

**City of Mount Rainier, Maryland**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**June 30, 2020**

---

# City of Mount Rainier, Maryland

## Index

	<u>Page</u>
Independent Auditor's Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Statements	
Statement of Net Position	12
Statement of Activities	13
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	16
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	17
Notes to Financial Statements	18
Required Supplementary Information	
Schedule of Revenues and Expenditures - Budget and Actual - Non-GAAP Budgetary Basis - General Fund - Summarized	40
Schedule of Revenues and Expenditures - Budget and Actual - Non-GAAP Budgetary Basis - General Fund	41
Notes to the Required Supplementary Information	46
Retirement Plan Information	48
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50
Schedule of Findings and Responses	52

## Independent Auditor's Report

To the Mayor and City Council  
Mount Rainier, Maryland

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Mount Rainier, Maryland (the "City"), as of and for the year ended June 30, 2020, 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 and each major fund of the City of Mount Rainier, Maryland as of June 30, 2020, and the respective changes in financial position 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, budgetary comparison information and retirement plan information on pages 4 to 11 and 40 to 49, 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 Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022 on our consideration of the City of Mount Rainier, 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 Mount Rainier, 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 Mount Rainier, Maryland's internal control over financial reporting and compliance.



Baltimore, Maryland  
January 28, 2022

## City of Mount Rainier, Maryland

### Management's Discussion and Analysis June 30, 2020

This section of the City of Mount Rainier, Maryland's (the "City") annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2020. Please read it with the City's financial statements, which immediately follow this section.

#### **Financial Highlights**

- The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$7,660,608 (net position).
- The City's total net position increased by \$844,583.
- As of the close of the fiscal year, the City's governmental funds, which consisted of the General Fund, reported a ending fund balance of \$4,429,201, an increase of \$904,070.

#### **Overview of the Financial Statements**

This Management's Discussion and Analysis is intended to serve as an introduction to the basic financial statements, which consists of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

This report also contains other supplementary information in addition to the basic financial statements.

#### **Government-Wide Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position includes all of the City's non-fiduciary assets and deferred outflow of resources, and liabilities and deferred inflow of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general government, public safety, public works, and community development. The City does not have business-type activities.

The government-wide financial statements can be found on pages 12 and 13 of this report.

## City of Mount Rainier, Maryland

### Management's Discussion and Analysis June 30, 2020

#### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

- Governmental funds
- Proprietary funds
- Fiduciary 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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 effect 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City has one governmental fund, the general fund. This fund is considered a major fund by the City. The basic governmental fund financial statements can be found on pages 14 to 17 of this report. The City does not maintain proprietary or fiduciary funds.

#### **Notes to the Basic 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 18 to 38 of this report.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and retirement plan information, which can be found on pages 40 to 49 of this report.

#### **Government-wide Financial Analysis**

##### **Net Position**

Net position may serve over time as a useful indicator of a government's financial position. The City's combined assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$7,660,608 at the close of the most recent fiscal year.

**City of Mount Rainier, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2020**

The City's combined net position increased by \$844,583. This increase is primarily sales proceeds received from the sale of capital assets partially offset by higher than budgeted expenses approved by the City Council due to the extra resources provided by that sale.

The following table presents a summary of the Statement of Net Position for the City as of June 30, 2020 and 2019:

	Governmental Activities		Percentage Change
	2020	2019	
Assets:			
Current and other assets	\$ 5,429,903	\$ 4,306,954	26%
Capital assets	5,486,882	5,466,676	0%
Total assets	10,916,785	9,773,630	12%
Deferred Outflow of Resources	599,974	463,804	29%
Liabilities:			
Noncurrent liabilities	2,712,871	2,460,989	10%
Other liabilities	887,721	705,701	26%
Total liabilities	3,600,592	3,166,690	14%
Deferred Inflow of Resources	255,559	254,719	0%
Net position:			
Net investment in capital assets	4,537,178	4,583,156	-1%
Restricted	353,881	349,547	1%
Unrestricted	2,769,549	1,883,322	47%
Total net position	\$ 7,660,608	\$ 6,816,025	12%

**Changes in Net Position**

The City's revenue totaled \$8,513,979. Of the City's revenue, 54% comes from property taxes and 81 cents (\$.81) of every dollar comes from some type of tax.

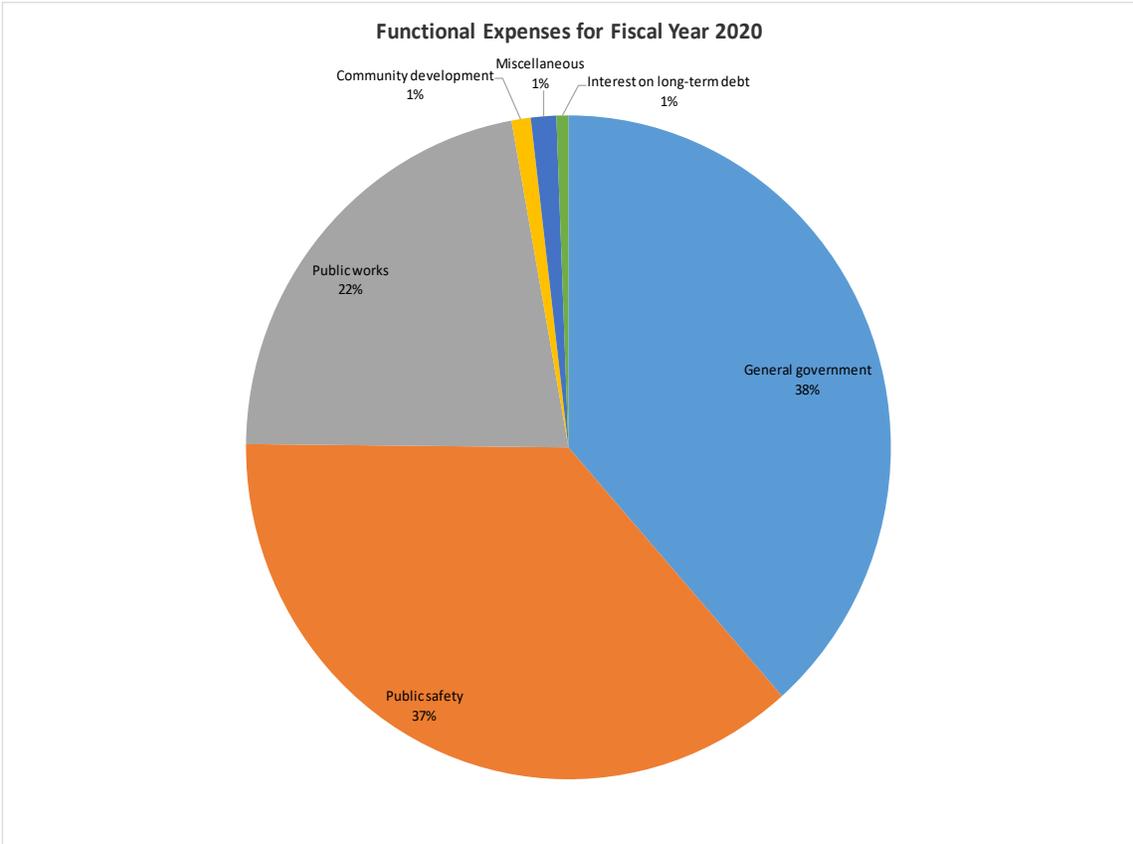
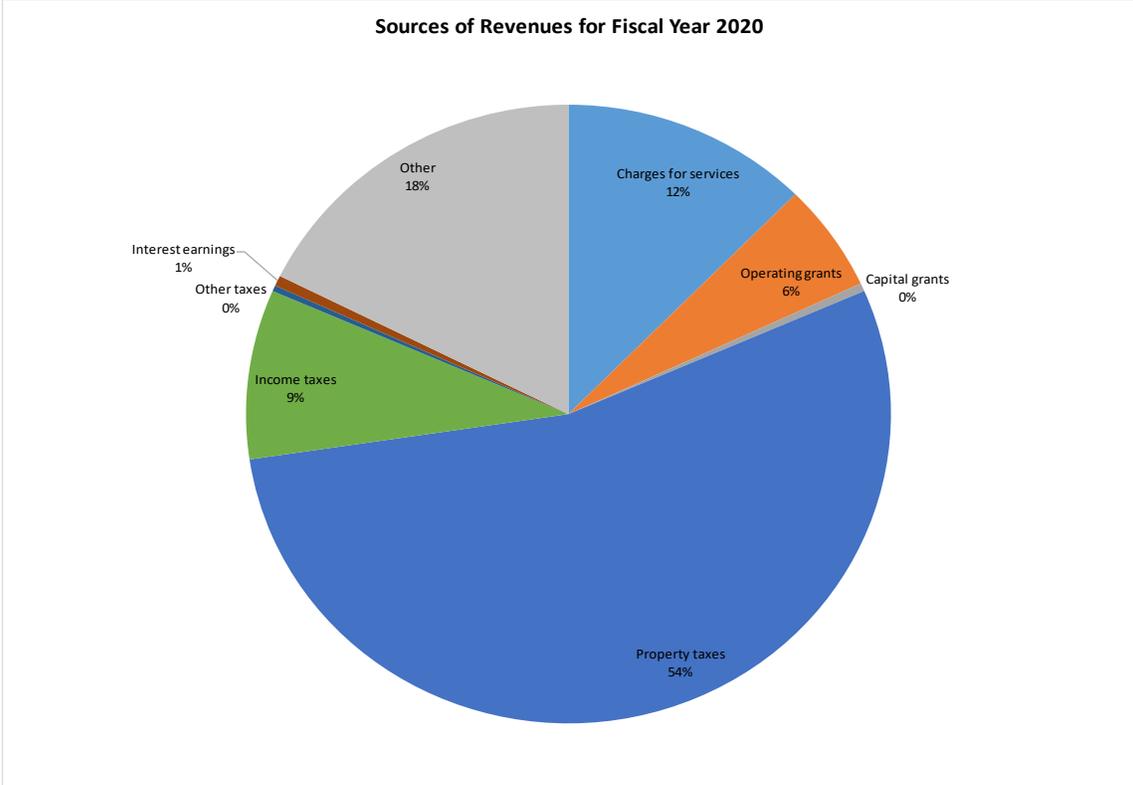
The total cost of all programs and services was \$7,669,396. The City's expenses cover a range of services, with about 37% related to public safety.

**City of Mount Rainier, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2020**

The following table presents a summary of the Statement of Activities for the City for the years ended June 30, 2020 and 2019:

	<u>Changes in Net Position</u>		<u>Percentage Change</u>
	Governmental Activities		
	2020	2019	
Revenues:			
Program revenues:			
Charges for services	\$ 1,057,087	\$ 672,053	57%
Operating grants	481,136	353,893	36%
Capital grants	35,950	-	
General revenues:			
Property taxes	4,611,570	4,360,879	6%
Income taxes	754,059	804,339	-6%
Other taxes	25,822	22,370	15%
Interest earnings	46,449	57,629	-19%
Other	1,501,906	69,271	2068%
	<u>8,513,979</u>	<u>6,340,434</u>	
Total revenues			34%
Expenses:			
General government	2,951,223	2,152,131	37%
Public safety	2,812,798	2,345,524	20%
Public works	1,688,518	1,449,199	17%
Community development	73,560	83,717	-12%
Miscellaneous	97,548	101,371	-4%
Interest on long-term debt	45,749	46,341	-1%
	<u>7,669,396</u>	<u>6,178,283</u>	
Total expenses			24%
Increase in net position	844,583	162,151	421%
Net position - beginning of year	<u>6,816,025</u>	<u>6,653,874</u>	2%
Net position - end of year	<u>\$ 7,660,608</u>	<u>\$ 6,816,025</u>	12%

**City of Mount Rainier, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2020**



City of Mount Rainier, Maryland

Management's Discussion and Analysis  
June 30, 2020

**Fund Financial Statement Analysis**

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

**Governmental Funds**

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. The unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

During the current fiscal year, the previously reported special revenue fund was eliminated and the remaining fund balance of \$27,464 was transferred to the general fund. The general fund represents all governmental fund activity as of June 30, 2020. Total fund balance consists of nonspendable for prepaid items of \$6,332, restricted for public safety of \$353,881, and unassigned of \$4,068,988.

During fiscal year 2020, fund balance for the City's general fund increased by \$904,070 due to an increase of other financing sources related to the proceeds received from the sale of certain land of the City.

**General Fund Budgetary Highlights**

Most of the budget variances are due to greater than budgeted tax revenue and lower than budgeted fines and forfeitures as well as greater than budgeted expenditures for general government and capital expenditures.

**Capital Asset and Debt Administration**

**Capital Assets**

The City's investment in capital assets for its governmental activities as of June 30, 2020 was \$5,486,882 (net of accumulated depreciation). The investment in capital assets includes land/construction in progress, land improvements, buildings and improvements, and equipment and vehicles. The following is a summary of the capital assets net of depreciation.

	Governmental Activities	
	2020	2019
Land/construction in progress	\$ 1,814,314	\$ 2,612,133
Land improvements	1,056,648	402,985
Buildings and improvements	1,750,344	1,748,208
Equipment and vehicles	865,576	703,350
Total	<u>\$ 5,486,882</u>	<u>\$ 5,466,676</u>

Capital assets purchased by the City during the current fiscal year includes equipment and vehicles, building and improvements, and construction in progress totaling \$1,321,831, inclusive of \$324,709 of equipment purchases through capital leases.

**City of Mount Rainier, Maryland**

**Management's Discussion and Analysis  
June 30, 2020**

In March 2020, the City sold a parcel of land it owned at 3200 Rhode Island Avenue for \$1,500,000. After all closing costs were paid, the City received \$1,391,013 in net proceeds. The write-off of the cost of land due to the sale amounted to \$172,598 and is included in deletions of construction in progress and land. In addition, upon the City changing its plan on the redevelopment of 3405 Rhode Island Avenue, there were certain expenses that were primarily for architectural and engineering services that became obsolete that were included in construction in progress. The impairment recognized in fiscal year 2020 amounted to \$699,691 and is included in deletions of construction in progress and land.

**Long-term Debt**

At yearend, the City had \$1,124,631 in outstanding debt. The reduction in long-term debt is attributed to normal annual debt service payments which reduce the outstanding balance of bonds payable as well as the use of related compensated absences by employees of the City throughout the year.

During fiscal year 2020, the City purchased several vehicles by way of leasing. All of the leases are for a four-year term with quarterly payments. The total cost of the vehicles, and the initial value of the leases, was \$324,709.

	Governmental Activities	
	2020	2019
Bonds payable	\$ 665,863	\$ 883,520
Capital lease obligations	283,841	-
Accumulated compensated absences	174,927	133,379
Total	<u>\$ 1,124,631</u>	<u>\$ 1,016,899</u>

**Maintaining the Conditions of the City's Infrastructure**

The City sets aside funds in the Capital Improvement Plan regarding upgrades and improvements to the various streets and sidewalks within the community. Funding is also set aside to work on bridges and connections that have not been maintained.

**Economic Factors and Next Year's Budget and Rates**

- Actual revenues for fiscal year 2021 are expected to increase over levels for fiscal year 2020.
- Salaries expense for fiscal year 2021 includes a 3% increase.
- Real property tax rates for fiscal year 2021 were reduced to 81 cents (\$0.81) per \$100 of assessed valuation.

**COVID Relief Funding**

The City has been awarded significant COVID relief monies to be used over multiple fiscal years. In FY20, the City received \$495,000 in COVID Relief Act funds to reimburse additional expenses related to the impact of COVID. \$108,387 was used in FY20 and the balance will be used in FY21. In March of 2021, The City was awarded \$5.4 million American Rescue Plan Act / Coronavirus Local Fiscal Recovery Funds to be spent in Fiscal Years '22, '23 and '24. This money is earmarked for reimbursing revenue loss, community assistance, bonus pay, and investments in stormwater management, sewer improvements and broadband.

**City of Mount Rainier, Maryland**  
**Management's Discussion and Analysis**  
**June 30, 2020**

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office, City of Mount Rainier, One Municipal Place, Mount Rainier, Maryland 20712.

**City of Mount Rainier, Maryland**

**Statement of Net Position  
June 30, 2020**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments	\$ 4,568,912
Taxes receivable, net	159,471
Prepaid items	6,332
Due from other governments	590,809
Other receivables	104,379
Capital assets	
Nondepreciable assets	1,814,314
Depreciable assets, net of accumulated depreciation	3,672,568
 Deferred outflow of resources	
Deferred outflows - pension related	<u>599,974</u>
 Total assets and deferred outflow of resources	<u>11,516,759</u>
 <b>Liabilities</b>	
Accounts payable and accrued expenses	255,103
Accrued salaries and fringe benefits	213,953
Unearned grant revenues	40,957
Liability for seized assets	72,941
Long-term debt	
Due within one year	304,767
Due in more than one year	819,864
Net pension liability	1,893,007
 Deferred inflow of resources	
Deferred inflows - pension related	<u>255,559</u>
 Total liabilities and deferred inflow of resources	<u>3,856,151</u>
 <b>Net position</b>	
Net investment in capital assets	4,537,178
Restricted	
Public safety	353,881
Unrestricted	<u>2,769,549</u>
 Total net position	<u><u>\$ 7,660,608</u></u>

See Notes to Financial Statements.

**City of Mount Rainier, Maryland**

**Statement of Activities  
Year Ended June 30, 2020**

Functions/programs	Expenses	Program revenue			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	\$ 2,951,223	\$ 822,459	\$ 20,576	\$ 35,950	\$ (2,072,238)
Public safety	2,812,798	233,218	101,752	-	(2,477,828)
Public works	1,688,518	1,410	358,808	-	(1,328,300)
Community development	73,560	-	-	-	(73,560)
Miscellaneous	97,548	-	-	-	(97,548)
Debt service - interest	45,749	-	-	-	(45,749)
Total governmental activities	<u>7,669,396</u>	<u>1,057,087</u>	<u>481,136</u>	<u>35,950</u>	<u>(6,095,223)</u>
General revenues					
Property taxes					4,611,570
Income taxes					754,059
Other taxes					25,822
Interest and investment earnings					46,449
Miscellaneous					<u>1,501,906</u>
Total general revenues					<u>6,939,806</u>
Change in net position					844,583
Net position - beginning					<u>6,816,025</u>
Net position - end					<u><u>\$ 7,660,608</u></u>

See Notes to Financial Statements.

**City of Mount Rainier, Maryland**

**Balance Sheet -  
Governmental Funds  
June 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and investments	\$ 4,568,912	\$ -	\$ 4,568,912
Taxes receivable (net of allowance of \$92,521)	159,471	-	159,471
Prepaid items	6,332	-	6,332
Due from other governments	590,809	-	590,809
Other receivables	104,379	-	104,379
	<hr/>	<hr/>	<hr/>
Deferred outflow of resources	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets and deferred outflow of resources	<u>\$ 5,429,903</u>	<u>\$ -</u>	<u>\$ 5,429,903</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 255,103	\$ -	\$ 255,103
Accrued salaries	213,953	-	213,953
Liability for seized assets	72,941	-	72,941
	<hr/>	<hr/>	<hr/>
Total liabilities	541,997	-	541,997
	<hr/>	<hr/>	<hr/>
Deferred inflow of resources	458,705	-	458,705
	<hr/>	<hr/>	<hr/>
Fund balances			
Nonspendable for prepaid items	6,332	-	6,332
Restricted			
Public safety	353,881	-	353,881
Unassigned	4,068,988	-	4,068,988
	<hr/>	<hr/>	<hr/>
Total fund balances	4,429,201	-	4,429,201
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 5,429,903</u>	<u>\$ -</u>	<u>\$ 5,429,903</u>

See Notes to Financial Statements.

**City of Mount Rainier, Maryland**

**Reconciliation of Total Governmental Fund Balance  
to Net Position of Governmental Activities  
June 30, 2020**

Total fund balance, governmental funds	\$	4,429,201
<p>Amounts reported in governmental activities in the Statement of Net Position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Cost of capital assets	\$ 9,003,022	
Accumulated depreciation	<u>(3,516,140)</u>	5,486,882
Deferred inflow of resources consist of revenues that do not provide financial resources within the period of availability		417,748
Deferred outflow of resources - pension obligation		599,974
Deferred inflow of resources - pension obligation		(255,559)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
General obligation bonds payable	(665,863)	
Capital leases payable	(283,841)	
Net pension liability	(1,893,007)	
Accrued vacation leave	<u>(174,927)</u>	<u>(3,017,638)</u>
Net position of governmental activities	\$	<u><u>7,660,608</u></u>

See Notes to Financial Statements.

**City of Mount Rainier, Maryland**

**Statement of Revenues, Expenditures and Changes  
in Fund Balance - Governmental Funds  
Year Ended June 30, 2020**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 5,283,701	\$ -	\$ 5,283,701
Licenses and permits	791,548	-	791,548
Intergovernmental	627,693	-	627,693
Charges for services	24,032	-	24,032
Fines and forfeitures	216,682	-	216,682
Miscellaneous	154,100	-	154,100
Interest and investment earnings	46,449	-	46,449
<b>Total revenues</b>	<b>7,144,205</b>	<b>-</b>	<b>7,144,205</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	2,056,523	-	2,056,523
Public safety	2,618,409	-	2,618,409
Public works	1,511,042	-	1,511,042
Community development	73,560	-	73,560
Miscellaneous	97,548	-	97,548
<b>Debt service</b>			
Principal	258,525	-	258,525
Interest	45,749	-	45,749
<b>Capital outlay</b>	<b>1,321,832</b>	<b>-</b>	<b>1,321,832</b>
<b>Total expenditures</b>	<b>7,983,188</b>	<b>-</b>	<b>7,983,188</b>
<b>Deficiency of revenues over expenditures</b>	<b>(838,983)</b>	<b>-</b>	<b>(838,983)</b>
<b>Other financing sources (uses)</b>			
Transfer in (out)	27,464	(27,464)	-
Proceeds from purchase of capital lease	324,709	-	324,709
Proceeds from disposition of capital asset	1,390,880	-	1,390,880
<b>Total other financing sources</b>	<b>1,743,053</b>	<b>(27,464)</b>	<b>1,715,589</b>
<b>Net change in fund balances</b>	<b>904,070</b>	<b>(27,464)</b>	<b>876,606</b>
<b>Fund balances - beginning</b>	<b>3,525,131</b>	<b>27,464</b>	<b>3,552,595</b>
<b>Fund balances - end</b>	<b>\$ 4,429,201</b>	<b>\$ -</b>	<b>\$ 4,429,201</b>

See Notes to Financial Statements.

**City of Mount Rainier, Maryland**

**Reconciliation of Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balance to the Statement of Activities  
Year Ended June 30, 2020**

Net change in fund balances - total governmental funds \$ 876,606

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 in the current period.

Capital outlays	\$ 1,321,831	
Depreciation	<u>(427,378)</u>	894,453

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (874,247)

The issuance of long-term debt provides financial resources to governmental funds while the repayment of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position:

Proceeds	(324,709)	
Repayments	<u>258,525</u>	(66,184)

Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenses. 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 increase in "unavailable" revenues at the end of the year over the amount at the beginning of the year. 151,492

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, such as net pension liability and accrued vacation leave.

Net pension expense	(95,989)	
Change in accrued vacation leave	<u>(41,548)</u>	<u>(137,537)</u>

Change in net position of governmental activities	\$	<u><u>844,583</u></u>
---	----	-----------------------

See Notes to Financial Statements.

## City of Mount Rainier, Maryland

### Notes to Financial Statements June 30, 2020

#### Note 1 - Summary of significant accounting policies

The City of Mount Rainier, Maryland (the "City") was incorporated in 1910. The City operates under a Council-Manager form of government. The City's major operations include police protection, parks, public works, community development and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

#### Financial reporting entity

These financial statements include the accounts of all City operations. As defined by the Codification of Governmental Accounting and Financial Reporting Standards, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City. Based on the aforementioned criteria, the City of Mount Rainier has no component units.

#### Basic financial statements - government-wide statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police protection, parks, public works, community development and general and administrative services are classified as governmental activities. The City has no business-type activities.

In the government-wide Statement of Net Position, the governmental activity column is presented on a consolidated basis by column and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property, income and certain other taxes and intergovernmental revenues). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, community development, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenue (property and income taxes, other intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

## City of Mount Rainier, Maryland

### Notes to Financial Statements June 30, 2020

#### **Basic financial statements - fund financial statements**

The financial transactions of the City are reported as an individual fund in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. GASBS No. 34 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

#### **Governmental funds**

The focus of the governmental funds' measurement (in the fund statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The City reports the following major governmental fund and fund type:

*General fund* - The general fund is the City's primary operating fund. It is used to account for and report all financial resources except those required to be accounted for in another fund.

The activities reported in this fund is reported as governmental activities in the government-wide statements. During the current fiscal year, the previously reported special revenue fund was eliminated and the remaining fund balance of \$27,464 was transferred to the general fund.

#### **Basis of accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Position and the Statement of Activities presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the related liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported 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 can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to accrued vacation leaves and claims and judgements are recorded only when payment is due.

## City of Mount Rainier, Maryland

### Notes to Financial Statements June 30, 2020

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

#### **Financial statement presentation**

*Cash and investments* - The City has defined cash and cash equivalents to include cash on hand, demand deposits, savings accounts, and certificates of deposits. Short-term investments are stated at amortized cost, and consist of investments in the Maryland Local Government Investment Pool ("MLGIP"). In order to maximize investment interest income, cash amounts in all governmental funds that are available for longer periods of investment are invested on a pooled basis. Investments are stated at cost, which approximates market.

*Interfund receivables and payables* - During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds."

*Receivables* - In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, franchise taxes, and grants.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

*Capital assets* - The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide statements* - In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated capital assets, which are recorded at their acquisition value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. The City defines capital assets as those which have an acquisition cost or donated value of at least \$1,000 and an estimated life of more than one year. The City capitalizes infrastructure assets (any road, street, or sidewalk) with a cost of at least \$100,000. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations.

**City of Mount Rainier, Maryland**

**Notes to Financial Statements  
June 30, 2020**

Capital assets are being depreciated over the following lives or the lesser of the useful life of the asset or the lease period for capital leases:

Buildings	25 - 50 years
Improvements	10 - 50 years
Machinery and equipment	3 - 20 years

*Fund financial statements* - In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. When assets are sold or otherwise disposed of, the net proceeds from the sale are included in other financing sources in the statement of revenues, expenditures and changes in fund balance.

*Impairment* - In accordance with GASB 42, *Accounting and Financial Reporting for Impairment of Capitals Assets and for Insurance Recoveries*, the Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, the Authority compares the carrying amount of the capital asset to its fair value to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value.

*Deferred outflows of resources* - In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows 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. The City has one item that qualifies for reporting in this category, a deferred charge for pension activity reported in the government-wide statement of net position. The deferred charge for pension activity is a result of smoothing differences in actual versus expected experience, projected versus actual investment earnings and changes in assumptions. The amounts for experience and changes in assumptions are recognized over the remaining future working lifetime of all participants in the pension plans and the variance in projected versus actual investment earnings is recognized over a five-year period.

*Long-term debt* - The accounting treatment of long-term debt depends on whether the related assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, accrued vacation leave and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financial sources and payment of principal and interest is reported as expenditures.

*Accrued vacation leave* - The City's policy regarding vacation time permits employees to accumulate earned but unused vacation leave. The City allows the employees upon termination to be paid for their accumulated annual leave up to a maximum of 288 hours, based on their length of employment. In addition, police officers can accrue and will be compensated for a maximum of 240 comp-time hours. The liability for accrued vacation leave is recorded as long-term debt in the government-wide statements.

## City of Mount Rainier, Maryland

### Notes to Financial Statements June 30, 2020

*Deferred inflows of resources* - In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. One item qualifies for reporting in this category, a deferred amount for pension activity, which is a result of smoothing differences in actual versus expected experience, projected versus actual investment earnings and from a change in assumptions. The deferred amount for pension activity is only reported in the government-wide statement of net position. The amounts for experience and changes in assumptions are recognized over the remaining future working lifetime of all participants in the pension plans and the variance in projected versus actual investment earnings is recognized over a five-year period. The City reports unavailable revenues from income taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City had governmental deferred inflows of \$353,499 relating to income taxes, and \$80,381 of grant revenues, and \$24,825 of residential rental licenses.

#### *Equity classifications*

*Government-wide statements* - Government-wide net position is divided into three components:

- Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position - consists of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the City less related liabilities).
- Unrestricted - all other net position is reported in this category.

When both restricted and unrestricted net positions are available for use, generally it is the City's policy to use restricted resources first. For projects funded with tax-exempt debt proceeds and other sources, the debt proceeds are used first.

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

- Nonspendable fund balance - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact, such as prepaid items.
- Restricted fund balance - Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed fund balance - Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance.
- Assigned fund balance - Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the City Council.
- Unassigned fund balance - All amounts not included in other spendable classifications.

## City of Mount Rainier, Maryland

### Notes to Financial Statements June 30, 2020

When both restricted and unrestricted sources (the total of committed, assigned, and unassigned fund balance) are available for use, generally it is the City's policy to use restricted resources first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Revenues, expenditures, and expenses**

*Property tax calendar and revenues* - The City is responsible for levying property taxes, but the taxes are collected by the County. Taxes are levied on July 1 based on assessed values from the State. Property taxes are due in semi-annual installments (due September 30 and December 31) for residential property or one installment (due September 30) for nonresidential property. Delinquent property taxes are attached as an enforceable lien on the underlying properties, which are sold at public auction in May of the following year, by Prince George's County.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end.

*Expenditure/expense* - In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified by governmental function (i.e., general government, public safety, public works, community development and miscellaneous), debt service and capital outlay expenditures.

In the fund financial statements, governmental funds report expenditures of financial resources.

*Interfund activity* - Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

*Accounting estimates* - The preparation of financial statements in accordance with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

*Pension accounting* - Any net pension liability or asset is calculated on an actuarial basis consistent with the requirements of GASB Statement No. 68 - Accounting and Financial Reporting for Pensions. Expenditures are recognized when paid or are expected to be paid with current available resources. The net pension liability (asset) is reported in the government-wide financial statements.

#### **Note 2 - Stewardship, compliance and accountability**

##### **Budgetary information**

A formal budget is adopted and formal budgetary accounting is employed as a management control for the general fund and special revenue fund. The City Council approves, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent transfer of funds between major appropriations for different purposes must be approved by the Council before becoming effective. All appropriations lapse at the end of the budget year to

**City of Mount Rainier, Maryland**

**Notes to Financial Statements  
June 30, 2020**

the extent that they have not been expended even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services (i.e. purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of subsequent year's budget.

The legal level of budgetary control (that is, the level at which expenditures cannot exceed budgeted appropriations) is at the department level. However, with proper approval by the City Council, budget transfers can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments made by the City Council.

**Note 3 - Cash and investments**

**Cash**

At year-end, the carrying amount of the City's deposits (including cash on hand of \$1,200) was \$1,927,881 and the corresponding bank balances were \$2,155,484. Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year-end, \$250,000 of the City's deposits were covered by federal depository insurance and \$1,905,484 was covered by collateral held by the City's agent in the City's name.

**Investments**

As of June 30, 2020, the City's investments were pooled in the state created Maryland Local Government Investment Pool ("MLGIP"). The values of those investments were \$2,641,031. Reconciliation of cash and investments as shown on the Statement of Net Position:

Carrying amounts of deposits	\$ 1,927,881
Carrying amounts of investments	<u>2,641,031</u>
	<u>\$ 4,568,912</u>
Per statement of net position cash and investments	<u>\$ 4,568,912</u>

*Investment 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 between thirty days to one year in order to remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. City 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 as of June 30, 2020, met the City investment policy as of that date. Investment income was \$45,793 for the year ended June 30, 2020.

*Credit risk* - The investment policy of the City permits investments in the following types of investments as authorized by the State of Maryland: direct U.S. obligations, U.S. agency obligations, repurchase agreements, bankers' acceptances, municipal securities, commercial paper, and money market mutual funds. The City is also a participant in the Maryland Local Government Investment

## City of Mount Rainier, Maryland

### Notes to Financial Statements June 30, 2020

Pool ("MLGIP"), which provides all local government units of the State of Maryland an investment vehicle for short-term investment of funds. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the Maryland State Treasurer. Participation is voluntary and eligibility is regulated by MLGIP Local Government Article. The City adopted Governmental Accounting Standards Board Statement 79, "Certain External Investment Pools and Pool Participants," which requires disclosure of specific criteria regarding external investment pools. The MLGIP is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940 at \$1 per share value. Financial statements and required supplemental information for the MLGIP can be obtained in writing from: Maryland Local Government Investment Pool; c/o PNC Institutional Investments Group; One East Pratt Street; Baltimore, Maryland, 21202; by calling 1-800-492-5160, or the website, [www.mlgip.com](http://www.mlgip.com).

The MLGIP is rated AAAM by Standard & Poor's, their highest rating for money market mutual funds.

*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 investments of the City were not exposed to custodial credit risk as of June 30, 2020.

*Foreign currency risk* - The City's investment policy does not allow for investments denominated in foreign currencies.

#### **Note 4 - Property taxes**

Real estate and personal property taxes are levied based on assessments determined by the State of Maryland.

Real estate taxes are levied on July 1 and are payable either by September 30 or in two equal installments on September 30 and December 31. Penalties and interest are charged thereafter. Liens are placed on delinquent property on the second Monday in May. Sale of property because of tax liens is conducted by Prince George's County.

Personal property taxes are levied throughout the year when the assessment is received from the State. They are payable 30 days after levy.

Real and personal property taxes are levied at rates enacted by the Mayor and City Council in the annual budget on the assessed value as determined by the Maryland State Department of Assessments and Taxation. Prince George's County collects all taxes billed and the City receives its share in monthly installments from the County. City property tax revenues are recognized when levied to the extent that they result in current receivables. The tax rate for fiscal year ended June 30, 2020 was \$0.81 per \$100 of assessed value for real property, \$.99 per \$100 of assessed value for business personal property, and \$2.75 per \$100 of assessed value for public utility and railroad personal property.

**City of Mount Rainier, Maryland**

**Notes to Financial Statements  
June 30, 2020**

**Note 5 - Capital assets**

Capital asset activity for the year ended June 30, 2020 is as follows:

	Beginning balance	Increase	Decrease	Ending balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Government activities				
Capital assets not being depreciated				
Land	\$ 1,659,727	\$ -	\$ (172,598)	\$ 1,487,129
Construction in progress	952,406	106,470	(731,691)	327,185
	<u>2,612,133</u>	<u>106,470</u>	<u>(904,289)</u>	<u>1,814,314</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Land improvements	489,261	721,761	-	1,211,022
Buildings and improvements	3,481,672	105,530	-	3,587,202
Equipment and vehicles	2,692,819	420,070	(722,405)	2,390,484
	<u>6,663,752</u>	<u>1,247,361</u>	<u>(722,405)</u>	<u>7,188,708</u>
Total capital assets being depreciated				
Less accumulated depreciation for				
Land improvements	86,276	68,098	-	154,374
Buildings and improvements	1,733,464	103,394	-	1,836,858
Equipment and vehicles	1,989,469	255,886	(720,447)	1,524,908
	<u>3,809,209</u>	<u>427,378</u>	<u>(720,447)</u>	<u>3,516,140</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>2,854,543</u>	<u>819,983</u>	<u>(1,958)</u>	<u>3,672,568</u>
Capital assets, net	<u>\$ 5,466,676</u>	<u>\$ 926,453</u>	<u>\$ (906,247)</u>	<u>\$ 5,486,882</u>

Depreciation expense was charged to functions/programs of the City as follows:

General government	\$ 70,230
Public safety	178,049
Public works	179,099
	<u>          </u>
Total	<u>\$ 427,378</u>

**City of Mount Rainier, Maryland**

**Notes to Financial Statements  
June 30, 2020**

**Note 6 - Due from other governments**

As of June 30, 2020, the balance due from other governments consisted of the following:

State of Maryland		
Local income tax	\$	293,836
Income tax		65,774
Highway user fees		44,753
Disposal fee rebate		5,545
Maryland State Highway Administration ("MD SHA")		8,376
COVID-19 relief funds		108,387
Climate change grant		11,518
Library grant		35,950
Local		
Chesapeake Bay Trust grant		<u>16,670</u>
Total	\$	<u><u>590,809</u></u>

**Note 7 - Long-term debt**

The City issues general obligation bonds and other indebtedness to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and are pledged on the full faith and credit of the City.

**General obligation bonds**

In December 2008, the City issued its Series I-2008 bond in the amount of \$1,250,000. The bonds were issued for the purpose of funding the purchase of the Bass property. The bonds are due in semi-annual principal installments beginning June 4, 2009 and ending December 4, 2021. Interest is due semi-annually at the rate of 4.79%.

Debt service requirements to maturity for the Series I-2008 bonds are as follows as of June 30, 2020:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 112,156	\$ 5,623	\$ 117,779
2022	<u>31,088</u>	<u>768</u>	<u>31,856</u>
	<u>\$ 143,244</u>	<u>\$ 6,391</u>	<u>\$ 149,635</u>

In January 2010, the City issued its Series I-2010 bond in the amount of \$1,500,000. This bond was issued to pay off the 1996 Series "A" loan and 1997 Series "A" loan, which totaled \$821,234. The City received \$678,766 from the remainder of the bond, which was used to purchase land and building known as the Funeral Home property. The bonds are due in semi-annual payments with the final payment being due on December 30, 2024. Interest is due semi-annually at 4.3%.

**City of Mount Rainier, Maryland**

**Notes to Financial Statements  
June 30, 2020**

Debt service requirements to maturity for the Series I-2010 bonds are as follows as of June 30, 2020:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 115,488	\$ 21,239	\$ 136,727
2022	120,508	16,221	136,729
2023	125,745	10,983	136,728
2024	131,210	5,518	136,728
2025	29,668	636	30,304
	<u>\$ 522,619</u>	<u>\$ 54,597</u>	<u>\$ 577,216</u>

**Capital leases**

During the current fiscal year, the City executed lease agreements to lease eight vehicles under four separate capital leases expiring by the year 2024. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated useful lives.

Amortization of the assets under the capital leases is included in depreciation for fiscal year 2020.

Assets under capital leases recorded in capital assets being depreciated in the statement of net position as of June 30, 2021 were as follows:

Vehicles	\$ 324,709
Less: accumulated depreciation	<u>(37,226)</u>
Assets acquired under capital leases, net	<u><u>\$ 287,483</u></u>

Future minimum lease payments, by year and in the aggregate, under the capital leases are as follows:

Year ending June 30, 2021	\$ 90,564
2022	90,564
2023	90,564
2024	<u>40,650</u>
Total minimum lease payments	312,342
Less: interest payments	<u>28,501</u>
Present value of minimum capital lease payments	<u><u>\$ 283,841</u></u>

**City of Mount Rainier, Maryland**

**Notes to Financial Statements  
June 30, 2020**

**Changes in long-term debt**

The following is a summary of changes in general long-term debt:

	Balance July 1, 2019	Increase	Decrease	Balance June 30, 2020	Due within one year
General obligation bonds	\$ 883,520	\$ -	\$ (217,657)	\$ 665,863	\$ 227,644
Capital leases	-	324,709	(40,868)	283,841	77,123
Accrued vacation leave	133,379	174,928	(133,380)	174,927	-
Net pension liability	1,661,688	231,319	-	1,893,007	-
<b>Total</b>	<b>\$ 2,678,587</b>	<b>\$ 730,956</b>	<b>\$ (391,905)</b>	<b>\$ 3,017,638</b>	<b>\$ 304,767</b>

**Note 8 - Fund balance**

Fund balance for the general fund consists of the following: (1) Nonspendable fund balance of \$6,332 inclusive of prepaid items, (2) Restricted fund balance of \$353,881 inclusive of funds generated from a previous speed monitoring program that has been restricted for public safety programs, and (3) unassigned balance of \$4,068,988.

**Note 9 - Retirement plans**

**Accounting principles**

The City adopted GASB No. 68 - Accounting and Financial Reporting for Pensions ("GASB 68") during the year ended June 30, 2015. The City participates in the Maryland State Retirement and Pension System (the "System") and qualifies as a Participating Governmental Unit ("PGU") in the plan. The State Retirement Agency (the "Agency") is the plan administrator and fiduciary for the plan. 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 System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement Pension System, Judges' Retirement System, and the Law Enforcement Officers' Pension System ("LEOPS"). The City's employees participate in the Employees' Retirement and Pension Systems ("ECS"). The City's proportionate share is based on total System contributions and approximates 0.0091779% as of the measurement date of June 30, 2019.

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

The City's employees who participate in ECS were required to contribute five or seven percent of their earnable compensation depending on the retirement option selected, as stipulated by the System. The City contributed \$201,847 to the System for fiscal 2020 which was actuarially determined based on statutory provisions. The City has also recognized in Pension Expense; its proportionate share of the City'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

**City of Mount Rainier, Maryland**

**Notes to Financial Statements  
June 30, 2020**

net difference between projected and actual investment earnings on pension plan assets; the difference between actual and expected experience, change in assumptions and change in proportionate share; and its proportionate share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions, net difference between projected and actual investment earnings on pension plan assets, change in proportionate share and contributions made subsequent to the measurement date.

**Basis of presentation and basis of accounting**

1. Employers participating in the System's cost-sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014 in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) provide employers with the required information for financial reporting. The System's financial statements are prepared on the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") that apply to governmental accounting for fiduciary funds.
2. Actual employer contributions billed to participating government units for the year ended June 30, 2019 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. Because the State of Maryland contributed 100% of the actuarial determined contributions, there were no adjustments for the year ended June 30, 2019.
3. The components of the calculation of the net pension liability for the System as of June 30, 2019, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total pension liability	\$ 74,569,030,000
Less: plan fiduciary net position	<u>53,943,420,000</u>
Net pension liability	<u>\$ 20,625,610,000</u>
Plan fiduciary net position as a percentage of total	<u>72.34%</u>

**Actuarial assumptions**

As of the measurement date of June 30, 2019:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, 25 year Closed
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.65% general, 3.15% wage
Salary Increases	3.10% to 11.6% including inflation
Discount Rate	7.40%
Investment Rate of Return	7.40%

**City of Mount Rainier, Maryland**

**Notes to Financial Statements  
June 30, 2020**

Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2014-2018
Mortality	Public Sector 2010 Mortality Tables with generational mortality projections using scale MP-2018, calibrated to MSRPS experience
Note	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2019 valuation. Investment return assumption and Discount Rate changed from 7.45% to 7.40% from the 2018 to 2019 valuation. Inflation assumption changed from 2.65% to 2.60% from 2017 to 2018 valuation and 2.60% to 2.65% from 2018 to 2019 valuation. Inflation wages went from 3.15% to 3.10% from 2017 to 2018 valuation and 3.10% to 3.15% from 2018 to 2019 valuation. Asset valuation changed from 5.67-year to 5-year from 2017 to 2018 valuation and 5.67-year to 5-year from 2018 to 2019 valuation.

Investments

The long-term expected rate of return on the 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 geometrical real rates of return were adopted by the Pension System's Board after considering input from the Pension System's investment consultant(s) and actuary(s). 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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Public equity	37%	6.30%
Private equity	13%	7.50%
Rate sensitive	19%	1.30%
Credit opportunity	9%	3.90%
Real assets	14%	4.50%
Absolute return	8%	3.00%
 Total	 <u>100%</u>	

The above was the 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, 2019.

**City of Mount Rainier, Maryland**

**Notes to Financial Statements  
June 30, 2020**

**Discount rate**

A single discount rate of 7.40% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that the 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 plans 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the net pension liability**

The following presents the plan's net pension liability, calculated using a single discount rate of 7.40%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% decrease to 6.40%	Current discount rate 7.40%	1% increase to 8.40%
Total System net pension liability	\$ 29,853,506,000	\$ 20,625,610,000	\$ 12,939,936,000
Total City's proportionate share of net pension liability	\$ 2,739,925	\$ 1,893,007	\$ 1,187,614

**State retirement and pension system of Maryland**

**Plan description**

All permanent, full-time employees of the City are eligible to participate in the retirement plans of the State Retirement and Pension System of Maryland (the "System"). The System is a cost sharing multiple-employer defined benefit pension plan administered in accordance with Article 73B of the annotated Code of Maryland by the State Retirement Agency of Maryland ("SRA") to provide survivor, disability, and retirement benefits to State and local government employees, teachers, police, correctional and law enforcement officers, judges, and legislators. The SRA operates under the direction of a 15-member Board of Trustees, which establishes policy, oversees investments, and represents various employee interests. The Maryland State Retirement and Pension System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Baltimore, Maryland 21202-1600, calling (800) 492-5909 or visiting [www.sra.state.md.us/Agency/Downloads/CAFR](http://www.sra.state.md.us/Agency/Downloads/CAFR). The State of Maryland is obligated for the payment of all pension annuities, retirement allowances, refunds, reserves and other benefits of the System. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies and administrative budget. The System is a component unit of the State of Maryland's financial reporting entity and is included in the State's financial statements as a pension trust fund.

Eligible employees participate in one of two State sponsored plans:

- a. The Employees' Retirement System, established October 1, 1941 (closed to all new members in January 1980). Membership is a condition of employment. Members participate under one of three options: Plan A - member elected to pay a higher contribution rate to maintain all benefits, including unlimited cost-of-living adjustments; Plan B - member continued pre-1984

## City of Mount Rainier, Maryland

### Notes to Financial Statements June 30, 2020

contribution rate to maintain all benefits except unlimited cost of living. Cost of living adjustments are capped at 5%; Plan C - member chose a combination, or two-part ("bifurcated") benefit. The portion of the service prior to the election is calculated at retirement as a Retirement System benefit; the portion of service after the election is calculated at retirement as a Pension System benefit.

- b. The Employee's Pension System, established January 1, 1980. Membership is a condition of employment.

#### **Plan benefits**

Members of the Employees' Retirement System qualify for a normal service retirement upon attaining the age of 60, regardless of service or upon accumulating 30 years of eligibility service, regardless of age. The annual retirement allowance for members who opted to join Plan A or B equals 1/55 of a member's average final compensation ("AFC") for each year of creditable service. For members of Plan C ("bifurcated plan"), a two-part calculation is required. Part of Plan C benefits are calculated using the Retirement System formula. The remainder of the benefit is calculated using the Pension System formula. A member may retire with reduced benefits after completing 25 years of eligibility service.

1. Members of the Employees' Retirement System hired prior to July 1, 2011 (Alternate Contributory Pension Selection ("ACPS"))
  - Members are eligible for full service pension allowances upon accumulating 30 years of eligibility service regardless of age. Absent 30 years of eligibility service, members must meet one of the following conditions to be eligible for full service pension allowances:
    - a. age 62 and five years of eligibility service
    - b. age 63 and four years of eligibility service
    - c. age 64 and three years of eligibility service
    - d. age 65 or older and two years of eligibility service
  - The annual pension allowance is equal to 1.2% of AFC for the three highest consecutive years as an employee for each year of creditable service accrued prior to July 1, 1998 plus 1.8% of AFC for the three highest consecutive years as an employee for each year of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.
  - The cost of living adjustments for ACPS limits the increase the retiree may receive to a maximum of 3%, compounded annually. The adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate.

## City of Mount Rainier, Maryland

### Notes to Financial Statements June 30, 2020

2. Members of the Employees' Pension System hired on or after July 1, 2011 (Reformed Contributory Pension Benefit ("RCPB"))
  - Eligibility for normal service retirement is determined by the Rule of 90. Members become eligible once the sum of their age and eligibility service is at least 90 or upon attaining at least age 65 and has accrued at least 10 years of eligibility service.
  - The annual pension allowance is equal to 1.5% of AFC for the five highest consecutive years as an employee for each year of creditable service accrued on or after July 1, 2011. Members are eligible for early service pension allowances upon attaining age 60 with at least 15 years of eligibility service.
  - The cost of living adjustments for RCPB is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate (currently 7.40%). The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate.

Various retirement options are available under each System which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's or spouse's attained age and similar actuarial factors.

For all other plans, a two-part adjustment applies. For service earned before July 1, 2011, the COLA rate is capped at 3% and is not tied to investment performance. For service earned on or after July 1, 2011, the same caps apply as for retirees of the Reformed Contributory Pension Benefit.

#### **Contributions required and made**

The State Personnel and Pensions Article of the Annotated Code of Maryland require contributions by active members and their employers. Rates for required contributions by active members are established by law. Members of the Employees' Retirement System are required to contribute 7% (or 5% depending upon the plan option selected) of earnable compensation. Members of the Employees' Pension System are required to contribute 7% of earnable compensation.

The unfunded actuarial accrued liability ("UAAL") was being amortized in distinct layers. The unfunded actuarial accrued liability which existed as of the June 30, 2000, actuarial valuation was being amortized over a 40-year period (as provided by law) from July 1, 1980 and as provided by law, any new unfunded liabilities or surpluses arising during the fiscal year ended June 30, 2001, or any fiscal year thereafter, was being amortized over a 25-year period from the end of the fiscal year in which the liability or surplus arose. However, in the 2014 legislative session, the Legislature changed the method used to fund the System. The unfunded liability for each System is being amortized over a single closed 25-year period.

Contribution rates for employer and other "nonemployer" contributing entities are established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. These contribution rates have been established as the rates necessary to fully fund normal costs and amortize the unfunded actuarial accrued liability.

The State of Maryland (which is also a non-employer contributor to the Teachers' Retirement and Pension Systems and the Judges' Retirement System), the Maryland Automobile Insurance Fund, the Injured Workers' Insurance Fund, and more than 150 participating governmental units make all of the employer and other (non-employer) contributions to the System.

**City of Mount Rainier, Maryland**

**Notes to Financial Statements  
June 30, 2020**

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

As of June 30, 2020, City reported a liability of \$1,893,007 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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 portion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contribution of all participating employers. As of June 30, 2019, the City's proportion was 0.0091779%.

For the year ended June 30, 2020, the City recognized pension expense of \$95,989 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	\$ 27,578	\$ 51,518
Difference between actual and expected experience	-	113,970
Net difference between projected and actual investment earnings	42,993	-
Change in proportion	327,556	90,071
Contributions subsequent to measurement date	201,847	-
Total	\$ 599,974	\$ 255,559

The \$201,847 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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 related to non-investment activity are being amortized over the remaining service life ranging from 5.68 to 5.87 years. The 2018 deferred outflows not related to investment activity are being amortized over the remaining service life of 5.72 years. The 2017 deferred outflows not related to investment activity are being amortized over the remaining service life of 5.78 years. The 2015 deferred outflows not related to investment activity are being amortized over the remaining service life of 5.87 years. The net difference in investment earnings for 2019, 2018, 2017, 2016, and 2015 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 Mount Rainier, Maryland**

**Notes to Financial Statements  
June 30, 2020**

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

<u>Year ending June 30,</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Net</u>
2021	\$ 155,535	\$ (83,860)	\$ 71,675
2022	67,035	(77,178)	(10,143)
2023	72,489	(62,477)	10,012
2024	70,420	(21,775)	48,645
2025	32,648	(10,269)	22,379
Total	<u>\$ 398,127</u>	<u>\$ (255,559)</u>	<u>\$ 142,568</u>

**Note 10 - Deferred compensation plan**

The government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property rights purchased with those amounts, and all income attributable to those amounts, property or rights are the property and rights of the participants.

**Note 11 - Contingent liabilities**

The City participates in a number of state and federally assigned grant programs which are subject to financial and compliance audits by the grantors or their representatives. Disallowed claims, if any, may constitute a liability of the applicable fund. The claims which may be disallowed cannot be currently determined, although the City expects such amounts, if any, to be immaterial.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide which caused a shutdown of the City. The City expects this matter to continue to negatively impact the City's financial condition, results of operations, or cash flows, but cannot reasonably estimate the impact at this time.

**Note 12 - Litigation**

There are various pending lawsuits in which the City is involved. The City attorney and legal counsel for the insurance carrier estimate that the potential claims against the City not covered by insurance, if any, would not materially affect the financial statements of the City.

**Note 13 - Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability risks are financed through the City's participation in the Local Government Insurance Trust ("LGIT").

## City of Mount Rainier, Maryland

### Notes to Financial Statements June 30, 2020

The City pays an annual premium to LGIT for its general insurance coverage. The agreement with LGIT provides that LGIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000. The City continues to carry commercial insurance for employee health and accident insurance and worker's compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years.

#### **Note 14 - Post-retirement benefits**

The City has no liability for post-retirement benefits as of June 30, 2020.

#### **Note 15 - Subsequent events**

The City has not identified any subsequent events that would require potential financial statement disclosure through January 28, 2022, which represents the date the financial statements were available to be issued.

#### **Note 16 - New Governmental Accounting Standards Board Standards**

GASB has issued several pronouncements prior to the year ended June 30, 2020, 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:

- Statement No. 87, *Leases*, issued June 2017, effective for fiscal years beginning after June 15, 2021.
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued June 2018, effective for fiscal years beginning after December 15, 2020.
- Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, issued August 2018, effective for the fiscal years beginning after December 15, 2019.
- Statement No. 91, *Conduit Debt Obligations*, issued May 2019, effective for the fiscal years beginning after December 15, 2021.
- Statement No. 92, *Omnibus 2020*, issued January 2020, effective for the fiscal years beginning after June 15, 2021.
- Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, effective for the fiscal years beginning after June 15, 2020. The requirement in paragraph 11b is effective for fiscal years beginning after December 31, 2022. All other requirements of this Statement are effective for fiscal years beginning after June 15, 2021.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, effective for the fiscal years beginning after June 15, 2022.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, effective for the fiscal years beginning after June 15, 2022.

**City of Mount Rainier, Maryland**

**Notes to Financial Statements  
June 30, 2020**

- Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, issued June 2020, effective immediately for paragraphs 4 and 5. All other requirements of the Statement are effective for fiscal years beginning after June 15, 2021.
- Statement No. 98, The Annual Comprehensive Financial Report, issued October 2021, effective for fiscal years beginning after December 15, 2021.

**Required Supplementary Information**

**City of Mount Rainier, Maryland**

**Schedule of Revenues and Expenditures  
Budget and Actual - Non-GAAP Budgetary Basis  
General Fund - Summarized  
Year Ended June 30, 2020**

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget favorable (unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,111,020	\$ 5,111,020	\$ 5,283,701	\$ 172,681
Licenses and permits	728,500	728,500	791,548	63,048
Intergovernmental	344,995	344,995	627,693	282,698
Charges for services	24,750	24,750	24,032	(718)
Fines and forfeitures	273,000	273,000	216,682	(56,318)
Miscellaneous	123,000	123,000	154,100	31,100
Interest and investment earnings	36,779	36,779	46,449	9,670
<b>Total revenues</b>	<b>6,642,044</b>	<b>6,642,044</b>	<b>7,144,205</b>	<b>502,161</b>
<b>Expenditures</b>				
General government	1,682,149	1,793,219	2,056,523	(263,304)
Public safety	2,680,764	2,767,629	2,618,409	149,220
Public works	1,381,073	1,437,853	1,511,042	(73,189)
Community development	136,620	46,500	73,560	(27,060)
Miscellaneous	148,395	54,445	97,548	(43,103)
Debt service	325,153	254,508	304,274	(49,766)
Capital outlay	681,400	681,400	1,321,832	(640,432)
<b>Total expenditures</b>	<b>7,035,554</b>	<b>7,035,554</b>	<b>7,983,188</b>	<b>(947,634)</b>
<b>Other financing sources</b>				
Transfer in	-	-	27,464	27,464
Proceeds from purchase of capital lease	-	-	324,709	324,709
Proceeds from disposition of capital asset	-	-	1,390,880	1,390,880
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>1,743,053</b>	<b>1,743,053</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(393,510)</b>	<b>(393,510)</b>	<b>904,070</b>	<b>1,297,580</b>
<b>Appropriation of fund balance</b>	<b>393,510</b>	<b>393,510</b>	<b>-</b>	<b>(393,510)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 904,070</b>	<b>\$ 904,070</b>

See Notes to Required Supplementary Information.

**City of Mount Rainier, Maryland**

**Schedule of Revenues and Expenditures  
Budget and Actual - Non-GAAP Budgetary Basis  
General Fund  
Year Ended June 30, 2020**

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget favorable (unfavorable)
	Original	Final		
<b>Revenues</b>				
<b>Taxes</b>				
Real estate	\$ 4,041,000	\$ 4,041,000	\$ 4,162,929	\$ 121,929
Business personal property	50,000	50,000	53,886	3,886
Public utilities personal property	97,520	97,520	101,251	3,731
Vacant Developed Property Tax	226,000	226,000	183,195	(42,805)
Property liens	5,000	5,000	-	(5,000)
Penalties and interest on taxes	15,000	15,000	24,454	9,454
Penalty/Late Fee BPPT/BOL/Others	1,500	1,500	3,927	2,427
Shared income tax - state	675,000	675,000	754,059	79,059
<b>Total taxes</b>	<b>5,111,020</b>	<b>5,111,020</b>	<b>5,283,701</b>	<b>172,681</b>
<b>Licenses and permits</b>				
Burglar alarm registration	500	500	425	(75)
Occupancy/building license	16,000	16,000	8,755	(7,245)
Traders licenses	1,500	1,500	-	(1,500)
Residential rental licenses	415,000	415,000	563,565	148,565
Building permits	12,000	12,000	23,082	11,082
CATV revenue	73,000	73,000	66,636	(6,364)
Franchise fees	118,850	118,850	109,472	(9,378)
Vacant building fees	15,000	15,000	6,800	(8,200)
Parking Permit Revenue	400	400	390	(10)
Church Occupancy Licenses	500	500	560	60
Tree removal permit	250	250	350	100
Impervious Fees	500	500	787	287
Other licenses and permits	75,000	75,000	10,726	(64,274)
<b>Total licenses and permits</b>	<b>728,500</b>	<b>728,500</b>	<b>791,548</b>	<b>63,048</b>
<b>Intergovernmental</b>				
<b>State</b>				
Highway user tax	55,000	55,000	205,059	150,059
Police protection	132,120	132,120	93,376	(38,744)
MD SHA	7,625	7,625	8,376	751
Grant funds census	-	-	8,311	8,311
Transportation grant	125,000	125,000	-	(125,000)
COVID-19 revenue donations	-	-	129,524	129,524
Chesapeake Bay Trust grant	-	-	115,376	115,376
Climate grant	-	-	38,373	38,373
Other	-	-	3,476	3,476
<b>County</b>				
Admissions & amusements	3,250	3,250	3,642	392
Disposal fee rebate	22,000	22,000	22,180	180
<b>Total intergovernmental</b>	<b>344,995</b>	<b>344,995</b>	<b>627,693</b>	<b>282,698</b>

**City of Mount Rainier, Maryland**

**Schedule of Revenues and Expenditures  
Budget and Actual - Non-GAAP Budgetary Basis  
General Fund  
Year Ended June 30, 2020**

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget favorable (unfavorable)
	Original	Final		
Revenues (Continued)				
Charges for services				
Public parking facilities	12,000	12,000	16,536	4,536
Waste collection	1,000	1,000	150	(850)
Trash hauler fees	2,250	2,250	1,260	(990)
City service fees	2,000	2,000	-	(2,000)
Other charges for services	7,500	7,500	6,086	(1,414)
Total charges for services	<u>24,750</u>	<u>24,750</u>	<u>24,032</u>	<u>(718)</u>
Fines and forfeitures				
Parking violations	100,000	100,000	193,979	93,979
Meter violations	15,000	15,000	570	(14,430)
Parking citation recovery	150,000	150,000	2,330	(147,670)
Municipal code violations	3,000	3,000	7,501	4,501
Impoundment fees	5,000	5,000	11,100	6,100
Other fines and forfeitures	-	-	1,202	1,202
Total fines and forfeitures	<u>273,000</u>	<u>273,000</u>	<u>216,682</u>	<u>(56,318)</u>
Miscellaneous				
Bus shelter advertising	500	500	-	(500)
Rent income	14,000	14,000	-	(14,000)
Sale of Police Property	-	-	8,366	8,366
Solar Credits Revenue	-	-	1,042	1,042
Insurance damage recovery	-	-	12,750	12,750
Mount Rainier day	-	-	125	125
Bike co-op	6,000	6,000	2,702	(3,298)
Other revenue	102,500	102,500	129,115	26,615
Total miscellaneous	<u>123,000</u>	<u>123,000</u>	<u>154,100</u>	<u>31,100</u>
Interest and investment earnings	<u>36,779</u>	<u>36,779</u>	<u>46,449</u>	<u>9,670</u>
Total revenues	<u>6,642,044</u>	<u>6,642,044</u>	<u>7,144,205</u>	<u>502,161</u>

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures  
Budget and Actual - Non-GAAP Budgetary Basis  
General Fund  
Year Ended June 30, 2020

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget favorable (unfavorable)
	Original	Final		
<b>Expenditures</b>				
General government				
Mayor and council				
Personnel	44,445	44,445	46,072	(1,627)
Other operating	36,250	55,750	22,120	33,630
Total Mayor and Council	80,695	100,195	68,192	32,003
Finance				
Personnel	480,675	480,675	448,165	32,510
Other operating	478,100	509,050	650,746	(141,696)
Total Finance	958,775	989,725	1,098,911	(109,186)
Administrative Services				
Personnel	315,572	315,572	401,400	(85,828)
Other operating	143,780	204,400	269,746	(65,346)
Total Administrative Services	459,352	519,972	671,146	(151,174)
Economic Development				
Personnel	115,207	115,207	137,916	(22,709)
Other operating	68,120	68,120	80,358	(12,238)
Total Economic Development	183,327	183,327	218,274	(34,947)
<b>Total general government</b>	<b>1,682,149</b>	<b>1,793,219</b>	<b>2,056,523</b>	<b>(263,304)</b>
Public safety				
Police (Including Speed Camera)				
Personnel	1,849,461	1,852,461	1,914,480	(62,019)
Other operating	341,415	409,015	466,439	(57,424)
Total police	2,190,876	2,261,476	2,380,919	(119,443)
Code enforcement				
Personnel	415,988	415,988	211,598	204,390
Other operating	73,900	90,165	25,892	64,273
Total code enforcement	489,888	506,153	237,490	268,663
<b>Total public safety</b>	<b>2,680,764</b>	<b>2,767,629</b>	<b>2,618,409</b>	<b>149,220</b>
Public Works				
Public Works administration				
Personnel	691,074	691,074	781,175	(90,101)
Other operating	509,999	566,779	554,822	11,957
Total Public Works administration	1,201,073	1,257,853	1,335,997	(78,144)

**City of Mount Rainier, Maryland**

**Schedule of Revenues and Expenditures  
Budget and Actual - Non-GAAP Budgetary Basis  
General Fund  
Year Ended June 30, 2020**

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget favorable (unfavorable)
	Original	Final		
Expenditures (continued)				
Public Works				
Street lighting				
Other operating	100,000	100,000	78,832	21,168
Waste disposal				
Other operating	80,000	80,000	96,213	(16,213)
<b>Total Public Works</b>	<b>1,381,073</b>	<b>1,437,853</b>	<b>1,511,042</b>	<b>(73,189)</b>
Community development				
Community programs				
Other operating	48,120	-	25,626	(25,626)
<b>Total community programs</b>	<b>48,120</b>	<b>-</b>	<b>25,626</b>	<b>(25,626)</b>
Mount Rainier Day				
Other operating	20,000	-	1,681	(1,681)
<b>Total Mount Rainier Day</b>	<b>20,000</b>	<b>-</b>	<b>1,681</b>	<b>(1,681)</b>
National Night Out				
Other operating	2,500	-	1,179	(1,179)
<b>Total National Night Out</b>	<b>2,500</b>	<b>-</b>	<b>1,179</b>	<b>(1,179)</b>
Bike Co-op				
Other operating	6,500	6,500	12,915	(6,415)
City tax credit				
Other operating	59,500	40,000	32,159	7,841
<b>Total community development</b>	<b>136,620</b>	<b>46,500</b>	<b>73,560</b>	<b>(27,060)</b>

**City of Mount Rainier, Maryland**

**Schedule of Revenues and Expenditures  
Budget and Actual - Non-GAAP Budgetary Basis  
General Fund  
Year Ended June 30, 2020**

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget favorable (unfavorable)
	Original	Final		
Expenditures (continued)				
Miscellaneous				
General insurance	148,395	-	97,548	(97,548)
Contingency	-	54,445	-	54,445
<b>Total miscellaneous</b>	<b>148,395</b>	<b>54,445</b>	<b>97,548</b>	<b>(43,103)</b>
Debt service				
Principal	278,727	219,525	258,525	(39,000)
Interest	46,426	34,983	45,749	(10,766)
<b>Total debt service</b>	<b>325,153</b>	<b>254,508</b>	<b>304,274</b>	<b>(49,766)</b>
Capital outlay				
Capital outlay projects	681,400	681,400	1,321,832	(640,432)
<b>Total capital outlay</b>	<b>681,400</b>	<b>681,400</b>	<b>1,321,832</b>	<b>(640,432)</b>
<b>Total expenditures</b>	<b>7,035,554</b>	<b>7,035,554</b>	<b>7,983,188</b>	<b>(947,634)</b>
Excess (deficiency) of revenues over	(393,510)	(393,510)	(838,983)	(445,473)
Appropriation of fund balance	393,510	393,510	-	(393,510)
Other financing sources				
Transfer in	-	-	27,464	27,464
Proceeds from purchase of capital leases	-	-	324,709	324,709
Proceeds from disposition of capital asset	-	-	1,390,880	1,390,880
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>1,743,053</b>	<b>1,743,053</b>
Net change in fund balance	\$ -	\$ -	\$ 904,070	\$ 904,070

See Notes to Required Supplementary Information.

**City of Mount Rainier, Maryland**

**Notes to the Required Supplementary Information  
June 30, 2020**

**Note 1 - Budgetary information**

Formal budgetary accounting is employed as a management control during the year for the general fund. The City Council approves, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent budget transfers must be approved by the Council before becoming effective. All appropriations lapse at the end of the budget year to the extent that they were not expended even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services (i.e. purchase orders, contracts, and commitments).

**Note 2 - Reconciliation of budgetary basis and GAAP basis**

Actual results of operations are presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds and the Schedules of Revenues and Expenditures - Budget and Actual - Non-GAAP Budgetary Basis, in order to provide a meaningful comparison of actual results with budget estimates.

Adjustments necessary to convert the excess of revenues and other financing sources over expenditures and other financing uses from the budgetary basis to the GAAP basis of the general fund are as follows:

	<u>Revenues</u>	<u>Expenditures and Encumbrances</u>	<u>Other Financing Sources (Uses)</u>	<u>Current Year Effect on Fund Balance</u>
Budgetary Basis	\$ 7,144,205	\$ 7,983,188	\$ 1,743,053	\$ 904,070
Prior year encumbrances outstanding, 06/30/2019	-	-	-	-
Current year encumbrances outstanding, 06/30/2020	-	-	-	-
GAAP Basis	<u>\$ 7,144,205</u>	<u>\$ 7,983,188</u>	<u>\$ 1,743,053</u>	<u>\$ 904,070</u>

There were no outstanding encumbrances as of June 30, 2020 and 2019.

**Note 3 - Other disclosures**

The expenditures exceeded the budgeted amounts for the following departments/line items:

- Finance
- Administrative Services
- Economic Development
- Police
- Public Works Administration
- Waste Disposal
- Community Programs
- Mount Rainier Day
- National Night Out
- Bike Co-op
- Miscellaneous
- Debt Service
- Capital Outlay

## City of Mount Rainier, Maryland

### Notes to the Required Supplementary Information June 30, 2020

The budgeted but unused appropriation of fund balance in the amount of \$393,510 was prior year budgeted surplus for the general fund.

The departments on the Schedule of Revenues and Expenditures - Budget and Actual have been further grouped by major governmental functions. The budget amounts exceeded the actual related to the general fund's major governmental functions for general government, public works, community development, miscellaneous, debt service, and capital outlay.

#### **Actuarial assumptions - Other Post-Employment Benefits**

As of the measurement date of June 30, 2019:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, 25 year Closed
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.65% general, 3.15% wage
Salary Increases	3.10% to 11.6% including inflation
Discount Rate	7.40%
Investment Rate of Return	7.40%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2014-2018
Mortality	Public Sector 2010 Mortality Tables with generational mortality projections using scale MP-2018, calibrated to MSRPS experience
Change in assumptions	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2019 valuation. Investment return assumption and Discount Rate changed from 7.45% to 7.40% from the 2018 to 2019 valuation. Inflation assumption changed from 2.65% to 2.60% from 2017 to 2018 valuation and 2.60% to 2.65% from 2018 to 2019 valuation. Inflation wages went from 3.15% to 3.10% from 2017 to 2018 valuation and 3.10% to 3.15% from 2018 to 2019 valuation. Asset valuation changed from 5.67-year to 5-year from 2017 to 2018 valuation and 5.67-year to 5-year from 2018 to 2019 valuation.

**City of Mount Rainier, Maryland**  
**Schedules of Required Supplementary Information**  
**Retirement Plan Information**  
**Year Ended June 30, 2020**

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

	2020	2019	2018	2017	2016	2015
City's proportion (%) of the collective net pension liability	0.0092%	0.0079%	0.0075%	0.0084%	0.0080%	0.0072%
City's proportionate share (\$) of collective net pension liability	\$ 1,893,007	\$ 1,661,688	\$ 1,630,068	\$ 1,984,015	\$ 1,667,216	\$ 1,283,522
City's covered payroll (\$)	\$ 2,151,887	\$ 2,094,111	\$ 1,844,930	\$ 1,877,980	\$ 1,871,296	\$ 1,737,850
City's proportionate share of collective net pension liability as a percentage of its covered payroll	87.97%	79.35%	88.35%	105.65%	89.09%	73.86%
Pension plan's fiduciary net position as a percentage of the total pension liability	72.34%	71.18%	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 Mount Rainier, Maryland**  
**Schedules of Required Supplementary Information**  
**Retirement Plan Information**  
**Year Ended June 30, 2020**

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 201,847	\$ 188,470	\$ 157,926	\$ 153,431	\$ 168,542	\$ 169,093	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>201,847</u>	<u>188,470</u>	<u>157,926</u>	<u>153,431</u>	<u>168,542</u>	<u>169,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
City's covered payroll*	\$ 2,151,887	\$ 2,094,111	\$ 1,844,930	\$ 1,877,980	\$ 1,871,296	\$ 1,737,850				
Contributions as a percentage of covered-employee payroll	9.38%	9.00%	8.56%	8.17%	9.01%	9.73%				

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.

\*In accordance with GASB 82, the amounts shown represent the payroll on which contributions to the pension plan are made.

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Mayor and City Council  
Mount Rainier, Maryland

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the City of Mount Rainier, Maryland (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Mount Rainier, Maryland's basic financial statements, and have issued our report thereon dated January 28, 2022.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mount Rainier, Maryland's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mount Rainier, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mount Rainier, Maryland's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001, 2020-002, 2020-003, and 2020-004 that we consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mount Rainier, Maryland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## City of Mount Rainier, Maryland's Response to Findings

City of Mount Rainier, Maryland's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Mount Rainier, Maryland's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Baltimore, Maryland  
January 28, 2022

**City of Mount Rainier, Maryland**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2020**

**2020-001 Timely and Accurate Financial Reporting**

**Statement of Condition:** During the course of the audit we observed several transaction types that were not recorded timely. Additionally, the records were not reconciled timely, including the year-end trial balance not being reconciled until January 2021 (six months after year-end and the City's reporting deadline).

**Criteria:** Accounting policies and procedures should be designed and implemented in a fashion that ensures timely and accurate financial reporting.

**Cause:** There is a lack of appropriately designed and documented accounting policies and procedures.

**Effect:** The lack of properly designed and documented accounting policies and procedures has resulted in financial reporting that is not performed timely, leading to the City not being able to meet its financial reporting requirements as designated in its Charter. Additionally, the City's ability to provide reliable interim financial reports is inhibited by current accounting practices.

**This is a repeat finding from the prior audit.**

**Recommendation:** We recommend the City design and implement control procedures that are timely and reliable. These procedures should include proper oversight and review of the recording of transactions and reconciliations. Where possible, transactions should be processed in the financial system the day they occur.

**View of Responsible Officials:** The City experienced continued significant turnover in its Finance Director position before, during and after the period under audit. Since that time, a new City Manager was hired in 2021 and a new and upgraded finance team was put in place. In addition, the City has continued to engage a consultant to assist management in these areas. The new City Manager has prioritized timely and accurate financial reporting to the Mayor and Council and the residents of the City of Mount Rainier. With these personnel changes, the City has made significant progress and continues to do so.

**2020-002 Record Keeping**

**Statement of Condition:** The accounting records required certain material adjustments to be proposed and recorded in order for the financial statements to be fairly presented in accordance with generally accepted accounting principles in the United States of America. These material adjustments consisted of corrections related to inappropriate recording of expenditures.

**Criteria:** Internal controls over financial reporting should exist to ensure that material misstatements are prevented, or detected and corrected, by management in a timely manner.

**Cause:** Management did not have sufficient controls over financial reporting.

**Effect:** Management produced annual financial statements that were materially misstated.

**City of Mount Rainier, Maryland**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2020**

***This is a repeat finding from the prior audit.***

***Recommendation:*** We recommend the City hire a staff person with sufficient capabilities to assist management in undertaking a review of internal controls over financial reporting and ensure the financial data is properly recorded in the books and records of the City to prevent misstatements from occurring in the future.

***View of Responsible Officials:*** The City experienced continued significant turnover in its Finance Director position before, during and after the period under audit. Since that time, a new City Manager was hired in 2021 and a new and upgraded finance team was put in place. In addition, the City has continued to engage a consultant to assist management in these areas. The new City Manager has prioritized timely and accurate financial reporting to the Mayor and Council and the residents of the City of Mount Rainier. With these personnel changes, the City has made significant progress and continues to do so.

**2020-003 Segregation and Delineation of Duties**

***Statement of Condition:*** We noted that many processes are not formally documented to delineate responsibility, and that the individuals that are, in practice, carrying out duties pertinent to the City's finances are performing duties that create conflicts when performed by single individuals.

***Criteria:*** Proper segregation and delineation of duties should be in place to strengthen internal controls to provide reasonable assurance that a material misstatement to the financial statements or misappropriation of assets is prevented.

***Cause:*** There is a lack of appropriately designed and documented internal control systems.

***Effect:*** The ability for the City to prevent or detect material misstatements to the financial statements or the misappropriation of assets is substantially inhibited.

***This is a repeat finding from the prior audit.***

***Recommendation:*** We recommend the City hire a staff person with sufficient capabilities to assist in designing and implementing control procedures that do not include individuals performing incompatible duties. Where possible, the recording of, authorization of, reconciliation of, and custody of the City's finances and assets should remain segregated. Where that is not possible, mitigating controls and procedures should be designed, documented and implemented.

***View of Responsible Officials:*** Due to its size, during the period under audit the City had a finance staff of two, including the Finance Director. Beginning with fiscal year 2021, the Mayor and Council authorized an increase in finance staff to three. Together with the new and upgraded finance team, the City continues its progress of improving internal controls.

**2020-004 Journal Entries**

***Statement of Condition:*** Journal entries were prepared and entered without review.

***Criteria:*** All journal entries should be reviewed by a person who understands the accounting function and the general ledger system.

***Cause:*** Management has not instituted an internal control process which requires the review of journal entries.

**City of Mount Rainier, Maryland**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2020**

**Effect:** Combined with the noted lack of segregation of duties and delineation of responsibilities, this could allow for significant accounting errors or theft.

***This is a repeat finding from the prior audit.***

**Recommendation:** We recommend the City hire a staff person with sufficient capabilities with the understanding of sufficient segregation of duties and of local government accounting.

**View of Responsible Officials:** Due to its size, during the period under audit the City had a finance staff of two, including the Finance Director. Beginning with fiscal year 2021, the Mayor and Council authorized an increase in finance staff to three. Together with the new and upgraded finance team, the City continues its progress of improving internal controls.



**Independent Member of Nexia International**

**[cohnreznick.com](http://cohnreznick.com)**