shown below. Information for the prior fiscal year is provided for comparative purposes.

Governmental Activities	2018	2017
Change in Net Position		
Revenues		
Program revenues:		
Charges for services	\$3,490,951	\$3,543,338
Operating grants and contributions	5,990,358	5,410,987
Capital grants and contributions	231,324	568,579
General revenues:		
Property taxes	12,621,930	12,700,750
Intergovernmental	4,906,878	4,648,723
Miscellaneous	190,974	137,691
Unrestricted investment earnings	100,962	37,163
Total revenues	27,533,377	27,047,231
Expenses		
General Government	4,561,913	4,775,439
Public Safety	8,389,476	9,840,299
Public Works	6,196,806	6,144,871
Housing and Community Development	1,695,425	1,415,654
Recreation and Culture	3,734,135	3,797,152
Interest on long-term debt	397,077	61,417
Total expenses	24,974,832	26,034,832
Change in net position	2,558,544	1,012,399
Net position, beginning of year	30,439,544	29,427,145
Net position, end of year	\$32,988,089	\$30,439,544

Overall revenues increased \$486,146 from Fiscal Year 2017 to Fiscal Year 2018. In program revenues, operating grants increased \$579,371. In general revenue, intergovernmental revenue increased \$258,155 and miscellaneous revenues and investment earnings increased \$117,082. This increase was offset by the \$78,820 decrease in property taxes, \$337,255 decrease in capital grants and contributions and \$52,387 decrease in charges for services.

Capital grants and contributions decreased \$337,255, primarily due to the reduction of \$239,458 in POS Park grant revenue. The State & County MOU project grant revenue decreased \$35,464 and the Maryland Energy Assistance grant revenue decreased \$54,497 both due to the changes in the project that is paid by Special Revenue funds each year.

City of Takoma Park, Maryland

**Management's Discussion and Analysis
June 30, 2018**

Charges for services decreased \$52,387. This variance is primarily due to the \$116,704 decrease in Summons and Forfeiture revenues and \$236,460 decrease in Speed Camera fines in the Public Safety category. This decrease was offset by the \$288,981 increase in Stormwater utility fees due to the rate adjustment from \$55 to \$92 beginning Fiscal Year 2018.

Miscellaneous revenue increased \$52,283, primarily due to extraordinary events that took place in the fiscal year. During Fiscal Year 2018, the City received reimbursement amounts totaling \$21,814 from Local Government Insurance Trust for recovery of costs associated with vehicle damages in police activities. Revenues from sales of City property increased \$10,318. Investment interest earnings increased \$63,799 primarily due to the increase in MBS investment income from the Certificate of Deposits and daily interest rate in the public fund accounts from 1 bps to 50 bps.

Expenses decreased by \$1,033,126 from Fiscal Year 2017 to Fiscal Year 2018. General Government expenses decreased \$213,526 primarily due to the \$148,418 decrease in general government pension expenses, \$144,734 decrease in Workers' Compensation premiums and \$51,366 decrease in contract and city attorney expenditures. The decrease was offset by the \$94,824 increase in non-departmental community grant expenditures, \$83,531 increase in Community Partnership Program and \$20,000 increase in Housing Fund expenditures. The Community Grant expenditures include payments to Greater Washington Community Foundation increased (\$40,000). The remaining variance was due to increases in recruitment and applicant process expenditures (\$28,198).

Public Safety expenses are \$1,215,359 less than Fiscal Year 2017. The variance is primarily due to the pension expenses true up in Fiscal Year 2018 as a result of the unrecorded deferred outflow entry in prior year. The net effect of true up entry resulting in net benefit in the amount of \$1,313,114. The increase in net benefit is offset by the increase in personnel cost of \$97,755.

Public Works expenses increased \$51,935 primarily due to the \$91,024 increase in Stormwater subcontractor work expenditures. The difference in the variance in Public Works expenses was due to the decrease in pension expenses totaling \$106,887 and \$118,656 increase in operating expenses.

Housing and Community Development expenses increased \$279,771 due primarily to the \$71,181 increase in contract costs in planning and development and the \$208,590 increase in Ethan Allen Street contract.

Recreation and Culture expenses decreased \$63,017 from Fiscal Year 2017 to Fiscal Year 2018. The decrease was primarily due to decrease in pension and other compensated costs totaling \$180,090. Recreation expense variance was due to the \$90,678 decrease in software contract costs. The decrease was offset by the \$207,700 increase in personnel and operating expenses in the Recreation, Communications and Library Departments.

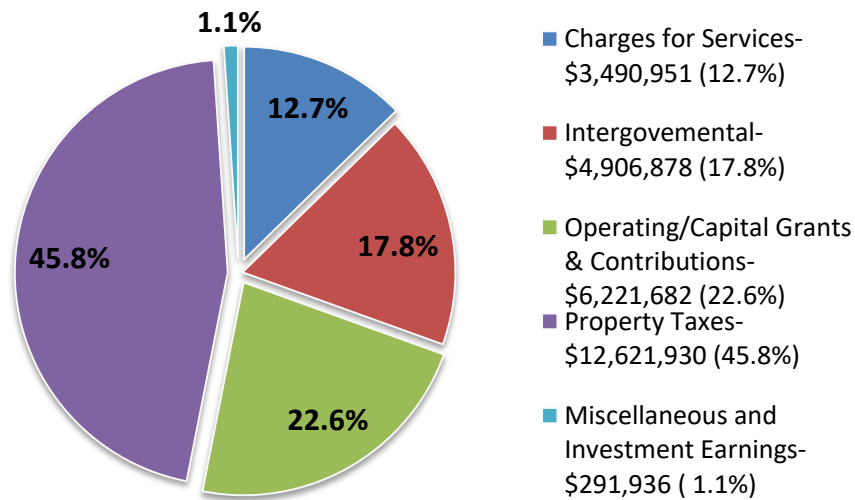
Interest on long term debt increased \$335,660 due to the debt issuance in fiscal year 2018. A \$2,000,000 Transportation Bond was issued to facilitate the construction project of the Flower Avenue Green Street and Ethan Allen Gateway projects. A \$7,000,000 Library Construction Bond was issued to facilitate the renovation of the City's Library.

As shown previously, the cost of all governmental activities was \$24,766,242. Those who directly benefited from the services paid \$3,490,951 of the activity costs. The City also received operating and capital grants and contributions from other governments and organizations of \$6,221,682 which reduced the amount paid by City residents for certain services. The net cost of the City's governmental activities totaled \$15,053,609 and was funded with general revenues, including property taxes.

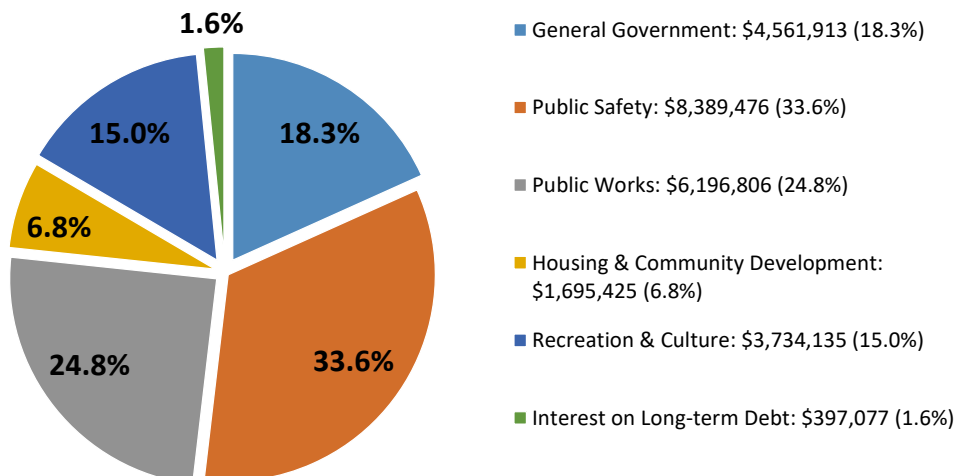
City of Takoma Park, Maryland
Management's Discussion and Analysis
June 30, 2018

Governmental Activities
Fiscal Year Ended June 30, 2018

Revenues



Expenses



City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2018

Governmental Activities Comparison of Program Revenues versus Expenses Fiscal Year Ended June 30, 2018



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, 2018, the City's governmental funds had combined fund balances of \$26,164,783, an increase of \$8,721,635 from the prior year. This increase is due primarily to increase in income tax revenue and other financing sources due to the issuance of two bonds. Approximately 16 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 \$4,209,807. 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 \$22,070,109, an increase of \$8,972,432. The increase is due to the increase in revenues from income tax, other operating grants and debt issuance.

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2018

The General Fund fund balance includes \$97,031 which is restricted for street improvements and \$8,271 which is nonspendable (e.g., deposits and prepaid expenditures). A portion of the General Fund fund balance, totaling \$14,799,417 or 67.1 percent, is committed for the following purposes:

• Bond Reserve	\$ 8,968,565
• Equipment Replacement	4,076,460
• Emergency	481,949
• Facility Maintenance	588,345
• Housing Fund Reserve	684,098

The unassigned portion of the General Fund fund balance as of June 30, 2018 is \$7,165,390. The General Fund total fund balance is \$22,070,109.

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 2018 totaled \$1,227,061. 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 \$810,781 at June 30, 2018. 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 \$3,079,369 as of June 30, 2018. Most of the fund balance is restricted for the acquisition of cable equipment. The amount that is restricted for cable equipment is \$3,051,676. The remaining fund balance of \$27,693 is restricted for police-related expenditures allowed by the Department of Justice Equitable Sharing Program. The \$315,176 decrease in the fund balance of the Special Revenue Fund is due primarily to the net difference of the excess of program expenditures \$256,996 and the transfer of a City match of \$58,180 from the General Fund to the Transportation Grant in Fiscal Year 2018.

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

The Stormwater Management Fund, which was established to account for revenue and expenditure activity related to the maintenance and construction of the City's storm water systems, had a fund balance of \$198,759 as of June 30, 2018.

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 \$5,765 as of June 30, 2018. 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 2018, 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, 2018.

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, there were net decreases totaling \$3,001,527 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 \$3,099,402. These projects included the Ethan Allen Gateway (decreased \$437,589) and Library construction (decreased \$2,650,000). The reduction in appropriations was due to project delay. This budget decrease was offset by the budget increase of other capital projects and operating cost from various departments. The increase in the project appropriation included the Flower Avenue/Sligo Creek Parkway intersection design (\$95,500), Glenside Drive sidewalk design (\$49,000), and Larch Avenue sidewalk design (\$100,000). The budget amendments also included appropriations for items such as the additional cost to replace Servers A & B (\$64,000), replacement for Closed Circuit TV & Camera Security (\$39,000), and appropriation for funding (\$24,000) for lighting upgrade in Public Works. The budget amendments included appropriations for furniture purchase for Human Resources office renovation (\$18,000) and additional purchase (\$20,000) of host servers and Microsoft Client Access Licenses.

On a budgetary basis, actual revenues for the fiscal year were less than the final amended budget by \$74,932. The decrease is due to property tax and utilities revenue falling short of the budget by \$71,948, and fines and forfeitures income including municipal infractions and summons and forfeitures that were lower than the budgeted amount by \$151,019. Intergovernmental incomes were \$78,751 lower than the budgeted amount. This decrease is offset by the higher than expected revenue from miscellaneous income including dividend and interest revenue (\$109,546) insurance claims (\$20,787) and sales of property (\$28,400). Recreation charges for services revenues exceed budgeted amount by \$46,810, and use of money and property revenue exceed budget amount by \$65,603.

Actual General Fund expenditures were \$4,964,045 less than the revised budget authorization. General Government expenditures were \$984,596 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 were \$122,250 less than budgeted. Housing Fund expenditures were \$280,000 less than budgeted. Contractual services and personnel costs in Legislative Government and City Administration were \$35,784 and \$51,014 less than budgeted, respectively. Labor and employment legal service costs were \$44,845 less than budgeted. Computer support and contractual expenditures for the digitizing of City records, and the assessment of the Information Technology functions were \$53,972 less than budgeted. Personnel costs were \$27,722 less than budgeted in the City Council and City Clerk's office primarily due to the temporary nature of service in the intern position.

Public Safety expenditures were \$231,643 less than budgeted due to lower than expected personnel costs in the Neighborhood Services and Communications divisions.

Public Works expenditures were \$338,742 less than budgeted. The variance was due to staff vacancies and lower than anticipated expenditures for contractor work. In the Administration division, lower than anticipated expenditures included intern salary (\$15,965), contracts (\$101,258) and special events (\$14,474). In the Building Maintenance division, lower than anticipated expenditures included special project (\$12,833) and service contract (\$23,204). In the Right of the Way division, the expenditures that were lower than expected included salary (\$28,893), fringe benefit (\$19,095), and snow removal expense (\$25,479).

Housing and Community Development expenditures were \$381,893 less than budgeted. Overall personnel costs were down \$115,105 due to staff turnover. Contract services were down \$127,578 due to the delays in the implementation of projects that were deferred and lower than anticipated need for contracted services. Site improvement costs including Streetscape improvements were \$26,065 lower than budgeted expenditures. Recreation and Culture expenditures were \$348,390 less than budgeted and included those of the Recreation, Takoma Park Library and Communications Departments. In the Community Center division, the actual

City of Takoma Park, Maryland

**Management's Discussion and Analysis
June 30, 2018**

expenditures were \$215,491 lower than budgeted. The variances of \$80,703 in personnel cost were attributed to the shortage of part-time staff, the variance of contract costs (\$54,886) attributable to a reduction in the number of contracted classes, and the cancellation of program offerings due to low or no enrollment. Library's expenditures were under the budgeted mainly due to the reduction of personnel related salary and fringe benefit totaling \$83,016. Communications expenditures were under the budgeted \$78,167 primarily due to the cancellation of job production and the departure of part-time staff.

Capital Outlay expenditures were \$2,751,069 less than the final budgeted amount. Expenditures anticipated for the construction work on the \$1 million Ethan Allen Gateway project was \$842,627 lower than budgeted. The Library construction project, with the final budget amount of \$1.1 million, was delayed due to the need for a Flood Plain Delineation study. Sidewalks cost was \$327,776 lower than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

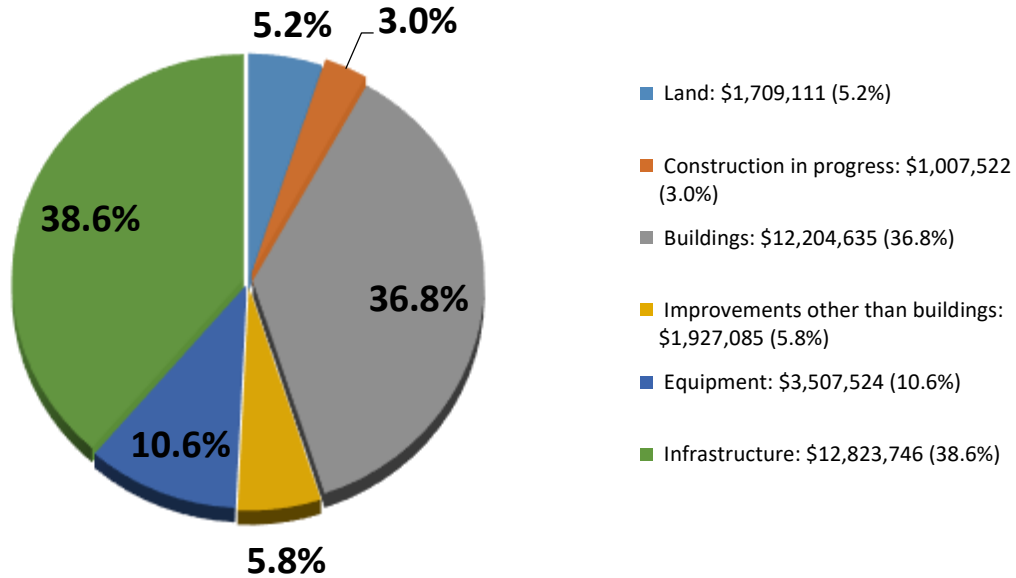
As of June 30, 2018, the City of Takoma Park's investment in capital assets (buildings, roads and other infrastructure, vehicles, and equipment) for its governmental activities totaled \$33,179,623 (net of accumulated depreciation). This amount represents an increase of \$1,508,627 from the prior year. The increase was attributable to asset additions totaling \$3,419,478, net of depreciation expense of \$1,832,054 and asset disposals with a book value of \$245,845. Asset additions made during the fiscal year included vehicles for Public Safety (\$127,891), equipment for Public Works (\$322,911), Recreation hardware equipment (\$14,123), Housing and Human Resources renovation (\$88,882) and Media audio and video equipment (\$62,024). Infrastructure improvements totaling \$2,130,763 included ADA sidewalk retrofits, new sidewalks, Sligo Mill Community Park, Ethan Allen Gateway and Takoma Branch Stream restoration projects. Further information on the City's capital assets is shown in following table:

Governmental Activities		
	2018	2017
Capital Assets (net of depreciation)		
Land	\$1,709,111	\$1,709,111
Construction in progress	1,007,522	78,797
Buildings	12,204,635	12,402,917
Improvements other than buildings	1,927,085	2,000,921
Infrastructure	12,823,746	12,105,914
Equipment	3,507,524	3,373,336
Total	\$33,179,623	\$31,670,996

City of Takoma Park, Maryland

Management's Discussion and Analysis
June 30, 2018

Capital Assets (Net of Depreciation) June 30, 2018



Additional information on the City's capital assets can be found in Note 10 - Capital Assets and Other Property on page 56 of this report.

Debt Administration

At year-end, the City had \$11,294,037 in outstanding debt, an increase of \$8,528,956 or about 308.5 percent from the prior year. The outstanding debt is comprised of long-term notes and bonds and accrued obligations for compensated absences. The increase in outstanding debt was primarily due to the issuance of the \$2 million Transportation Bond, \$7 million Library Construction Bond, principal payments on existing debt (\$529,500), and net of the increase of \$58,455 in compensated absences.

The City's aggregate net pension liability totaled \$16,283,211 at year-end, a decrease of \$308,621 from the prior year. The decrease of \$308,621 is the net between \$905,805 decrease in the State Pension Plan liability and \$600,184 increase in Police Pension Plan liability. The changes in liabilities are based on the actuarial valuations.

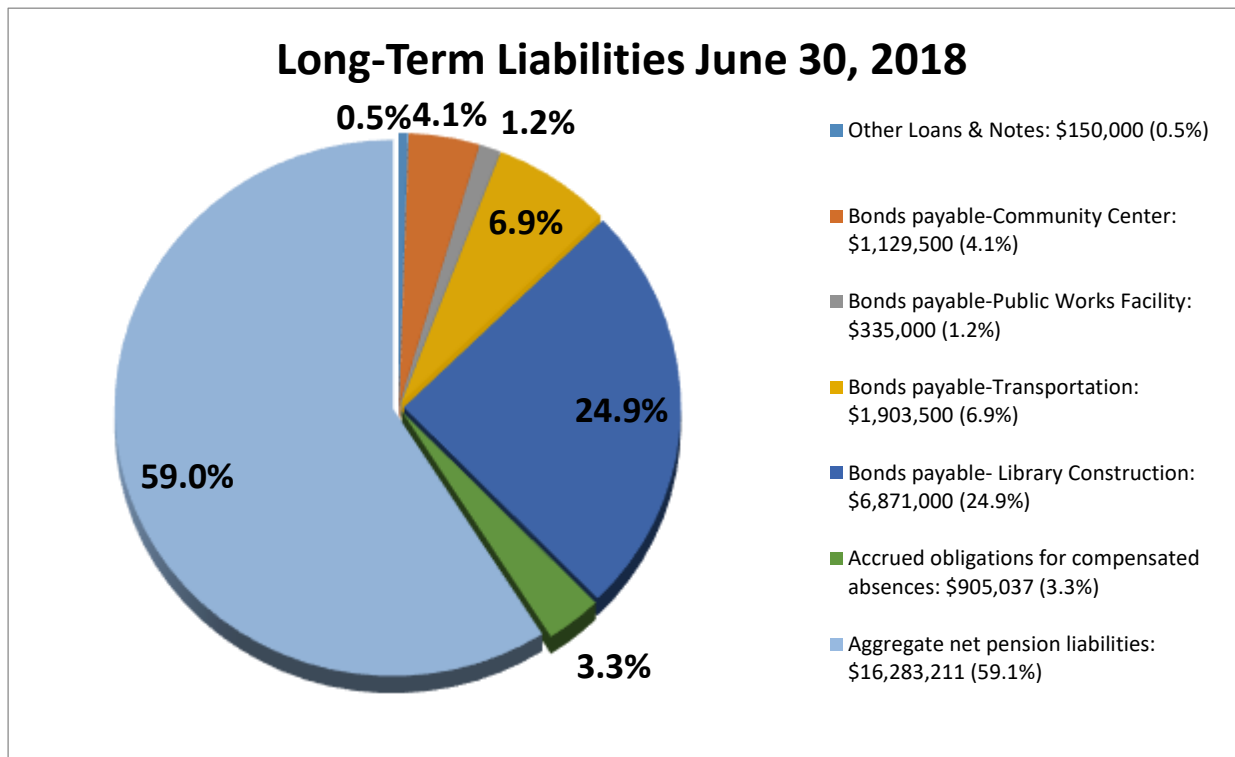
City of Takoma Park, Maryland

**Management's Discussion and Analysis
June 30, 2018**

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

Governmental Activities

	<u>2018</u>	<u>2017</u>
Long-Term Liabilities		
Loan payable - Maryland Department of Housing Community Development	\$ 150,000	\$ 150,000
Bonds payable - Community Center (2015)	1,129,500	1,273,500
Bonds payable - Public Works Facility	335,000	495,000
Bonds payable - Transportation (2017)	1,903,500	-
Bonds payable - Library Construction (2017)	6,871,000	-
Accrued obligations for compensated absences	905,037	846,582
Aggregate net pension liabilities	<u>16,283,211</u>	<u>16,591,832</u>
Total	<u>\$27,577,248</u>	<u>\$19,356,914</u>



Additional information on the City's long-term debt can be found in Note 11 - Non-Current Liabilities on pages 57 - 59 of this report.

City of Takoma Park, Maryland

Management's Discussion and Analysis June 30, 2018

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, 2018:

- The tax rate for real property decreased from \$0.5348 to \$0.5291 per \$100 of the assessed valuation. The personal property tax rate and the railroad and utilities tax rate did not change.
- Projected increase of approximately \$639,109 in real property tax revenue from the prior fiscal year's budgeted amount based upon the projected taxable values.
- Anticipated revenues of \$1.32 million from the Speed Camera Program with estimated expenditures of \$1.35 million. Speed Camera Fund expenditures include operating expenditures (e.g., payments to the program contractor and Safe Speed program staff costs), and the purchase of police equipment.
- Increase in staffing level by 3.41 full-time equivalents. The increase includes an Economic Development Manager, a Police Officer, a Human Resources Coordinator, and adjustments to part-time hours.
- Anticipated General Fund expenditures of \$1.9 million for street, and sidewalks. General Fund expenditures also include \$1.1 million for the Flower Avenue Green Street Project and \$562,000 for the Ethan Allen Gateway Project to be paid by City's Transportation Bond. The cost of Library design and renovation is expected to be \$1.4 million and is funded by a \$7 million Library Bond.
- Expenditures of \$411,000 in Stormwater Fund for the construction, maintenance, and repair of storm drains, inlets, and channels, along with several bio-retention projects.
- Contribution of \$700,000 to the Equipment Replacement Reserve. Funds from the Equipment Replacement Reserve will be used to replace vehicles and equipment, including police cars, a recycling truck and a trash truck. Contribution of \$200,000 to replenish the Facility Maintenance Reserve.
- Funding in the amount of \$5,095,044 in Special Revenue Funds for special projects, including \$1.2 million for the Flower Avenue Green Street Project, \$240,000 funding for the New Hampshire Avenue Bikeway, \$693,000 for the Ethan Allen Gateway Project and \$200,000 for the audio-visual improvements in the Community Center.
- Contribution of \$50,000 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, 2018**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 15,118,994
Investments	3,565,005
Restricted investments	8,968,565
Accounts receivable, net	220,095
Notes receivable, net	12,774
Due from other governments	2,194,845
Other assets	8,271
Capital assets, net	
Non-depreciable	2,716,633
Depreciable	30,462,990
Total assets	63,268,172
Deferred outflows of resources - pension related	4,841,735
Liabilities	
Accounts payable	1,934,550
Accrued liabilities	401,324
Deposits and escrows held	177,315
Due to other governments	208,869
Unearned revenue	299,205
Non-current liabilities:	
Due within one year	1,377,500
Due in more than one year	26,199,748
Total liabilities	30,598,511
Deferred inflows of resources - pension related	4,513,307
Net position	
Net investment in capital assets	31,715,123
Restricted for:	
Public safety	810,781
Cable equipment	3,051,676
Loans	5,765
Streets	9,065,596
Equipment replacement	4,076,460
Emergency expenses	481,949
Facility maintenance	588,345
Housing	684,098
Justice forfeiture	27,693
Unrestricted	(17,509,397)
Total net position	\$ 32,998,089

See Notes to Financial Statements.

City of Takoma Park, Maryland
Statement of Activities
For the Fiscal Year Ended June 30, 2018

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	\$ 4,561,913	\$ 119,548	\$ -	\$ 219,601	\$ (4,222,764)
Public safety	8,389,476	1,593,374	4,171,667	-	(2,624,435)
Public works	6,196,806	831,315	743,750	11,723	(4,610,018)
Housing and community development	1,695,425	364,385	748,304	-	(582,736)
Recreation and culture	3,734,135	582,329	326,637	-	(2,825,169)
Interest on long-term debt	397,077	-	-	-	(397,077)
Total governmental activities	<u>\$ 24,974,832</u>	<u>\$ 3,490,951</u>	<u>\$ 5,990,358</u>	<u>\$ 231,324</u>	<u>(15,262,199)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					12,621,930
Intergovernmental - unrestricted					4,906,878
Miscellaneous					190,974
Unrestricted investment earnings					<u>100,962</u>
Total general revenues					<u>17,820,744</u>
Change in net position					2,558,545
Net position, beginning of year					<u>30,439,544</u>
Net position, end of year					<u>\$ 32,998,089</u>

See Notes to Financial Statements.

City of Takoma Park, Maryland

Balance Sheet - Governmental Funds June 30, 2018

	General Fund	Speed Camera Fund	Special Revenue Fund	Non-Major Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 9,735,327	\$ 4,127,487	\$ -	\$ 1,256,180	\$ 15,118,994
Investments	3,565,005	-	-	-	3,565,005
Restricted investments	8,968,565	-	-	-	8,968,565
Receivables, net					
Taxes	190,662	-	-	-	190,662
Notes	-	-	7,501	5,273	12,774
Other	14,089	-	-	15,344	29,433
Due from other funds	3,864,655	5,959	2,452,216	207,534	6,530,364
Due from other governments	1,099,817	-	1,091,406	3,622	2,194,845
Other assets	8,271	-	-	-	8,271
Total assets	27,446,391	4,133,446	3,551,123	1,487,953	36,618,913
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 27,446,391	\$ 4,133,446	\$ 3,551,123	\$ 1,487,953	\$ 36,618,913
Liabilities					
Accounts payable	\$ 1,441,118	\$ 59,692	\$ 401,184	\$ 32,556	\$ 1,934,550
Accrued expenditures	313,628	5,793	-	2,070	321,491
Deposits and escrows held	118,205	-	8,185	50,925	177,315
Due to other funds	2,452,216	3,257,180	5,959	815,009	6,530,364
Due to other units of government	-	-	-	208,869	208,869
Unearned revenue	242,779	-	56,426	-	299,205
Total liabilities	4,567,946	3,322,665	471,754	1,109,429	9,471,794
Deferred inflows of resources	808,336	-	-	174,000	982,336
Fund balances					
Nonspendable	8,271	-	-	-	8,271
Restricted	97,031	810,781	3,079,369	5,765	3,992,946
Committed	14,799,417	-	-	-	14,799,417
Assigned	-	-	-	198,759	198,759
Unassigned	7,165,390	-	-	-	7,165,390
Total fund balances	22,070,109	810,781	3,079,369	204,524	26,164,783
Total liabilities, deferred inflows of resources and fund balances	\$ 27,446,391	\$ 4,133,446	\$ 3,551,123	\$ 1,487,953	\$ 36,618,913

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, 2018**

Total fund balances - Governmental Funds	\$ 26,164,783
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 \$60,009,146 and the accumulated depreciation is \$26,829,523.	33,179,623
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(11,294,037)
Interest on long-term debt and other expenses are not accrued in governmental funds, but rather are recognized as an expenditure when due.	(79,833)
Net pension liability is recognized as a liability on the Statement of Net Position but not in the fund financial statements.	(16,283,211)
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.	4,841,735
Deferred inflows of resources related to pension liability and earnings on pension plan investments are not reported in the fund financial statements.	(4,513,307)
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 unavailable revenues.	<u>982,336</u>
Total net position - Governmental Activities	<u><u>\$ 32,998,089</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, 2018**

	General Fund	Speed Camera Fund	Special Revenue Fund	Non-Major Fund	Total Governmental Funds
Revenues					
Taxes and utility fees	\$ 16,511,118	\$ -	\$ -	\$ -	\$ 16,511,118
Licenses and permits	107,513	-	-	-	107,513
Fines and forfeitures	253,981	1,227,061	-	-	1,481,042
Use of money and property	82,603	17,933	-	426	100,962
Charges for services	1,188,260	-	-	715,445	1,903,705
Intergovernmental	6,071,029	-	969,584	-	7,040,613
Miscellaneous	155,064	-	32,915	14,659	202,638
Total revenues	24,369,568	1,244,994	1,002,499	730,530	27,347,591
Expenditures					
General government	4,125,998	-	327,724	-	4,453,722
Public safety	7,685,292	1,114,353	-	-	8,799,645
Public works	4,737,664	-	1,128	449,459	5,188,251
Housing and community development	1,329,782	-	121,089	-	1,450,871
Recreation and culture	3,532,092	-	-	-	3,532,092
Capital outlay	2,071,139	74,415	925,914	272,918	3,344,386
Debt service					
Principal	529,500	-	-	-	529,500
Interest	452,948	-	-	-	452,948
Total expenditures	24,464,415	1,188,768	1,375,855	722,377	27,751,415
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(94,847)	56,226	(373,356)	8,153	(403,824)
Other financing sources (uses)					
Debt issuance	9,125,459	-	-	-	9,125,459
Transfers in (out)	(58,180)	-	58,180	-	-
Total other financing sources (uses)	9,067,279	-	58,180	-	9,125,459
Net changes in fund balances	8,972,432	56,226	(315,176)	8,153	8,721,635
Fund balances, beginning of year	13,097,677	754,555	3,394,545	196,371	17,443,148
Fund balances, end of year	\$ 22,070,109	\$ 810,781	\$ 3,079,369	\$ 204,524	\$ 26,164,783

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, 2018**

Total net change in fund balances - Governmental Funds	\$ 8,721,635
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Amounts reported for governmental activities in the statement of activities are different because:

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 (\$3,340,681) exceeds depreciation expense (\$1,832,054) in the period.	1,508,627
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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 \$58,456.	(58,456)
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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 2018.	529,500
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Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities.	(9,000,000)
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Pension benefit (expense) pertaining to the net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	741,041
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Interest (expense) in the statement of activities differs from the amount reported in governmental funds due to the net increase in accrued interest.	(69,588)
---	----------

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.	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">185,786</div>
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Change in net position of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 2,558,545</div>
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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, 2018**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Taxes and utility fees	\$ 16,583,066	\$ 16,583,066	\$ 16,511,118	\$ (71,948)
Licenses and permits	76,704	76,704	107,513	30,809
Fines and forfeitures	405,000	405,000	253,981	(151,019)
Use of money and property	17,000	17,000	82,603	65,603
Charges for services	1,141,450	1,141,450	1,188,260	46,810
Intergovernmental	6,149,780	6,149,780	6,071,029	(78,751)
Miscellaneous	77,000	71,500	155,064	83,564
Total revenues	24,450,000	24,444,500	24,369,568	(74,932)
Expenditures				
Current				
General government	5,037,794	5,110,594	4,125,998	984,596
Public safety	7,916,935	7,916,935	7,685,292	231,643
Public works	5,004,486	5,076,406	4,737,664	338,742
Housing and community development	1,773,520	1,711,675	1,329,782	381,893
Recreation and culture	3,865,482	3,880,482	3,532,092	348,390
Capital outlay	7,921,610	4,822,208	2,071,139	2,751,069
Debt service	910,160	910,160	982,448	(72,288)
Total expenditures	32,429,987	29,428,460	24,464,415	4,964,045
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(7,979,987)	(4,983,960)	(94,847)	4,889,113
Other financing sources (uses)				
Debt issuance	9,000,000	9,000,000	9,125,459	125,459
Transfers in (out)	(450)	(450)	(58,180)	(57,730)
Total other financing sources (uses)	8,999,550	8,999,550	9,067,279	67,729
Net change in fund balance	1,019,563	4,015,590	8,972,432	4,956,842
Fund balance, beginning of year	13,097,677	13,097,677	13,097,677	-
Fund balance, end of year	\$ 14,117,240	\$ 17,113,267	\$ 22,070,109	\$ 4,956,842

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, 2018**

	<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	\$ 1,227,061	\$ (72,939)
Use of money and property - interest income	<u>12,000</u>	<u>12,000</u>	<u>17,933</u>	<u>5,933</u>
Total revenues	<u>1,312,000</u>	<u>1,312,000</u>	<u>1,244,994</u>	<u>(67,006)</u>
Expenditures				
Public safety	1,243,760	1,243,760	1,114,353	129,407
Capital outlay	<u>89,900</u>	<u>114,900</u>	<u>74,415</u>	<u>40,485</u>
Total expenditures	<u>1,333,660</u>	<u>1,358,660</u>	<u>1,188,768</u>	<u>169,892</u>
Net change in fund balance	(21,660)	(46,660)	56,226	102,886
Fund balance, beginning of year	<u>754,555</u>	<u>754,555</u>	<u>754,555</u>	<u>-</u>
Fund balance, end of year	<u>\$ 732,895</u>	<u>\$ 707,895</u>	<u>\$ 810,781</u>	<u>\$ 102,886</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, 2018**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental	\$ 5,349,512	\$ 2,018,678	\$ 969,584	\$ (1,049,094)
Miscellaneous	40,000	44,374	32,915	(11,459)
Total revenues	5,389,512	2,063,052	1,002,499	(1,060,553)
Expenditures				
General government	34,950	231,270	327,724	(96,454)
Public works	43,924	1,128	1,128	-
Housing and community development	160,042	423,224	121,089	302,135
Recreation	5,300	5,300	-	5,300
Capital outlay	5,229,170	1,688,400	925,914	762,486
Total expenditures	5,473,386	2,349,322	1,375,855	973,467
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(83,874)	(286,270)	(373,356)	(87,086)
Other financing sources (uses)				
Transfer from General Fund	450	450	58,180	57,730
Net change in fund balance	(83,424)	(285,820)	(315,176)	(29,356)
Fund balance, beginning of year	3,394,545	3,394,545	3,394,545	-
Fund balance, end of year	\$ 3,311,121	\$ 3,108,725	\$ 3,079,369	\$ (29,356)

See Notes to Financial Statements.

City of Takoma Park, Maryland
Statement of Fiduciary Net Position
June 30, 2018

	<u>Total</u>
Assets	
Cash and cash equivalents	\$ 683,121
Investments, at fair value:	
Equities	9,949,401
Fixed income	<u>5,641,848</u>
Total investments	<u>15,591,249</u>
Total assets	<u>16,274,370</u>
Deferred outflows of resources	-
Liabilities	-
Deferred inflows of resources	-
Net position restricted for pensions	<u><u>\$ 16,274,370</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, 2018**

	<u>Total</u>
Additions	
Employer contributions	\$ 1,325,199
Plan member contributions	<u>196,589</u>
Total contributions and other receipts	1,521,788
Net investment earnings	<u>1,255,991</u>
Total additions	<u>2,777,779</u>
Deductions	
Benefits and refunds paid	811,171
Administrative expenses	<u>64,816</u>
Total deductions	<u>875,987</u>
Change in net position	1,901,792
Net position held in trust for pension benefits, beginning of year	<u>14,372,578</u>
Net position held in trust for pension benefits, end of year	<u><u>\$ 16,274,370</u></u>

See Notes to Financial Statements.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

Note 1 - Summary of significant accounting policies

The accounting policies of the City of Takoma Park, Maryland (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 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 GAAP, 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.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

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 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 2018, 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 GAAP 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.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2018**

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 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. 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.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

Capital assets

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

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

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 \$905,037 is included as "non-current liabilities" in the government-wide statements.

Compensated absences have generally been liquidated by the General Fund.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

Deferred inflows of resources

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

Net position

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

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

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

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.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

Note 2 - Stewardship, compliance and accountability

Budgetary information

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

1. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The budget ordinance becomes effective July 1 and provides spending authority for the operations of the City government.
3. In compliance with the City Charter, a general expenditure contingency (equal to at least 0.5% of total budgeted revenue for the general fund) is budgeted. The account is maintained to meet extraordinary or unanticipated expenditures as directed by the Council.
4. The City Manager may reallocate expenditures within the budget adopted by the Council, subject to such restrictions as the Council shall impose by ordinance. Subsequent to passage of the budget ordinance, the City Council must approve additional expenditures.
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, 2018.

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 \$15,389,217 and the corresponding bank balances were \$16,072,338. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$20,228,386 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, 2018.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

Investments

At June 30, 2018, 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	\$ 9,536,182	\$ -	\$ 9,536,182	\$ -
Certificates of Deposit	Not Rated	2,198,860	1,520,797	678,063	-
Bond Trustee Account***	N/A	8,968,565	8,968,565	-	-
MLGIP***	N/A	1,366,145	1,366,145	-	-
Collective Investment Trust*	N/A	413,219	-	413,219	-
Fixed Income*	**	5,641,848	-	5,641,848	-
Total investments		<u>\$ 28,124,819</u>	<u>\$ 11,855,507</u>	<u>\$ 16,269,312</u>	<u>\$ -</u>

* Included in fiduciary funds.

** 70.2% of portfolio is rated AAA; 4.1% is rated AA; 12.4% is rated A and 13.3% is rated BBB.

*** Pooled investments carried at amortized cost.

Restricted investments

At June 30, 2018, the City's restricted investment balance included Bond Trustee Account, which restricts the use of funds for transportation projects and library renovation related to the Series 2017 bond issue.

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

Cash on hand	\$ 1,376
Carrying amount of deposits	15,800,739
Carrying amount of investments	<u>28,124,819</u>
Total cash, cash equivalents and investments	43,926,934
Less fiduciary funds	<u>16,274,370</u>
Total cash, cash equivalents and investments per Statement of Net Position	<u>\$ 27,652,564</u>
Cash and cash equivalents	\$ 15,118,994
Investments	3,565,005
Restricted investments	<u>8,968,565</u>
Total cash, cash equivalents and investments per Statement of Net Position	<u>\$ 27,652,564</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, 2018 met the City's investment policy as of that date.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

Investment income includes the following for the year ended June 30, 2018:

Total net investment income per Statement of Activities	<u>\$ 100,962</u>
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Net investment income per the Statement of Activities of \$100,962 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	\$ 405,198
Realized gain	591,968
Unrealized gain	<u>258,825</u>
	<u>\$ 1,255,991</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.

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, 2018. 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 \$1,366,145 in MLGIP, \$8,968,565 in Bond Trustee Account, \$9,536,182 in direct securities, \$2,198,860 in certificates of deposit, \$413,219 in Collective Investment Trust, and \$5,641,848 in fixed income funds. At June 30, 2018, 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.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

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, 2018:

- Amounts invested in equities of \$9,536,182 and fixed income of \$5,641,848 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 \$2,198,860 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.

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	\$ 9,536,182	\$ -	\$ -	\$ 9,536,182
Certificates of Deposit	-	2,198,860	-	2,198,860
Fixed Income	5,641,848	-	-	5,641,848
Total investments by fair value level	<u>\$ 15,178,030</u>	<u>\$ 2,198,860</u>	<u>\$ -</u>	<u>\$ 17,376,890</u>
Investments carried at amortized cost:				
MLGIP				1,366,145
Bond Trustee Account				8,968,565
Collective Investment Trust				<u>413,219</u>
Total investments				<u>\$ 28,124,819</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 2018 was \$0.5348 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.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

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, 2018, taxes receivable, net of an allowance for uncollectibles of \$103,977, amounted to \$190,662.

Note 6 - Notes receivable, net

Notes receivable of \$12,774 are comprised of \$7,501 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, 2018, notes receivable - Rehabilitation Loans Fund, net of allowances for uncollectibles of \$2,233, amounted to \$5,273.

The notes receivable in the amount of \$7,501, 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%.

Note 7 - Unavailable and unearned revenues

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

	Unavailable	Unearned	Total
Income taxes, General Fund	\$ 651,780	\$ -	\$ 651,780
Property taxes receivable, General Fund	156,511	-	156,511
Fees, General Fund	45	159,498	159,543
Stormwater receivable General Fund	174,000	-	174,000
	-	83,281	83,281
Grant funds received in excess of expenditures, Special Revenue Fund	-	56,426	56,426
	<u>\$ 982,336</u>	<u>\$ 299,205</u>	<u>\$ 1,281,541</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.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2018**

During the year ended June 30, 2018, the General Fund transferred \$58,180 to the Special Revenue Fund to provide the required matching funds for grants.

The balances at June 30, 2018 of individual fund interfund borrowings were as follows:

	<u>Due from other Funds</u>	<u>Due to other Funds</u>
General Fund	\$ 3,864,655	\$ 2,452,216
Speed Camera	5,959	3,257,180
Special Revenue	<u>2,452,216</u>	<u>5,959</u>
	<u>6,322,830</u>	<u>5,715,355</u>
Non-major funds		
Community Center	207,226	207,226
Storm Water	308	605,645
Rehab Loan	<u>-</u>	<u>2,138</u>
	<u>207,534</u>	<u>815,009</u>
Total	<u><u>\$ 6,530,364</u></u>	<u><u>\$ 6,530,364</u></u>

Note 9 - Due from other governments

The June 30, 2018, balance due from other governments is as follows:

State of Maryland	
Income tax	\$ 187,737
Income tax reserve	651,780
Highway user tax	21,834
Amusement tax	35,419
State Highway Administration	379,814
Department of Natural Resources	552,143
Other	25,990
Montgomery County	
Community Development Block Grant	78,797
Franchise fees	226,440
Other	<u>34,891</u>
Total	<u><u>\$ 2,194,845</u></u>

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2018**

Note 10 - Capital assets and other property

A summary of changes in capital assets during fiscal year 2018 follows:

	<u>Balance June 30, 2017</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Balance June 30, 2018</u>
Capital assets (not being depreciated)				
Land	\$ 1,709,111	\$ -	\$ -	\$ 1,709,111
Construction in progress	<u>78,797</u>	<u>1,007,522</u>	<u>(78,797)</u>	<u>1,007,522</u>
Total non-depreciable capital assets	<u>1,787,908</u>	<u>1,007,522</u>	<u>(78,797)</u>	<u>2,716,633</u>
Capital assets (being depreciated)				
Buildings	18,707,973	345,011	-	19,052,984
Improvements other than buildings	3,466,403	-	-	3,466,403
Equipment	7,507,384	762,359	(245,845)	8,023,898
Infrastructure	<u>25,444,642</u>	<u>1,225,789</u>	<u>78,797</u>	<u>26,749,228</u>
Total depreciable capital assets	<u>55,126,402</u>	<u>2,333,159</u>	<u>(167,048)</u>	<u>57,292,513</u>
Less - accumulated depreciation for:				
Buildings	(6,305,056)	(543,293)	-	(6,848,349)
Improvements other than buildings	(1,465,482)	(73,836)	-	(1,539,318)
Equipment	(4,134,048)	(628,171)	245,845	(4,516,374)
Infrastructure	<u>(13,338,728)</u>	<u>(586,754)</u>	<u>-</u>	<u>(13,925,482)</u>
Total accumulated depreciation	<u>(25,243,314)</u>	<u>(1,832,054)</u>	<u>245,845</u>	<u>(26,829,523)</u>
Total capital assets being depreciated	<u>29,883,088</u>	<u>501,105</u>	<u>78,797</u>	<u>30,462,990</u>
Total capital assets	<u>\$ 31,670,996</u>	<u>\$ 1,508,627</u>	<u>\$ -</u>	<u>\$ 33,179,623</u>

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

General government	\$ 395,944
Public safety	208,604
Housing and community development	41,056
Public works	1,013,253
Recreation and culture	<u>173,197</u>
	<u>\$ 1,832,054</u>

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

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, 2018:

	Balance June 30, 2017	Increase	Decrease	Balance June 30, 2018	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	495,000	-	(160,000)	335,000	165,000	2.97%	June 2020
Bonds payable	1,273,500	-	(144,000)	1,129,500	147,500	2.34%	April 2025
Bonds payable	-	2,000,000	(96,500)	1,903,500	117,000	2.78%	April 2032
Bonds payable	-	7,000,000	(129,000)	6,871,000	158,000	3.61%	April 2047
Compensated absences	846,581	58,456	-	905,037	790,000		
Net pension liability	16,591,832	1,447,263	(1,755,884)	16,283,211	-		
	<u>\$ 19,356,913</u>	<u>\$ 10,505,719</u>	<u>\$ (2,285,384)</u>	<u>\$ 27,577,248</u>	<u>\$ 1,377,500</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, 2018 is \$150,000.

Fiscal years	Principal	Interest	Total
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, 2018 is \$335,000. The annual installments for the repayment of the loan as of June 30, 2018 are as follows:

Fiscal years	Principal	Interest	Total
2019	\$ 165,000	\$ 9,950	\$ 174,950
2020	170,000	5,049	175,049
Total	<u>\$ 335,000</u>	<u>\$ 14,999</u>	<u>\$ 349,999</u>

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2018**

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 payments are made semiannually. The loan matures on April 1, 2025. The balance at June 30, 2018 is \$1,129,500. The annual installments for the repayment of the bond as of June 30, 2018 are as follows:

<u>Fiscal years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	166,000	17,150	183,150
2024 - 2025	<u>347,000</u>	<u>19,210</u>	<u>366,210</u>
Total	<u>\$ 1,129,500</u>	<u>\$ 151,880</u>	<u>\$ 1,281,380</u>

On August 21, 2017, the City issued bonds in the amount of \$2,000,000 to be used to fund the transportation projects of Flower Avenue, Green Street and Ethan Ellen Gateway. The interest rate is 2.78%. Principal is repaid annually and interest payments are made semiannually. The loan matures on April 1, 2032. The balance at June 30, 2018 is \$1,903,500. The annual installments for the repayment of the bond as of June 30, 2018 are as follows:

<u>Fiscal years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 117,000	\$ 49,292	\$ 166,292
2020	119,500	46,894	166,394
2021	122,000	44,444	166,444
2022	124,500	41,943	166,443
2023	127,000	39,391	166,391
2024 - 2028	678,000	153,469	831,469
2029 - 2032	<u>615,500</u>	<u>49,273</u>	<u>664,773</u>
Total	<u>\$ 1,903,500</u>	<u>\$ 424,706</u>	<u>\$ 2,328,206</u>

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2018**

On August 1, 2017, the City issued bonds in the amount of \$7,000,000 to be used to fund the future renovations to the library and community center. The interest rate is 3.61%. Principal is repaid annually and interest payments are made semiannually. The loan matures on April 1, 2047. The balance at June 30, 2018 is \$6,871,000. The annual installments for the repayment of the bond as of June 30, 2018 are as follows:

<u>Fiscal years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 158,000	\$ 232,727	\$ 390,727
2020	158,000	229,488	387,488
2021	163,500	226,249	389,749
2022	166,500	222,898	389,398
2023	169,000	219,484	388,484
2024 - 2028	903,500	1,039,521	1,943,021
2029 - 2033	1,042,000	900,488	1,942,488
2034 - 2038	1,228,000	718,767	1,946,767
2039 - 2043	1,472,500	469,051	1,941,551
2044 - 2047	1,410,000	145,476	1,555,476
Total	<u>\$ 6,871,000</u>	<u>\$ 4,404,149</u>	<u>\$ 11,275,149</u>

Note 12 - Deferred inflows of resources - governmental funds

Deferred inflows of resources are comprised of the following amounts as of June 30, 2018:

	<u>General Fund</u>	<u>Non-major fund</u>	<u>Total</u>
Income taxes	\$ 651,780	\$ -	\$ 651,780
Property taxes receivable	156,511	-	156,511
Charges for services	45	-	45
Stormwater receivable	-	174,000	174,000
	<u>\$ 808,336</u>	<u>\$ 174,000</u>	<u>\$ 982,336</u>

Note 13 - Fund balances

Fund balances for the City's governmental funds consisted of the following as of June 30, 2018:

Nonspendable fund balances

Nonspendable fund balances as of June 30, 2018 are comprised of trash bins of \$8,271 in the General Fund.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

Restricted fund balances

Restricted fund balances total \$3,992,946 as of June 30, 2018. The General Fund restricted fund balance at June 30, 2018 is \$97,031 pertaining to street improvements. Fund balance in the Speed Camera Fund is restricted to public safety projects. At June 30, 2018, this amount was \$810,781. Most of the fund balance in the Special Revenue Fund is restricted to cable equipment and related expenditures. At June 30, 2018, this amount was \$3,051,676. 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 \$5,765 as of June 30, 2018.

Committed fund balances

The General Fund has \$14,799,417 in committed fund balances as of June 30, 2018. This is comprised of the following:

Bond reserve	\$ 8,968,565
Equipment replacement reserve	4,076,460
Emergency reserve	481,949
Facility maintenance reserve	588,345
Housing fund reserve	<u>684,098</u>
	<u>\$ 14,799,417</u>

The Charter requires a minimum reservation of \$250,000 to cover emergency expenditures for the health, safety or welfare of persons, or actions necessary to perform essential governmental functions, plus a percentage increase each year, equal to the percentage increase in the Consumer Price Index. The City has committed \$481,949 for emergency expenses as of June 30, 2018.

Assigned fund balances

Assigned fund balance totaling \$198,759 as of June 30, 2018 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 \$5,957,703 as of the measurement date of June 30, 2017.

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 2018 contribution of \$605,034 is therefore recognized as a pension-related deferred outflow of resources.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

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.

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.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2018**

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. Investments are reported at fair value. Actual employer contributions billed to participating governmental units for the year ended June 30, 2018 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, 2018 are based on salaries for the year ended June 30, 2017. 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		
	2018	2017	2016
Retirement plan contributions	\$ 605,034	\$ 560,772	\$ 566,946

The City contributed \$605,034 to the System for fiscal year 2018 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.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

Actuarial assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2017 rolled forward to June 30, 2018. The key assumptions used to perform the June 30, 2018 pension liability calculation for the System are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset valuation method	5-year smoothed market
Inflation (b)	2.65% general, 3.15% wage
Salary Increases	3.15% to 9.15%, including inflation
Discount Rate (a)	7.50%
Investment Rate of Return (b)	7.50%
Retirement Age	Experience-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.
	(a) Discount rate at prior measurement date was 7.55%
	(b) There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2017 valuation:
	a. Inflation assumption changed from 2.90% to 2.65%

The components of the net pension liability for the System as of June 30, 2018, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total Pension Liability	\$ 70,610,885,000
Plan Fiduciary Net Position	<u>48,987,184,000</u>
Net Pension Liability	<u><u>\$ 21,623,701,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>69.38%</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, 2018

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	36%	5.30%
Private Equity	11%	7.00%
Rate Sensitive	21%	1.20%
Credit Opportunity	9%	3.60%
Real Assets	15%	5.70%
Absolute Return	8%	3.10%
	<u>100%</u>	

The above was the Pension System's Board of Trustees' adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2018.

Discount rate

A single discount rate of 7.50% 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 7.50%. 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 7.50%, a single discount rate that is 1 percentage point lower (i.e., 6.50%), and a single discount rate that is 1 percentage point higher (i.e., 8.50%).

	1% Decrease - 6.50%	Current Rate - 7.50%	1% Increase - 8.50%
The System's Net Pension Liability	\$ 30,645,067,000	\$ 21,623,701,000	\$ 14,138,519,000
The City's Proportionate Share of Net Pension Liability	\$ 8,443,237	\$ 5,957,703	\$ 3,895,402

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2018**

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

At June 30, 2018, the City reported a liability of \$5,957,703 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's proportion was approximately 0.028 percent.

For the year ended June 30, 2018, the City recognized pension benefit of \$53,907. At June 30, 2018, 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	\$ 218,858	\$ -
Difference between actual and expected experience	-	419,421
Net difference between projected and actual earnings on pension plan investments	769,856	356,737
Change in proportionate share	463,212	275,917
Contributions subsequent to the measurement date	<u>605,034</u>	<u>-</u>
Total	<u>\$ 2,056,960</u>	<u>\$ 1,052,075</u>

The deferred outflow of resources of \$605,034 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 2016, 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 2017, 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, 2018

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

Fiscal Year Ended June 30	Deferred Outflows	Deferred Inflows	Net
2019	\$ 534,864	\$ (336,557)	\$ 198,307
2020	519,176	(217,845)	301,331
2021	365,201	(214,632)	150,569
2022	27,849	(191,022)	(163,173)
2023	4,836	(92,019)	(87,183)
Total	<u>\$ 1,451,926</u>	<u>\$ (1,052,075)</u>	<u>\$ 399,851</u>

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, 2018 were as follows:

Total Pension Liability	\$ 19,454,499
Plan Fiduciary Net Position	<u>13,496,796</u>
Net Pension Liability	<u><u>\$ 5,957,703</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>69.38%</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 Manager, Finance Director, 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.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

The annual money-weighted rate of return was 8.5% for the year ended June 30, 2018. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Plan Membership

As of July 1, 2018, the pension plan's membership consisted of:

Active plan members	39
Inactive plan members or beneficiaries currently receiving benefits	25
Inactive plan members entitled to benefits but not yet receiving them	<u>4</u>
Total	<u><u>68</u></u>

Contribution information and funding policy

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

Title 4 of the City's Municipal Code establishes contribution rates to the Plan. Contributions to the Plan made by the City are based on an actuarially determined rate. The actuarially required contribution and the amount paid into the plan by the City for the year ended June 30, 2018 was \$1,325,199. The police officers contribute to the Plan based on 7% of salaries. Members' actual contributions were \$196,589 at June 30, 2018. Administrative costs are financed through investment earnings.

The annual pension cost for 2018, 2017, and 2016 was \$1,325,199, \$1,189,854, and \$1,296,482, respectively. The contributions made as a percentage of the annual pension cost for 2018, 2017, and 2016 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 2018, 2017, and 2016 were \$15,861,151, \$13,993,308, and \$12,077,719, respectively.

Investment policy

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

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

The plan's target asset allocation and long-term expected real rate of return was the following as of June 30, 2018.

Asset class	Target allocation	Long-term expected real rate of return
Domestic Equity	44%	1.18%
Foreign Equity	16%	1.38%
Fixed Income	36%	2.24%
Cash	4%	1.79%
Inflation	0%	0.00%
	<u>100%</u>	

The amortization period for the year ended June 30, 2018 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 7.25%. 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, 2018 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 (b)	3.0%
Salary Increases	5.5%, including inflation
Discount Rate (a)	7.25%
Investment Rate of Return (b)	7.25%, net of pension plan investment expense, including inflation
Retirement Age	Rates vary by participant and service.
Mortality	RP-2014 Healthy Blue Collar Tables with fully generational projection using scale MP-2015
	(a) There were no benefit changes during the year.
	(b) Investment return and inflation assumptions did not change from last year.

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

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 7.25%, 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease - 6.25%	Current Rate - 7.25%	1% Increase - 8.25%
City's net pension liability	\$ 14,209,230	\$ 10,325,508	\$ 7,180,789

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

	2018
Total pension liability	
Service cost	\$ 839
Interest	1,690
Changes of benefit terms	-
Difference between expected and actual experience	(115)
Changes of assumptions	865
Benefit payments, including refunds of member contributions	(811)
Net change in total pension liability	2,468
Total pension liability - beginning	23,719
Total pension liability - end	<u>\$ 26,187</u>
Plan fiduciary net position	
Contributions - employer	\$ 1,325
Contributions - employees	197
Net investment income	1,222
Benefit payments, including refunds of member contributions	(811)
Administrative expenses	(65)
Other	-
Net change in plan fiduciary net position	1,868
Plan fiduciary net position - beginning	13,994
Plan fiduciary net position - end	<u>\$ 15,862</u>
Net pension liability	<u>\$ 10,325</u>

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

For the year ended June 30, 2018, the City recognized pension benefit of \$687,134. At June 30, 2018, 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	\$ 1,613,800	\$ -
Difference between actual and expected experience	-	2,724,785
Net difference between projected and actual earnings on pension plan investments	<u>1,170,975</u>	<u>736,447</u>
Total	<u><u>\$ 2,784,775</u></u>	<u><u>\$ 3,461,232</u></u>

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

<u>Fiscal Year Ended June 30</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net</u>
2019	\$ (1,236,220)	\$ 589,028	\$ (647,192)
2020	2,154,605	(1,990,593)	164,012
2021	(522,531)	216,140	(306,391)
2022	2,388,921	(2,275,807)	113,114
2023	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 2,784,775</u></u>	<u><u>\$ (3,461,232)</u></u>	<u><u>\$ (676,457)</u></u>

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	\$ 70,610,885,000	\$ 26,186,659	\$ 70,637,071,659
Total fiduciary net position	\$ 48,987,184,000	\$ 15,861,151	\$ 49,003,045,151
City's proportionate share of total pension liabilities	\$ 5,957,703	\$ 10,325,508	\$ 16,283,211
Total pension assets	\$ 48,987,184,000	\$ 15,861,151	\$ 49,003,045,151
Deferred outflows related to pensions	\$ 2,056,960	\$ 2,784,775	\$ 4,841,735
Deferred inflows related to pensions	\$ 1,052,075	\$ 3,461,232	\$ 4,513,307
Pension expense/expenditures/(benefits) for the period	\$ (53,907)	\$ (687,134)	\$ (741,041)
City's proportionate share of net pension liability	0.02755%	100%	
Measurement date of collective net pension liability	June 30, 2017	June 30, 2018	
Date of actuarial valuation	June 30, 2017	June 30, 2018	

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

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

Service, and invested in the plan. All income taxes are deferred on these contributions and related earnings until the participant terminates from the plan. The City is in compliance with the Internal Revenue Code Section 457(g) requiring all assets and income of the plan to be held in trust for the 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, 2018, there were four 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, 2018 was \$0. The City's liability was \$0 as of June 30, 2018. The plan administrator is ICMA-RC.

Condensed financial information

	Pension Trust	Defined Contribution Plan	Total
Assets			
Cash and cash equivalents	\$ 683,121	\$ -	\$ 683,121
Total investments	15,178,030	413,219	15,591,249
Total assets	15,861,151	413,219	16,274,370
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	\$ 15,861,151	\$ 413,219	\$ 16,274,370
Net position - held in trust for pension benefits	\$ 15,861,151	\$ 413,219	\$ 16,274,370
Additions			
Total contributions	\$ 1,521,788	\$ -	\$ 1,521,788
Net investment earnings	1,222,043	33,948	1,255,991
Total additions	2,743,831	33,948	2,777,779
Deductions			
Total deductions	875,987	-	875,987
Change in net position	1,867,844	33,948	1,901,792
Net position held in trust for pension benefits, beginning of year	13,993,307	379,271	14,372,578
Net position held in trust for pension benefits, end of year	\$ 15,861,151	\$ 413,219	\$ 16,274,370

City of Takoma Park, Maryland

Notes to Financial Statements June 30, 2018

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, 2018.

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, 2018

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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, will be effective for the City beginning with its year ending June 30, 2019. This statement clarifies which liabilities governments should include when disclosing information related to debt and provides guidance about required note disclosures related to debt including direct borrowings and direct placements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for the City beginning with its year ending June 30, 2021. This statement removes the requirement to capitalize interest during construction.

City of Takoma Park, Maryland

**Notes to Financial Statements
June 30, 2018**

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, 2018 (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 or disclosure in the notes to the financial statements.

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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability										
Service cost	\$ 839	\$ 809	\$ 790	\$ 543	\$ 796					
Interest	1,690	1,616	1,543	1,547	1,438					
Changes of benefit terms	-	-	-	-	-					
Difference between expected and actual experience	(115)	(645)	(562)	(1,372)	-					
Changes of assumptions	865	827	-	-	-					
Benefit payments, including refunds of member contributions	(811)	(857)	(757)	(785)	(784)					
Net change in total pension liability	2,468	1,750	1,014	(67)	1,450					
Total pension liability - beginning	23,719	21,969	20,955	21,022	19,572					
Total pension liability - end	<u>\$ 26,187</u>	<u>\$ 23,719</u>	<u>\$ 21,969</u>	<u>\$ 20,955</u>	<u>\$ 21,022</u>					
Plan fiduciary net position										
Contributions - employer	\$ 1,325	\$ 1,190	\$ 1,296	\$ 1,102	\$ 1,044					
Contributions - member	197	189	194	178	184					
Net investment income	1,222	1,452	90	441	1,354					
Benefit payments, including refunds of member contributions	(811)	(857)	(757)	(786)	(784)					
Administrative expenses	(65)	(58)	(56)	(60)	(55)					
Other	-	-	-	-	-					
Net change in plan fiduciary net position	1,868	1,916	767	875	1,743					
Plan fiduciary net position - beginning	13,994	12,078	11,311	10,436	8,693					
Plan fiduciary net position - end	<u>\$ 15,862</u>	<u>\$ 13,994</u>	<u>\$ 12,078</u>	<u>\$ 11,311</u>	<u>\$ 10,436</u>					
Net pension liability	<u>\$ 10,325</u>	<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	60.57%	59.00%	54.98%	53.98%	49.64%					
Covered payroll	\$ 2,889	\$ 2,777	\$ 2,843	\$ 2,570	\$ 2,850					
Net pension liability as a percentage of covered payroll	357.39%	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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,325	\$ 1,190	\$ 1,296	\$ 1,102	\$ 1,045	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually determined contribution	1,325	1,190	1,296	1,102	1,045	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,889	\$ 2,777	\$ 2,843	\$ 2,570	\$ 2,850					
Contributions as a percentage of covered payroll	45.9%	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

Projected Unit Credit

Amortization method

Level Percentage of Payroll, closed

Remaining amortization period

22 years (closed)

Asset valuation method

5-year smoothed market

Inflation

3.00%

Salary increases

5.5%, including inflation

Investment rate of return

7.25%, net of pension plan investment expense, including inflation

Retirement age

Rates vary by participant age and service

Mortality

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 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
City's proportion (%) of collective net pension liability	0.028%	0.029%	0.028%	0.024%
City's proportionate share (\$) of collective net pension liability	\$ 5,957,703	\$ 6,866,508	\$ 5,881,653	\$ 4,338,175
City's covered payroll (\$)	\$ 6,419,079	\$ 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	92.81%	110.57%	77.21%	58.88%
Pension plan's fiduciary net position as a percentage of the total pension liability	69.38%	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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 605,034	\$ 560,772	\$ 566,946	\$ 596,532	\$ 571,845	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually determined contribution	605,034	560,772	566,946	596,532	571,845	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 6,419,079	\$ 6,209,902	\$ 7,617,864	\$ 7,363,222	\$ 6,083,944					
Contributions as a percentage of covered payroll	9.4%	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, 2018**

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues				
Taxes				
<u>Property</u>				
Real property	\$ 12,013,248	\$ 12,013,248	\$ 12,094,212	\$ 80,964
Business or other property	610,500	610,500	634,824	24,324
Penalty and interest	100,000	100,000	37,561	(62,439)
Additions and abatements	(35,000)	(35,000)	(46,782)	(11,782)
Total property	12,688,748	12,688,748	12,719,815	31,067
<u>Local taxes</u>				
Admission and amusement	134,000	134,000	127,029	(6,971)
	134,000	134,000	127,029	(6,971)
<u>Shared taxes</u>				
Highway	360,318	360,318	360,336	18
Income tax	3,400,000	3,400,000	3,303,938	(96,062)
Total shared taxes	3,760,318	3,760,318	3,664,274	(96,044)
Total taxes	16,583,066	16,583,066	16,511,118	(71,948)
Licenses and permits	76,704	76,704	107,513	30,809
Fines and forfeitures	405,000	405,000	253,981	(151,019)
Use of money and property				
Interest and dividends	17,000	17,000	82,603	65,603
Charges for services				
Public parking	95,000	95,000	107,907	12,907
Protective inspection fees	338,600	338,600	325,943	(12,657)
Waste collection and disposal	71,000	71,000	64,591	(6,409)
Passport	60,000	60,000	59,860	(140)
Recreation	497,600	497,600	565,872	68,272
Library fines and fees	33,000	33,000	16,457	(16,543)
Other	46,250	46,250	47,630	1,380
Total charges for services	1,141,450	1,141,450	1,188,260	46,810

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, 2018**

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues (Continued)				
Intergovernmental revenues				
Police protection	\$ 437,300	\$ 437,300	\$ 457,251	\$ 19,951
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	1,039,388	1,039,388	1,013,685	(25,703)
Bank share tax	5,643	5,643	5,643	-
Library Aid	154,043	154,043	168,704	14,661
Montgomery County Tax	823,000	823,000	816,488	(6,512)
Takoma/Langley Recreation Center	85,020	85,020	85,020	-
State Highway street project	91,743	91,743	10,595	(81,148)
Total intergovernmental revenues	6,149,780	6,149,780	6,071,029	(78,751)
Miscellaneous revenue - other	77,000	77,000	155,064	78,064
Total revenues	24,450,000	24,450,000	24,369,568	(80,432)
Expenditures				
General government				
City Council	274,095	274,095	199,557	74,538
City Manager	1,442,584	1,459,084	1,306,774	152,310
Finance	646,308	646,308	589,993	56,315
Legal	302,700	277,700	212,730	64,970
Information Systems Administration	655,877	665,877	596,316	69,561
Other - unclassified	1,716,230	1,787,530	1,220,628	566,902
Total general government	5,037,794	5,110,594	4,125,998	984,596
Public safety				
Office of the Chief	725,925	725,925	567,868	158,057
Communications	624,877	624,877	471,726	153,151
Patrol	3,655,179	3,655,179	3,920,793	(265,614)
Criminal investigations	1,605,265	1,605,265	1,599,945	5,320
Administration	805,288	805,288	798,738	6,550
Neighborhood	500,401	500,401	326,222	174,179
Total public safety	7,916,935	7,916,935	7,685,292	231,643
Public works				
Administration	620,499	652,499	500,610	151,889
Building Maintenance	867,212	891,212	835,276	55,936
Equipment Maintenance	502,767	502,767	473,386	29,381
Right of Way	1,097,044	1,097,044	1,069,568	27,476
Solid Waste Management	1,024,939	1,040,859	1,053,139	(12,280)
Urban forest/ City Gardens	559,540	559,540	479,113	80,427
City engineer	332,485	332,485	326,572	5,913
Total public works	5,004,486	5,076,406	4,737,664	338,742

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, 2018**

	Original budget	Final budget	Actual	Variance positive (negative)
Expenditures (Continued)				
Housing and Community Development	\$ 1,773,520	\$ 1,711,675	\$ 1,329,782	\$ 381,893
Recreation and culture				
Recreation	1,923,837	1,938,837	1,748,833	190,004
Library and media	1,941,645	1,941,645	1,783,259	158,386
Total recreation and culture	3,865,482	3,880,482	3,532,092	348,390
Capital outlay	7,921,610	4,822,208	2,071,139	2,751,069
Debt service				
Repayments	910,160	910,160	982,448	(72,288)
Total debt service	910,160	910,160	982,448	(72,288)
Total expenditures	32,429,987	29,428,460	24,464,415	4,964,045
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(7,979,987)	(4,978,460)	(94,847)	4,883,613
Other financing sources (uses)				
Debt issuance	9,000,000	9,000,000	9,125,459	125,459
Transfers				
Special revenue	(450)	(450)	(58,180)	(57,730)
Total other financing sources (uses)	8,999,550	8,999,550	9,067,279	67,729
Excess (deficiency) of revenues over expenditures	1,019,563	4,021,090	8,972,432	4,951,342
Appropriation of fund balance	(1,019,563)	(4,021,090)	-	4,021,090
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 8,972,432	\$ 8,972,432

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, 2018**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Licenses and permits	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Charges for services	695,200	695,200	715,445	20,245
Intergovernmental	113,750	113,750	-	(113,750)
Miscellaneous	5,000	5,000	14,659	9,659
Total revenues	814,950	814,950	730,104	(84,846)
Expenditures				
Public works	455,300	455,300	449,459	5,841
Capital outlay	354,350	354,350	272,918	81,432
Total expenditures	809,650	809,650	722,377	87,273
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	5,300	5,300	7,727	2,427
Net change in fund balance	5,300	5,300	7,727	2,427
Fund balance, beginning of year	191,032	191,032	191,032	-
Fund balance, end of year	<u>\$ 196,332</u>	<u>\$ 196,332</u>	<u>\$ 198,759</u>	<u>\$ 2,427</u>

City of Takoma Park, Maryland

**Non-Major Governmental Funds -
Combining Balance Sheet
June 30, 2018**

	Stormwater Management Fund	Facility Construction Fund	Rehabilitation loans and grants	Total nonmajor governmental funds
Assets				
Cash and temporary investments	\$ 1,044,681	\$ -	\$ 211,499	\$ 1,256,180
Notes receivable, net	-	-	5,273	5,273
Other receivables	15,344	-	-	15,344
Due from other funds	308	207,226	-	207,534
Due from other governments	3,622	-	-	3,622
Total assets	1,063,955	207,226	216,772	1,487,953
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	\$ 1,063,955	\$ 207,226	\$ 216,772	\$ 1,487,953
Liabilities				
Accounts payable	\$ 32,556	\$ -	\$ -	\$ 32,556
Accrued expenditures	2,070	-	-	2,070
Deposits and escrows held	50,925	-	-	50,925
Due to other funds	605,645	207,226	2,138	815,009
Due to other governments	-	-	208,869	208,869
Total liabilities	691,196	207,226	211,007	1,109,429
Deferred inflows of resources	174,000	-	-	174,000
Fund balances				
Restricted	-	-	5,765	5,765
Assigned	198,759	-	-	198,759
Total fund balances	198,759	-	5,765	204,524
Total liabilities, deferred inflows of resources and fund balances	\$ 1,063,955	\$ 207,226	\$ 216,772	\$ 1,487,953

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, 2018**

	Stormwater Management Fund	Facility Construction Fund	Rehabilitation loans and grants	Total nonmajor governmental funds
Revenues				
Charges for service	\$ 715,445	\$ -	\$ -	\$ 715,445
Use of money and property	-	-	426	426
Miscellaneous	14,659	-	-	14,659
Total revenues	730,104	-	426	730,530
Expenditures				
Public works	449,459	-	-	449,459
Capital outlay	272,918	-	-	272,918
Total expenditures	722,377	-	-	722,377
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	7,727	-	426	8,153
Net change in fund balance	7,727	-	426	8,153
Fund balance, beginning of year	191,032	-	5,339	196,371
Fund balance, end of year	\$ 198,759	\$ -	\$ 5,765	\$ 204,524

City of Takoma Park, Maryland

**Combining Statement of Fiduciary Net Position
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)**

			<u>Totals</u>	
	<u>Pension trust</u>	<u>Defined contribution plan</u>	<u>2018</u>	<u>2017</u>
Assets				
Cash and cash equivalents	\$ 683,121	\$ -	\$ 683,121	\$ 373,545
Investments, at fair value				
Equities	9,536,182	413,219	9,949,401	9,220,091
Fixed income	<u>5,641,848</u>	<u>-</u>	<u>5,641,848</u>	<u>4,778,941</u>
Total investments	<u>15,178,030</u>	<u>413,219</u>	<u>15,591,249</u>	<u>13,999,032</u>
Total assets	<u>15,861,151</u>	<u>413,219</u>	<u>16,274,370</u>	<u>14,372,577</u>
Liabilities	-	-	-	-
Deferred inflows of resources	-	-	-	-
Net position				
Held in trust for pension benefits	<u>\$ 15,861,151</u>	<u>\$ 413,219</u>	<u>\$ 16,274,370</u>	<u>\$ 14,372,577</u>

City of Takoma Park, Maryland

**Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)**

	Pension trust	Defined contribution plan	Totals	
			2018	2017
Additions				
Employer contributions	\$ 1,325,199	\$ -	\$ 1,325,199	\$ 1,285,557
Plan member contributions	196,589	-	196,589	189,057
Total contributions and other receipts	1,521,788	-	1,521,788	1,474,614
Investment earnings	1,222,043	33,948	1,255,991	1,486,184
Total additions	2,743,831	33,948	2,777,779	2,960,798
Deductions				
Benefit and refunds paid	811,171	-	811,171	856,595
Administrative expenses	64,816	-	64,816	58,246
Total deductions	875,987	-	875,987	914,841
Change in net position	1,867,844	33,948	1,901,792	2,045,957
Net position held in trust for pension benefits, beginning of year	13,993,307	379,271	14,372,578	12,326,620
Net position held in trust for pension benefits, end of year	<u>\$ 15,861,151</u>	<u>\$ 413,219</u>	<u>\$ 16,274,370</u>	<u>\$ 14,372,577</u>

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Statistical Section

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STATISTICAL SECTION CONTENTS

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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
Net investment in capital assets	\$ 31,715,123	\$ 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
Restricted	18,792,363	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
Unrestricted	(17,509,397)	(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
TOTAL PRIMARY										
GOVERNMENT NET POSITION	<u>\$ 32,998,089</u>	<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>

Note: In 2013, the City implemented GASB 63 and accordingly net assets for the years 2009 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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
EXPENSES										
Governmental activities:										
General government	\$ 4,561,913	\$ 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
Public safety	8,389,476	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
Public works	6,196,806	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
Housing and community development	1,695,425	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
Recreation and culture	3,734,135	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
Interest	397,077	61,417	56,421	100,902	123,274	121,537	250,453	296,666	213,883	250,349
Total primary government expenses	24,974,832	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
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	119,548	106,638	131,619	114,502	111,293	101,876	98,727	80,613	82,479	103,010
Public safety	1,593,374	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
Public works	831,315	546,761	539,786	554,600	535,722	555,926	507,571	484,608	485,424	490,129
Housing and community development	364,385	364,215	345,105	354,256	352,886	335,542	338,930	349,099	328,503	333,619
Recreation and culture	582,329	582,232	521,506	557,605	556,741	531,159	524,168	457,419	308,424	286,090
Operating grants and contributions	5,990,358	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
Capital grants and contributions	231,324	568,579	1,045,237	1,215,053	1,019,166	979,304	774,395	728,089	2,298,112	-
Total primary government program revenues	9,712,633	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
Total primary government net expense	(15,262,199)	(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)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes:										
Property taxes	12,621,930	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
Intergovernmental / unrestricted	4,906,878	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
Unrestricted investment earnings	100,962	37,163	58,265	30,901	27,012	27,248	48,663	46,947	76,217	172,830
Miscellaneous and other	190,974	137,691	240,498	167,602	67,568	14,381	113,509	(9,076)	63,069	53,467
Total primary government	17,820,744	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
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	<u>\$ 2,558,545</u>	<u>\$ 1,012,399</u>	<u>\$ 1,914,395</u>	<u>\$ 2,031,466</u>	<u>\$ 2,190,889</u>	<u>\$ 3,402,669</u>	<u>\$ 3,050,945</u>	<u>\$ 1,898,365</u>	<u>\$ 1,496,978</u>	<u>\$ 1,902,188</u>

City of Takoma Park, Maryland

Table 3

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Nonspendable	\$ 8,271	\$ 12,093	\$ 7,831	\$ 562,529	\$ 70,855	\$ 581,896	\$ 464,978	\$ 383,459	\$ 54,627	\$ 18,175
Restricted	97,031	96,567	96,369	225,496	225,383	225,248	224,978	224,754	224,372	43,949
Committed	14,799,417	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
Assigned	-	-	2,324,965	1,269,153	1,138,984	1,193,243	-	1,539,234	3,417,680	1,559,362
Unassigned	7,165,390	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
Total general fund	<u>\$ 22,070,109</u>	<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>
Total all other governmental funds										
Restricted	\$ 3,895,915	\$ 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
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	198,759	191,032	173,128	252,718	286,956	270,757	282,846	311,814	465,618	381,953
Total	<u>\$ 4,094,674</u>	<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>

Note: In 2011, the City implemented GASB 54 and accordingly fund balances for years 2009 through 2010 have been revised.

City of Takoma Park, Maryland

Table 4

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
REVENUES										
Taxes	\$ 16,511,118	\$ 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
Licenses and permits	107,513	69,718	87,314	76,103	81,746	79,372	81,235	78,664	75,030	72,291
Fines and forfeitures	1,481,042	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
Use of money and property	100,962	37,163	58,265	30,901	27,012	27,248	48,663	46,947	76,217	172,830
Stimulus grant	-	-	-	-	-	-	-	9,486	180,225	-
Charges for services	1,903,705	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
Intergovernmental	7,040,613	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
Miscellaneous	202,638	164,720	257,720	192,746	59,856	90,293	152,662	142,001	299,362	163,841
Total revenues	27,347,591	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
EXPENDITURES										
Current:										
General government	4,453,722	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
Public safety	8,799,645	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
Public works	5,188,251	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
Housing/community development	1,450,871	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
Recreation and culture	3,532,092	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
Capital outlay	3,344,386	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
Debt service:										
Principal	529,500	298,000	1,795,202	273,000	263,500	1,412,893	1,901,052	909,268	665,769	752,343
Interest	452,948	61,898	107,224	111,948	110,029	121,537	242,355	270,587	212,634	231,918
Total expenditures	27,751,415	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
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(403,824)	1,247,328	(412,606)	312,406	750,582	1,926,558	(189,932)	(750,513)	(384,558)	1,634,207
OTHER FINANCING SOURCES (USES)										
Bond/loan proceeds	9,125,459	-	1,579,730	-	-	-	-	1,500,000	1,494,484	-
Sale of property	-	-	-	-	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	-	-	-	-	-	-
Total other financing sources	9,125,459	-	1,579,730	-	-	-	-	1,500,000	1,494,484	-
NET CHANGES IN FUND BALANCES										
	\$ 8,721,635	\$ 1,247,328	\$ 1,167,124	\$ 312,406	\$ 750,582	\$ 1,926,558	\$ (189,932)	\$ 749,487	\$ 1,109,926	\$ 1,634,207
Debt service as a percentage of noncapital expenditures	3.88%	1.56%	7.60%	1.68%	1.71%	7.36%	11.44%	5.86%	3.93%	5.34%

City of Takoma Park, Maryland

Table 5

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

Fiscal Year	General Property Taxes	Utility and Personal Property	Penalties and Interest on Delinquent Tax	Additions and Abatements	Amusement Tax	Income Tax	Highway Tax	Total
2018	\$ 12,094,212	\$ 634,824	\$ 37,561	\$ (46,782)	\$ 127,029	\$ 3,303,938	\$ 360,336	\$ 16,511,118
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

Source: City's financial records.

City of Takoma Park, Maryland

Table 6

Real Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections and Credits	Percentage of Levy Collected	Delinquent Tax Collections and Credits	Total Tax Collections and Credits	Percentage of Total Tax Collections to Tax Levy
2018	\$ 12,052,868	\$12,015,267	99.7%	\$ 54,553	\$ 12,069,820	100.1%
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%

Note (1): In Fiscal Year 2017 and 2018, the total property tax collection to date as a percentage of the annual levy exceeded 100 percent. The excess collections were due to prepayment and overpayment by a number of residents. The Penalty charges and interest were not included in total collections to date.

Source: City's Finance Department.

City of Takoma Park, Maryland

Table 7

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

Fiscal Year	Real Property		Public Utilities		Personal Property		Total		Ratio of Total Assessed to Total	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value ⁽¹⁾	Assessed Value	Estimated Actual Value ⁽²⁾	Assessed Value	Estimated Actual Value ⁽²⁾	Assessed Value	Estimated Actual Value	Estimated Actual Value	
2018	\$ 2,253,714,978	\$ 2,253,714,978	\$ 13,243,860	\$ 13,243,860	\$ 27,475,530	\$ 27,475,530	\$ 2,294,434,368	\$ 2,294,434,368	1.0	0.535
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

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

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

Source: State of Maryland Department of Assessment and Taxation.

City of Takoma Park, Maryland

Table 8

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

Fiscal Year	Direct Tax Rate ⁽¹⁾ Takoma Park General	Overlapping Tax Rates ⁽¹⁾					Direct and Overlapping Total
		State of Maryland	Montgomery County	Maryland - National Capital Park and Planning Commission	Transit District	Recreation Areas	
2018	0.5348	0.1120	0.7414	0.0719	0.0498	0.0254	1.5353
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

(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, 2018**

Fiscal year 2018 real property assessed value	<u>\$ 2,269,258,527</u>
Debt limit - 100% of assessed value	\$ 2,269,258,527
Amount of debt applicable to debt limit - legal debt margin	<u>10,389,000</u>
Legal debt margin	<u>\$ 2,258,869,527</u>

SECTION 823 - AUTHORIZATION TO BORROW MONEY

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

SECTION 824 - PAYMENT OF INDEBTEDNESS

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

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

City of Takoma Park, Maryland

Table 10

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

Year	Population ⁽¹⁾	Assessed Value	Bonded Debt	Capital Leases ⁽²⁾	Ratio of Net Bonded Debt Value	Net Bonded Debt Per Capita
2018	16,715	\$ 2,269,258,527	\$ 10,389,000	-	0.46%	\$621.54
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

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

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

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

Fiscal Year	Principal	Interest	Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures (Percent)
2018	\$ 529,500	\$ 452,948	\$ 982,448 (1)	\$ 27,542,825	3.57%
2017	298,000	61,898	359,898	25,687,768	1.40%
2016	1,836,431	65,994	1,902,425	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	22,702,316	6.76%
2012	1,901,052	242,355	2,143,407	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%

(1) City issued 2017 Series Bond including Transportation and Library Bonds

Source: City's financial records.

Computation of Direct and Overlapping Debt⁽²⁾
June 30, 2018

	Net Debt Outstanding	Percentage Applicable to this Governmental Unit	Share of Debt
Direct debt - City of Takoma Park	<u>\$ 10,389,000</u>	100%	<u>\$ 10,389,000</u>
Direct debt sub-total	<u>10,389,000</u>		<u>10,389,000</u>
Overlapping debt - Montgomery County	10,389,000	1% ⁽¹⁾	103,890
Maryland - National Capital Park and Planning Commission Montgomery County	<u>51,330,000</u>	1% ⁽¹⁾	<u>513,300</u>
Overlapping debt sub-total	<u>61,719,000</u>		<u>617,190</u>
Total direct and overlapping debt	<u><u>\$ 72,108,000</u></u>		<u><u>\$ 11,006,190</u></u>

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

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

Source: Montgomery County Department of Finance.

City of Takoma Park, Maryland

Table 13

**Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽²⁾ (thousands)	Per Capita Income ⁽²⁾	Labor Force ⁽³⁾	Unemployment Rate ⁽⁴⁾	Registered Pupils ⁽⁵⁾
Montgomery County:						
2018	17,765	\$ 90,840,000	\$ 85,948	\$ 562,343	3.4	161,936
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

(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 2009-2016 revised by BEA. Data for 2017-2018 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 2009-2017. Data for 2018 estimated by the Montgomery County Department of Finance based on the percent change from first half of CY2017 to the first half of CY2018.

(4) The unemployment rates for 2009 through 2017 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2018 estimated by the Montgomery County Department of Finance based on the average of the monthly unemployment rates for the first half of 2018.

(5) Montgomery County Executive's Recommended FY19 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 2018			Taxpayer	Fiscal Year 2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
JBG Takoma Retail Center LLC	\$ 34,837,700	1	1.52%	Walgreen Company Commercial	\$ 19,407,258	1	1.15%
Saul Subsidiary I LTD Partnership	32,500,000	2	1.42%	Saul Subsidiary I LTD Partnership	18,630,266	2	1.10%
Orlo Takoma LLC	19,637,200	3	0.86%	Park Ritchie Apartments	9,509,998	3	0.56%
Park Ritchie LLC	18,519,900	4	0.81%	Takoma Park Land LLP	9,319,100	4	0.55%
MHP Parkview Towers LLP(1)	18,362,224	5	0.80%	Franklin Associates	9,000,000	5	0.53%
Takoma Business Center LLC	13,340,800	6	0.58%	Hampshire Lodging LLC	7,297,166	6	0.43%
Takoma Park Land LLP	11,011,600	7	0.48%	Takoma Business Center LLC	7,286,098	7	0.43%
Potomac Electric Power Company(2)	10,492,510	8	0.46%	Tenacity 7333 New Hampshire Ave LLC	7,192,600	8	0.43%
Maple View Apartments LLC	9,123,900	9	0.40%	CPDC Hampshire Towers Rental LLC	6,876,700	9	0.41%
Hampshire Lodging Inc	9,041,300	10	0.39%	Maple View Apartments LLC	6,464,432	10	0.38%
Total	<u>\$ 176,867,134</u>		<u>7.72%</u>	Total	<u>\$ 100,983,618</u>		<u>5.97%</u>

Notes:

- (1) MHP Parkview Towers LLP also operates under MHP Hillwood Manor LLC, 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 2018			Fiscal Year 2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Washington Adventist Hospital	1,300	1	23.28%	1,660	1	43.54%
Montgomery College	816	2	14.62%	300	2	7.87%
Montgomery County Public School	279	3	5.00%	235	3	6.16%
Washington Adventist University (1)	258	4	4.62%	119	5	3.12%
City of Takoma Park	241	5	4.32%	105	7	2.75%
Genesis HealthCare - Sligo Creek Center	92	6	1.65%	-		-
Republic	62	7	1.11%	-		-
Don Bosco Cristo Rey High School	57	8	1.02%	-		-
IHOP	52	9	0.93%	-		-
Takoma Park / Silver Spring Co-Op	49	10	0.88%	-		-
Adventist Healthcare Inc	-		-	150	4	3.93%
Wackenhut Corporation (G4S)	-		-	120	6	3.15%
Takoma Park Symphony Orchestra	-		-	75	8	1.97%
FirstCare Nursing Services	-		-	60	9	1.57%
Board of Education-Prmd Inc.	-		-	60	10	1.57%
Total	3,206		57.43%	2,884		75.63%

Notes:

(1) Formally Columbia Union College

City of Takoma Park, Maryland

Table 16

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
FUNCTION										
General government	16.75	17.25	17.50	17.50	16.95	16.88	16.50	16.50	18.00	18.00
Public safety	65.85	65.64	62.47	62.47	61.83	61.35	59.87	59.49	60.69	60.87
Public works	37.25	37.00	37.00	36.00	34.00	34.00	33.00	33.00	33.38	33.38
Housing and community development	9.38	8.51	9.63	9.75	10.85	11.06	9.79	9.75	10.25	9.50
Recreation and culture	36.22	36.75	36.63	35.14	33.92	28.73	28.57	29.00	32.17	31.69
TOTAL	165.45	165.15	163.23	160.86	157.55	152.02	147.73	147.74	154.49	153.44

Source: City's Finance Department

City of Takoma Park, Maryland

Table 17

Operating Indicators by Function
Last Ten Years

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety:										
Crimes reported	712	481	617	664	528	550	550	565	653	764
Dispatched Calls/Events Handled	15,735	20,000	22,323	21,041	19,762	19,382	20,000	21,495	20,500	19,661
Hours-foot/bike patrol	3,925	2,200	2,263	2,200	2,500	3,000	3,000	3,500	3,600	2,897
Physical arrests	351	366	491	399	400	425	450	464	450	480
Calls for service	12,368	12,000	13,737	14,921	14,921	14,012	15,000	14,179	15,000	14,405
Traffic stops	3,367	8,000	8,585	7,593	7,593	5,370	5,000	7,105	5,300	5,256
Parking tickets processed	4,493	4,567	3,550	3,495	3,495	2,939	3,500	3,228	4,000	4,084
Criminal investigations assigned	187	195	229	239	239	214	350	310	400	426
Criminal cases closed	123	103	90	100	100	107	150	126	140	139
Warrants received for service	311	298	473	403	403	236	450	468	440	475
NCIC Validations (Wanted Items/Persons)	903	906	1,015	1,043	1,043	748	1,150	1,219	1,150	1,129
Number of new nuisance complaints	373	346	183	209	210	245	300	236	364	356
Number of nuisance complaints closed	362	310	169	119	95	200	250	145	364	465
Courtesy Notices issued	373	62	1	280	266	140	210	135	290	390
Handbill and flyers removed	2,049	1,905	3,553	9,915	3,429	1,100	1,000	1,240	737	397
Public Works:										
Permits Processed	488	498	316	297	303	204	193	133	229	297
Vehicles maintained	89	83	82	81	83	80	70	73	74	75
Tons of leaves collected	1,800	1,800	1,750	1,800	1,900	1,900	1,900	2,000	2,100	2,150
Tons of refuse collected	3,237	3,193	3,124	2,990	3,082	3,162	3,284	3,476	3,550	3,513
Tons of recyclables collected	1,320	1,328	1,420	1,506	1,679	1,489	1,470	1,544	1,500	1,662
Tons of yard waste collected	246	168	241	216	491	340	998	765	250	233
Tons of food waste collected	302	212	178	183	150	N/A	N/A	N/A	N/A	N/A
Streets resurfacing (miles)	1	0	1.81	1.70	1.76	2.00	1.00	0.40	0.43	0.44
Storm drains inspected (linear feet)	2,828	5,914	4,877	10,918	7,207	23,854	1,029	8,254	11,000	14,259
New storm drain pipes (linear feet)	637	598	577	272	439	450	1,027	307	N/A	N/A
Replaced storm drain pipes (linear feet)	50	0	260	150	50	88	73	125	50	181
Recreation and culture:										
Library materials circulated	108,900	94,425	96,695	113,074	116,288	114,070	115,973	118,328	105,344	104,083
Library program attendance	18,628	16,798	17,731	16,648	14,612	15,130	14,365	14,682	14,963	13,133
Housing and Community Development:										
Rental housing inspections (Note 4)	15,440	2,850	1,824	3,100	3,164	3,050	3,000	3,059	2,936	3,357
Number of rental licenses issued	386	500	402	402	436	420	420	407	431	341
Landlord certifications issued	241	225	124	234	148	195	215	199	132	130
Landlord and tenant contacts	420	N/A	2,550	2,524	2,605	2,600	2,600	2,706	2,642	2,539
Rent stabilization reports monitored	313	330	329	295	283	260	280	260	251	273
Permit letters issued	291	283	279	268	207	200	234	190	178	185
Rent increase petitions processed	1	0	1	1	2	1	4	2	1	3
General Government:										
Original City TV program hours	296	215	225	287	311	255	268	251	207	201

Source: Various government departments

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

4 - Data was provided by Montgomery County based on a tally of the number of units inspected vs number of buildings inspected

City of Takoma Park, Maryland

Table 18

Capital Asset Statistics by Function
Last Ten Years

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Cars	45	45	45	41	46	45	45	44	42	41
Public Works:										
Sanitation collection trucks	5	5	5	5	5	5	5	6	4	4
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	17.01	16.82	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
Recreation and Culture:										
Parks acreage	8.98	8.98	8.98	8.98	8.98	8.98	8.98	8.98	8.98	8.98
Parks	7	7	7	7	7	7	7	7	7	7
Community Centers	1	1	1	1	1	1	1	1	1	1
Vehicles	2	2	2	2	2	2	2	2	2	2

Sources: Various City departments.

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

City of Takoma Park, Maryland

Table 19

**Miscellaneous Statistical Data
June 30, 2018**

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

	City	School	Park and Planning Commission	Total
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

Number of schools:	
Elementary (public)	2
Intermediate (public)	1
Private	3
Colleges	2
Election:	
Registered voters - November 2015	11,701
Number of votes cast - November 2015	2,581
Percentage voting	22%

Miscellaneous Statistical Data
June 30, 2018
(continued)

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

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

City of Takoma Park, Maryland

Table 20

**Schedule of Insurance in Force
June 30, 2018**

Type of Coverage/Company Name	Policy Number	From	To	Limits of Coverage	Premiums
Commercial General Liability - Local Government Insurance Trust	PLP 542500	07/01/17	⁽¹⁾ 7/01/18	\$3,000,000 aggregate - \$1,000,000/occurrence	\$ 10,888
Public Officials Liability - Local Government Insurance Trust	PLP 542500	07/01/17	⁽¹⁾ 7/01/18	\$3,000,000 aggregate - \$2,500 deductible	\$ 19,306
Police Liability - Local Government Insurance Trust	PLP 542500	07/01/17	⁽¹⁾ 7/01/18	\$3,000,000 aggregate - \$2,500 deductible	\$ 30,767
Comprehensive Auto Liability - Local Government Insurance Trust	PLP 542500	07/01/17	⁽¹⁾ 7/01/18	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	\$ 65,216
Excess Liability - Local Government Insurance Trust	PLP 542500	07/01/17	⁽¹⁾ 7/01/18	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.	\$ 5,280
Building and Contents (includes boiler and machinery) Local Government Insurance Trust	PLP 542500	07/01/17	⁽¹⁾ 7/01/18	Insured to \$14,454,725, \$1,000 deductible.	\$ 13,221
Chesapeake Employers' Insurance Company - Workers' Compensation	-	07/01/17	⁽¹⁾ 7/01/18	Statutory limit	\$ 603,196
Fidelity Bond - United States Insurance Services	Various	Various	⁽¹⁾ Various	\$15,000 to \$100,000 limits	\$ 1,378

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