City of Mount Rainier, Maryland

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

June 30, 2019

CohnReznick
ADVISORY • ASSURANCE • TAX

City of Mount Rainier, Maryland

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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, 2019, 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, 2019, 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 10 and 38 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 October 26, 2020, 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.

CohnReznick LLP

Baltimore, Maryland
October 26, 2020

City of Mount Rainier, Maryland

Management's Discussion and Analysis
June 30, 2019

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, 2019. 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 $6,653,874 (net position).
- The City's total net position increased by $162,151.
- As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of $3,552,594, a decrease of $771,940.

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 11 and 12 of this report.

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:

- Government 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 two governmental funds, the general fund and the special revenue fund. Both of these funds are considered major funds by the City. The basic governmental fund financial statements can be found on pages 13 through 16 of this report. The City does not maintain proprietary funds, enterprise funds, 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 17 through 36 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 special revenue fund, and retirement plan information, which can be found on pages 38 through 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 $6,816,025 at the close of the most recent fiscal year.

The City's combined net position increased by $162,151. This increase is primarily due to lower than budgeted expenditures.

The following table presents a summary of the Statement of Net Position for the City as of June 30, 2019 and 2018:

	Governmental Activities		
	2019	2018	Percentage Change
Assets:			
Current and other assets	$ 4,306,954	$ 4,923,675	-12.53%
Capital assets	5,466,676	4,690,068	16.56%
Total assets	9,773,630	9,613,743	1.66%
Deferred Outflow of Resources	463,804	462,413	0.30%
Liabilities:			
Noncurrent liabilities	2,460,989	2,693,514	-8.63%
Other liabilities	705,701	457,497	54.25%
Total liabilities	3,166,690	3,151,011	0.50%
Deferred Inflow of Resources	254,719	271,271	-6.10%
Net position:			
Net investment in capital assets	4,583,156	3,598,383	27.37%
Restricted	349,547	341,870	2.25%
Unrestricted	1,883,322	2,713,621	-30.60%
Total net position	$ 6,816,025	$ 6,653,874	2.44%

Changes in Net Position

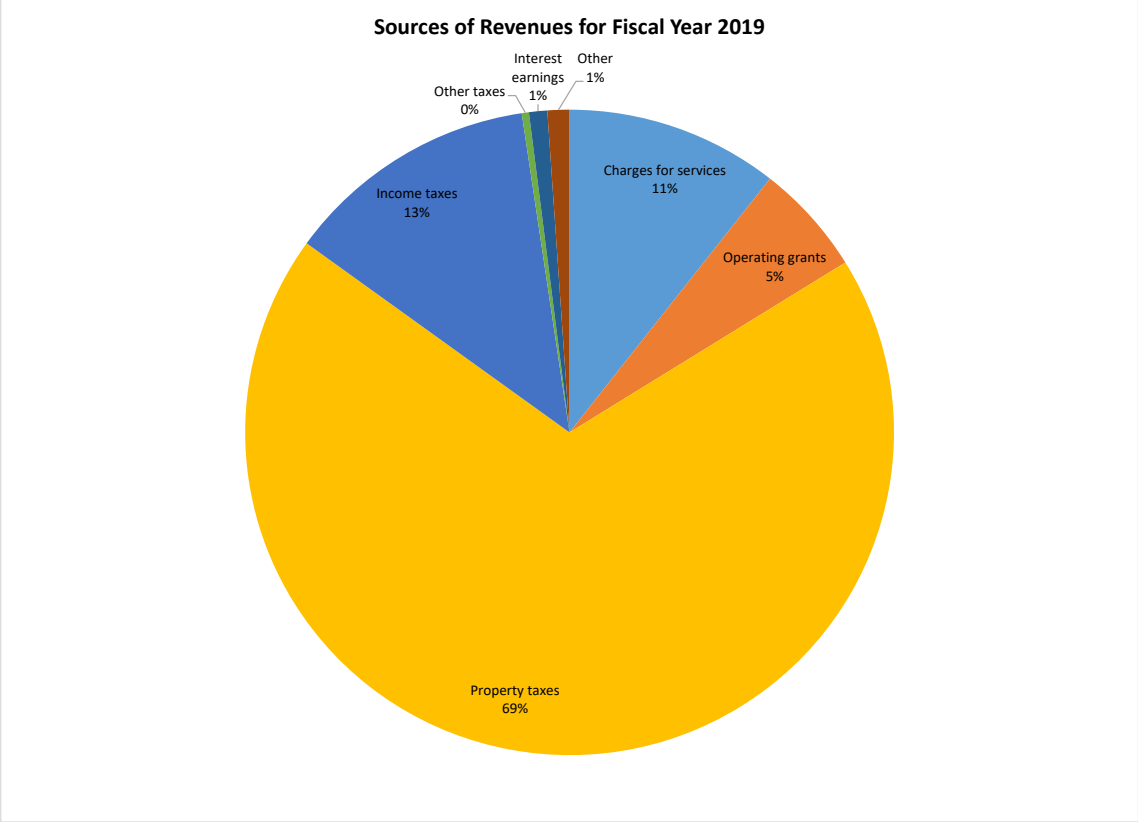
The City's revenue totaled $6,340,434. Of the City's revenue, 69% comes from property taxes and 81 cents ($.81) of every dollar comes from some type of tax.

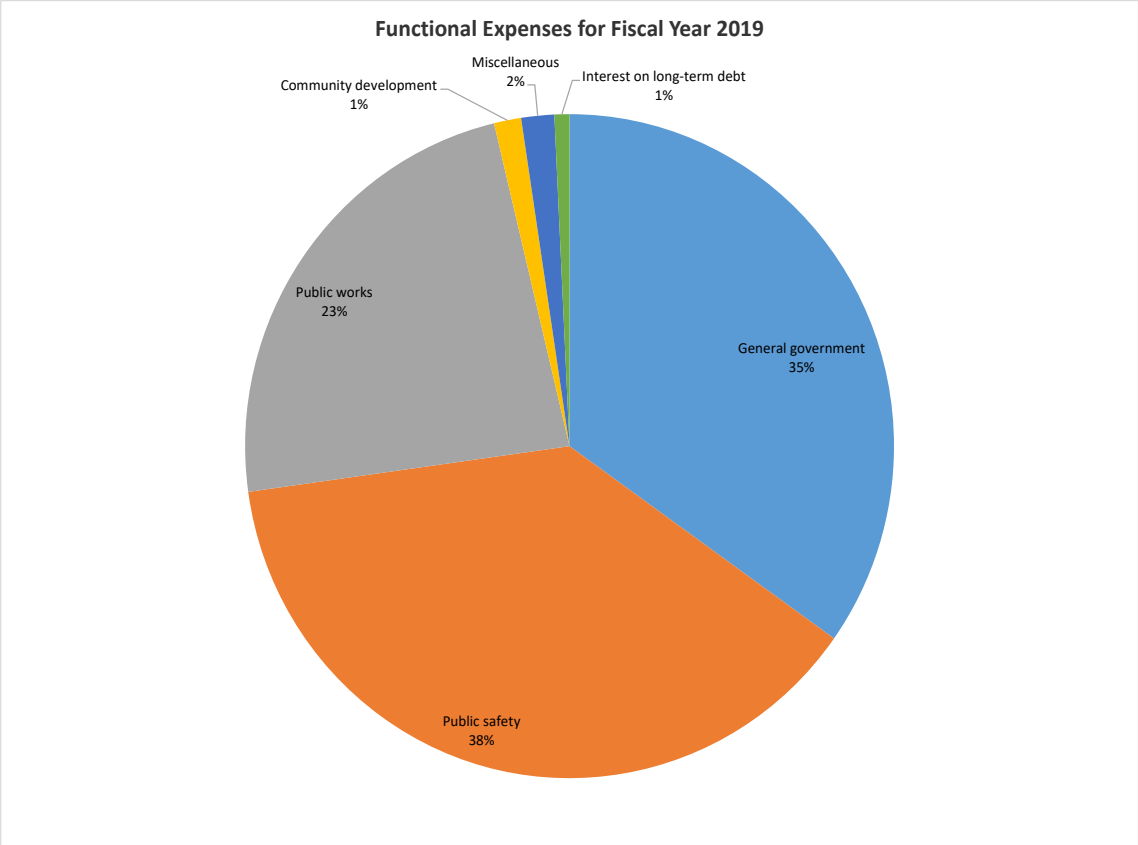
The total cost of all programs and services was $6,178,283. The City's expenses cover a range of services, with about 37.9% related to public safety.

The following table presents a summary of the Statement of Activities for the City for the years ended June 30, 2019 and 2018:

Changes in Net Position

	Governmental Activities		
	2019	2018	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 672,053	$ 985,950	-31.84%
Operating grants	353,893	563,579	-37.21%
General revenues:			
Property taxes	4,360,879	3,843,601	13.46%
Income taxes	804,339	643,535	24.99%
Other taxes	22,370	44,771	-50.03%
Interest earnings	57,629	34,089	69.05%
Other	69,271	140,416	-50.67%
Total revenues	6,340,434	6,255,941	1.35%
Expenses:			
General government	2,152,131	1,826,545	17.83%
Public safety	2,345,524	2,439,855	-3.87%
Public works	1,449,199	1,146,814	26.37%
Community development	83,717	276,793	-69.75%
Miscellaneous	101,371	93,080	8.91%
Interest on long-term debt	46,341	61,717	-24.91%
Total expenses	6,178,283	5,844,804	5.71%
Increase in net position	162,151	411,137	-60.56%
Net position - beginning of year	6,653,874	6,242,737	6.59%
Net position - end of year	$ 6,816,025	$ 6,653,874	2.44%


Sources of Revenues for Fiscal Year 2019
Interest earnings 1%
Other 1%
Other taxes 0%
Charges for services 11%
Income taxes 13%
Operating grants 5%
Property taxes 69%


Functional Expenses for Fiscal Year 2019
Miscellaneous 2%
Community development 1%
Interest on long-term debt 1%
Public works 23%
General government 35%
Public safety 38%

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.

At the end of the current fiscal year, the governmental funds reported combined fund balance of $3,552,594, a decrease of $771,940. Of this total amount, $3,101,239, represents unassigned fund balance. The remainder of the fund balance consists of nonspendable for prepaid items of $74,344, restricted for public safety of $349,547, and assigned for subsequent year's expenditures of $27,464.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund totaled $3,101,239, while total general fund balance was $3,525,130. During fiscal year 2019, fund balance for the City's general fund decreased by $780,320 due to a significant amount of higher than expected repairs and maintenance, legal expenses, and capital expenditures. This was partially offset by lower debt service. The special revenue fund balance increased by $8,380 during the current fiscal year.

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 higher than budgeted expenditures for general government and public works.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2019 was $5,466,676 (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	
	2019	2018
Land/construction in progress	$ 2,612,133	$ 2,364,469
Land improvements	402,985	123,282
Buildings and improvements	1,748,208	1,822,652
Equipment and vehicles	703,350	379,665
Total	$ 5,466,676	$ 4,690,068

Capital assets purchased by the City during the last fiscal year includes equipment and vehicles, building and improvements, and construction in progress totaling $1,077,365.

Long-term Debt

At year end, the City had $1,016,899 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.

	Governmental Activities	
	2019	2018
Bonds payable	$ 883,520	$ 1,091,685
Accumulated compensated absences	133,379	179,758
Total	$ 1,016,899	$ 1,271,443

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 2020 are expected to increase over levels for fiscal year 2019.
- Salaries expense for fiscal year 2020 includes a 3% merit increase and 1.4% cost of living adjustment ("COLA") for all City employees.
- Real property tax rates for fiscal year 2020 remained 83 cents ($.83) per $100 of assessed valuation.

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 Rainer, One Municipal Place, Mount Rainier, Maryland 20712.

City of Mount Rainier, Maryland

Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash and investments	$ 3,655,881
Taxes receivable, net	56,874
Prepaid items	74,344
Due from other governments	463,977
Other receivables	55,878
Capital assets	
Nondepreciable assets	2,612,133
Depreciable assets, net of accumulated depreciation	2,854,543
Deferred outflow of resources	
Deferred outflows - pension related	463,804
Total assets and deferred outflow of resources	10,237,434
Liabilities	
Accounts payable and accrued expenses	219,040
Accrued salaries and fringe benefits	89,585
Unearned grant revenues	106,537
Liability for seized assets	72,941
Long-term debt	
Due within one year	217,598
Due in more than one year	799,301
Net pension liability	1,661,688
Deferred inflow of resources	
Deferred inflows - pension related	254,719
Total liabilities and deferred inflow of resources	3,421,409
Net position	
Net investment in capital assets	4,583,156
Restricted	
Public safety	349,547
Unrestricted	1,883,322
Total net position	$ 6,816,025

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Statement of Activities
Year Ended June 30, 2019

Functions/programs	Expenses	Program revenue: Charges for services	Program revenue: Operating grants and contributions	Program revenue: Capital grants and contributions	Net (expense) revenue and changes in net position: Governmental activities
Governmental activities					
General government	$ 2,152,131	$ 517,462	$ -	$ -	$ (1,634,669)
Public safety	2,345,524	151,888	234,602	-	(1,959,034)
Public works	1,449,199	2,703	84,779	-	(1,361,717)
Community development	83,717	-	34,512	-	(49,205)
Miscellaneous	101,371	-	-	-	(101,371)
Debt service - interest	46,341	-	-	-	(46,341)
Total governmental activities	6,178,283	672,053	353,893	-	(5,152,337)
General revenues					
Property taxes					4,360,879
Income taxes					804,339
Other taxes					22,370
Interest and investment earnings					57,629
Miscellaneous					69,271
Total general revenues					5,314,488
Change in net position					162,151
Net position - beginning					6,653,874
Net position - ending					$ 6,816,025

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Balance Sheet - Governmental Funds
June 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and investments	$ 3,655,881	$ -	$ 3,655,881
Taxes receivable (net of allowance of $92,521 and $-0-, respectively)	56,874	-	56,874
Prepaid items	74,342	-	74,342
Due from other governments	336,940	127,037	463,977
Due from other funds	-	6,963	6,963
Other receivables	52,404	3,476	55,880
Deferred outflow of resources	-	-	-
Total assets and deferred outflow of resources	$ 4,176,441	$ 137,476	$ 4,313,917
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 219,040	$ -	$ 219,040
Accrued salaries	89,585	-	89,585
Due to other funds	6,963	-	6,963
Liability for seized assets	72,941	-	72,941
Total liabilities	388,529	-	388,529
Deferred inflow of resources	262,782	110,012	372,794
Fund balances			
Nonspendable for prepaid items	74,344	-	74,344
Restricted			
Public safety	349,547	-	349,547
Assigned for subsequent year's expenditures	-	27,464	27,464
Unassigned	3,101,239	-	3,101,239
Total fund balances	3,525,130	27,464	3,552,594
Total liabilities and fund balances	$ 4,176,441	$ 137,476	$ 4,313,917

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities
June 30, 2019

Total fund balance, governmental funds		$ 3,552,594
Amounts reported in governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of capital assets	$ 9,275,885	
Accumulated depreciation	(3,809,209)	5,466,676
Deferred inflow of resources consist of revenues that do not provide financial resources within the period of availability		266,257
Deferred outflow of resources - pension obligation		463,804
Deferred inflow of resources - pension obligation		(254,719)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds payable	(883,520)	
Net pension liability	(1,661,688)	
Accrued vacation leave	(133,379)	(2,678,587)
Net position of governmental activities		$ 6,816,025

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, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Taxes	$ 5,111,202	$ -	$ 5,111,202
Licenses and permits	622,159	-	622,159
Intergovernmental	304,805	64,881	369,686
Charges for services	35,406	-	35,406
Fines and forfeitures	151,888	-	151,888
Miscellaneous	69,271	239	69,510
Interest and investment earnings	57,629	-	57,629
Other grants	-	6,338	6,338
Total revenues	6,352,360	71,458	6,423,818
Expenditures			
Current			
General government	1,988,310	63,078	2,051,388
Public safety	2,284,974	-	2,284,974
Public works	1,320,289	-	1,320,289
Community development	83,717	-	83,717
Miscellaneous	101,371	-	101,371
Debt service			
Principal	208,166	-	208,166
Interest	46,341	-	46,341
Capital outlay	1,099,512	-	1,099,512
Total expenditures	7,132,680	63,078	7,195,758
Net change in fund balances	(780,320)	8,380	(771,940)
Fund balances - beginning	4,305,450	19,084	4,324,534
Fund balances - ending	$ 3,525,130	$ 27,464	$ 3,552,594

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, 2019

Net change in fund balances - total governmental funds		$ (771,940)
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	$ 1,077,365	
Depreciation	(300,757)	776,608
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:		
Repayments		208,165
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.		(83,384)
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	(13,677)	
Change in accrued vacation leave	46,379	32,702
Change in net position of governmental activities		$ 162,151

See Notes to Financial Statements.

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.

Basic financial statements - fund financial statements
The financial transactions of the City are reported in individual funds 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 these major governmental funds and fund types:

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.

Special revenue fund - The special revenue fund is used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes.

The activities reported in these funds are reported as governmental activities in the government-wide statements.

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.

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 estimated fair 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.

Capital assets are being depreciated over the following lives:

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.

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.

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 $262,782 relating to income taxes, and $110,012 of grant revenues.

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.

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 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 $806,312 and the corresponding bank balances were $1,226,860. 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 $976,860 was covered by collateral held by the City's agent in the City's name.

Investments

As of June 30, 2019, the City's investments were pooled in the state created Maryland Local Government Investment Pool ("MLGIP"). The values of those investments were $2,849,569. Reconciliation of cash and investments as shown on the Statement of Net Position:

Carrying amounts of deposits	$ 806,312
Carrying amounts of investments	2,849,569
	$ 3,655,881
Per Statement of Net Position	
Cash and investments	$ 3,655,881

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, 2019, met the City investment policy as of that date. Investment income was $55,415 for the year ended June 30, 2019.

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 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 Government 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.

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, 2019.

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, 2019 was $0.83 per $100 of assessed value for real property, $.99 per $100 of assessed value for business personal property, and $2.50 per $100 of assessed value for public utility and railroad personal property.

Note 5 - Capital assets

Capital asset activity for the year ended June 30, 2019 is as follows:

	Beginning balance	Increase	Decrease	Ending balance
Government activities				
Capital assets not being depreciated				
Land	$ 1,659,727	$ -	$ -	$ 1,659,727
Construction in progress	704,742	247,664	-	952,406
Total capital assets not being depreciated	2,364,469	247,664	-	2,612,133
Capital assets being depreciated				
Land improvements	185,382	303,879	-	489,261
Buildings and improvements	3,457,492	24,180	-	3,481,672
Equipment and vehicles	2,191,177	501,642	-	2,692,819
Total capital assets being depreciated	5,834,051	829,701	-	6,663,752
Less accumulated depreciation for				
Land improvements	62,100	24,176	-	86,276
Buildings and improvements	1,634,840	98,624	-	1,733,464
Equipment and vehicles	1,811,512	177,957	-	1,989,469
Total accumulated depreciation	3,508,452	300,757	-	3,809,209
Total capital assets being depreciated, net	2,325,599	528,944	-	2,854,543
Capital assets, net	$ 4,690,068	$ 776,608	$ -	$ 5,466,676

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

General government	$ 62,187
Public safety	126,413
Public works	112,157
Total	$ 300,757

Note 6 - Due from other governments

As of June 30, 2019, the balance due from other governments consisted of the following:

	General Fund	Special Revenue Fund
State of Maryland		
Police aid	$ 21,648	$ -
Income tax	302,926	-
Highway user	6,821	-
Disposal-rebate	5,545	-
Local		
Chesapeake Bay Trust Grant	-	127,037
Total	$ 336,940	$ 127,037

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, 2019:

Years ending June 30,	Principal	Interest	Total
2020	$ 106,920	$ 10,858	$ 117,778
2021	112,156	5,623	117,779
2022	31,616	768	32,384
	$ 250,692	$ 17,249	$ 267,941

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%.

Debt service requirements to maturity for the Series I-2010 bonds are as follows as of June 30, 2019:

Years ending June 30,	Principal	Interest	Total
2020	$ 110,678	$ 26,050	$ 136,728
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
Thereafter	29,199	635	29,834
	$ 632,828	$ 80,646	$ 713,474

Changes in long-term debt

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

	Balance July 1, 2018	Increase	Decrease	Balance June 30, 2019	Due within one year
General obligation bonds	$ 1,091,685	$ -	$ (208,165)	$ 883,520	$ 217,598
Accrued vacation leave	179,758	54,848	(101,227)	133,379	-
Net pension liability	1,630,068	31,620	-	1,661,688	-
Total	$ 2,901,511	$ 86,468	$ (309,392)	$ 2,678,587	$ 217,598

Note 8 - Due from/to other funds

Due from/to other funds as of June 30, 2019 were as follows:

	Due from other funds	Due to other funds
General fund	$ -	$ 6,963
Special revenue fund	6,963	-
	$ 6,963	$ 6,963

Note 9 - Fund balance

Fund balance for the general fund consists of the following: (1) Nonspendable fund balance of $74,344 inclusive of prepaid items, (2) Restricted fund balance of $349,547 inclusive of funds generated from a previous speed monitoring program that has been restricted for public safety programs, (3) Assigned fund balance of $0 inclusive of subsequent year's expenditures and (4) Unassigned balance of $3,101,239.

Fund balance for the special revenue fund consists of an assigned fund balance of $134,001 for subsequent year's expenditures.

Note 10 - 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 0.007920% as of the measurement date of June 30, 2018.

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 $188,470 to the System for fiscal 2019 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; and its proportion share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

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, 2018 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. Because the State of Maryland contributed 100% of the actuarial determined contributions, there were no adjustments for the year ended June 30, 2018.

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

Total Pension Liability	$	72,808,833,000
Less: Plan Fiduciary Net Position		51,827,233,000
Net Pension Liability	$	20,981,600,000
Plan fiduciary net position as a percentage of total pension liability		71.18%

Actuarial assumptions

As of the measurement date of June 30, 2018:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.60% general, 3.10% wage
Salary Increases	3.10% to 9.10% including inflation
Discount Rate	7.45%
Investment Rate of Return	7.45%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience
Note	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2018 valuation. Investment return assumption changed from 7.50% to 7.45%. Inflation assumption changed from 2.65% to 2.60%

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:

Asset class	Target allocation	Long-term expected real rate of return
Public Equity	37%	5.80%
Private Equity	13%	6.70%
Rate Sensitive	19%	1.10%
Credit Opportunity	9%	3.60%
Real Estate	14%	4.80%
Absolute Return	8%	3.20%
Total	100%	

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, 2018.

Discount rate
A single discount rate of 7.45% 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 7.45%. 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 7.45%, 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 6.45%	Current discount rate 7.45%	1% increase to 8.45%
Total System net pension liability	$ 30,220,704,000	$20,981,600,000	$13,313,808,000
Total City's Proportionate share of net pension liability	$ 2,393,389	$ 1,661,688	$ 1,054,414

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. 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 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.

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 7.45%). 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.

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

As of June 30, 2019, City reported a liability of $1,661,688 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2018, the City's proportion was 0.007920%.

For the year ended June 30, 2019, the City recognized pension expense of $49,563 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	$ 48,549	$ -
Difference between actual and expected experience	-	132,236
Net difference between projected and actual investment earnings	69,517	-
Change in proportion	157,268	122,483
Contributions subsequent to measurement date	188,470	-
Total	$ 463,804	$ 254,719

The $188,470 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, 2019. 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 of 5.72 years. The 2018 deferred outflows not related to investment activity are being amortized over the remaining service life of 5.78 years. The 2017 and 2016 deferred outflows not related to investment activity are being amortized over the remaining service life of 5.87 years. The 2015 and 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of five years. The net difference in investment earnings for 2018, 2017, 2016, 2015 and 2014 are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed five-year period.

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

Year ending June 30,	Deferred outflows of resources	Deferred inflows of resources	Net
2020	$ 140,269	$ (69,704)	$ 70,565
2021	97,932	(68,792)	29,140
2022	9,432	(62,110)	(52,678)
2023	14,886	(47,409)	(32,523)
2024	12,815	(6,704)	6,111
Total	$ 275,334	$ (254,719)	$ 20,615

Note 11 - 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 12 - 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.

Note 13 - 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 14 - 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"). 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 15 - Post-retirement benefits

The City has no liability for post-retirement benefits as of June 30, 2019.

Note 16 - New Governmental Accounting Standards Board Standards

GASB has issued several pronouncements prior to the year ended June 30, 2019, 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. 83 - *Certain Asset Retirement Obligations*, issued November 2016, effective for fiscal years beginning after June 15, 2019.
- Statement No. 84 - *Fiduciary Activities*, issued January 2017, effective for fiscal years beginning after December 15, 2019.
- Statement No. 87, *Leases*, issued June 2017, effective for fiscal years beginning after June 15, 2021.
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued March 2018, effective for fiscal years beginning after June 15, 2019.
- 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. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020, effective for the fiscal years beginning after June 15, 2018.

- Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, effective for the fiscal years beginning after June 15, 2022.

- 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.

Note 17 - Subsequent events

The City evaluated subsequent events for potential required disclosures through October 26, 2020, which represents the date the financial statements were available to be issued.

In December 2019 and early 2020, the coronavirus that causes COVID-19 was reported. The spread of this virus globally including in early 2020 has caused business disruption domestically in the United States, the area in which the City primarily operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this uncertainty. Therefore, while the City expects this matter to negatively impact the City's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

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, 2019

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues				
Taxes	$ 4,785,750	$ 4,785,750	$ 5,111,202	$ 325,452
Licenses and permits	657,850	657,850	622,159	(35,691)
Intergovernmental	308,615	308,615	304,805	(3,810)
Charges for services	45,500	45,500	35,406	(10,094)
Fines and forfeitures	402,000	402,000	151,888	(250,112)
Miscellaneous	40,850	40,850	69,271	28,421
Interest and investment earnings	20,000	20,000	57,629	37,629
Total revenues	6,260,565	6,260,565	6,352,360	91,795
Expenditures				
General government	1,314,335	1,423,810	1,877,310	(453,500)
Public safety	3,018,540	2,714,100	2,284,974	429,126
Public works	1,174,195	1,194,195	1,320,289	(126,094)
Community development	111,350	121,350	83,717	37,633
Miscellaneous	221,670	159,035	101,371	57,664
Debt service	287,480	287,480	254,507	32,973
Capital outlay	595,475	823,075	448,566	374,509
Total expenditures	6,723,045	6,723,045	6,370,734	352,311
Excess (deficiency) of revenues over expenditures	(462,480)	(462,480)	(18,374)	444,106
Appropriation of fund balance	462,480	462,480	-	(462,480)
Net change in fund balance	$ -	$ -	$ (18,374)	$ (18,374)

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2019

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues				
Taxes				
Real estate	$ 3,818,000	$ 3,818,000	$ 3,929,546	$ 111,546
Business personal property	45,000	45,000	46,455	1,455
Public utilities personal property	85,000	85,000	92,731	7,731
Vacant Developed Property Tax	7,500	7,500	221,531	214,031
Property liens	5,000	5,000	-	(5,000)
Penalties and interest on taxes	175,250	175,250	16,600	(158,650)
Shared income tax - state	650,000	650,000	804,339	154,339
Total taxes	4,785,750	4,785,750	5,111,202	325,452
Licenses and permits				
Burglar alarm registration	1,250	1,250	-	(1,250)
CDMA fees	14,000	14,000	11,525	(2,475)
Occupancy/building license	15,500	15,500	20,428	4,928
Traders licenses	1,000	1,000	305	(695)
Residential rental licenses	400,000	400,000	360,435	(39,565)
Building permits	10,000	10,000	35,902	25,902
CATV revenue	70,250	70,250	68,389	(1,861)
Franchise fees	114,500	114,500	111,280	(3,220)
Vacant building fees	25,000	25,000	9,740	(15,260)
Mitigation fees	1,000	1,000	202	(798)
Tree removal permit	250	250	1,275	1,025
Other licenses and permits	5,100	5,100	2,678	(2,422)
Total licenses and permits	657,850	657,850	622,159	(35,691)
Intergovernmental				
State				
Highway user tax	41,500	41,500	41,279	(221)
Police protection	106,815	106,815	101,760	(5,055)
SHA-MOU	15,000	15,000	-	(15,000)
Transportation grant	113,300	113,300	132,842	19,542
Admission and amusement	3,500	3,500	190	(3,310)
County				
Disposal fee rebate	22,000	22,000	22,180	180
Financial corps	6,500	6,500	6,554	54
Total intergovernmental	308,615	308,615	304,805	(3,810)

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, 2019

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues				
Charges for services				
Public parking facilities	27,500	27,500	15,831	(11,669)
Waste collection	1,500	1,500	240	(1,260)
Trash hauler fees	2,000	2,000	2,463	463
City service fees	2,000	2,000	2,035	35
Multi-family trash fees	5,000	5,000	659	(4,341)
City Abatement Services	-	-	9,291	9,291
Other charges for services	7,500	7,500	4,887	(2,613)
Total charges for services	45,500	45,500	35,406	(10,094)
Fines and forfeitures				
Parking violations	162,500	162,500	107,092	(55,408)
Meter violations	12,500	12,500	12,810	310
Parking citation recovery	150,000	150,000	180	(149,820)
Municipal code violations	2,000	2,000	19,759	17,759
MRPD Confiscated Funds	65,000	65,000	-	(65,000)
Speed camera	-	-	122	122
Impoundment fees	10,000	10,000	11,925	1,925
Total fines and forfeitures	402,000	402,000	151,888	(250,112)
Miscellaneous				
Bus shelter advertising	1,450	1,450	329	(1,121)
Rent income	14,400	14,400	14,775	375
Insurance damage recovery	-	-	30,814	30,814
Mount Rainier day	-	-	725	725
Bike co-op	-	-	2,895	2,895
Other revenue	25,000	25,000	19,733	(5,267)
Total miscellaneous	40,850	40,850	69,271	28,421
Interest and investment earnings	20,000	20,000	57,629	37,629
Total revenues	6,260,565	6,260,565	6,352,360	91,795

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2019

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures				
General government				
Mayor and council				
Personnel	42,225	42,225	40,530	1,695
Other operating	36,250	36,250	31,032	5,218
Total Mayor and Council	78,475	78,475	71,562	6,913
City Administration				
Personnel	333,495	333,495	446,967	(113,472)
Other operating	126,650	165,350	435,674	(270,324)
Total City Administration	460,145	498,845	882,641	(383,796)
Administrative Services				
Personnel	159,090	194,865	197,562	(2,697)
Other operating	26,690	26,690	39,497	(12,807)
Total Administrative Services	185,780	221,555	237,059	(15,504)
Economic Development				
Personnel	107,065	107,065	103,416	3,649
Other operating	42,870	42,870	54,569	(11,699)
Total Economic Development	149,935	149,935	157,985	(8,050)
3409 Rhode Island Avenue				
Other operating	2,250	12,250	118,202	(105,952)
3200 Rhode Island Avenue				
Other operating	250	250	150	100
3204-3208 Rhode Island Avenue				
Other operating	500	500	325	175
3405 Rhode Island Avenue				
Other operating	218,750	218,750	53,713	165,037
Legal and elections				
Other operating	106,000	106,000	160,582	(54,582)
3601 Bunker Hill Road				
Other operating	6,250	6,250	1,961	4,289
Communications and newsletter				
Other operating	53,500	53,500	33,642	19,858

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2019

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures (continued)				
General government				
Communications - cable TV				
Personnel	-	-	(117)	117
Other operating	70,250	70,250	94,722	(24,472)
Total communications - cable TV	70,250	70,250	94,605	(24,355)
Library				
Other operating	(17,750)	7,250	3,114	4,136
Miscellaneous				
Bad debt	-	-	61,769	(61,769)
Total general government	1,314,335	1,423,810	1,877,310	(453,500)
Public safety				
Police				
Personnel	2,180,495	1,921,205	1,574,723	346,482
Other operating	365,110	365,110	412,726	(47,616)
Total police	2,545,605	2,286,315	1,987,449	298,866
Parking enforcement				
Personnel	107,410	65,410	18,913	46,497
Other operating	38,870	35,870	28,253	7,617
Total parking enforcement	146,280	101,280	47,166	54,114
Code enforcement				
Personnel	285,225	285,075	210,259	74,816
Other operating	41,430	41,430	40,100	1,330
Total code enforcement	326,655	326,505	250,359	76,146
Total public safety	3,018,540	2,714,100	2,284,974	429,126

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2019

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures (continued)				
Public Works				
Public Works administration				
Personnel	661,295	671,295	722,942	(51,647)
Other operating	192,500	192,500	278,634	(86,134)
Total Public Works administration	853,795	863,795	1,001,576	(137,781)
Highway and street				
Other operating	140,400	150,400	178,843	(28,443)
Street lighting				
Other operating	100,000	100,000	80,084	19,916
Waste disposal				
Other operating	80,000	80,000	59,786	20,214
Total Public Works	1,174,195	1,194,195	1,320,289	(126,094)
Community development				
Community programs				
Personnel	3,250	3,250	-	3,250
Other operating	42,000	42,000	18,549	23,451
Total community programs	45,250	45,250	18,549	26,701
Mount Rainier Day				
Personnel	8,150	8,150	-	8,150
Other operating	9,000	9,000	14,959	(5,959)
Total Mount Rainier Day	17,150	17,150	14,959	2,191
National Night Out				
Personnel	2,700	2,700	-	2,700
Other operating	2,500	2,500	903	1,597
Total National Night Out	5,200	5,200	903	4,297

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2019

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures (continued)				
Bike Co-op				
Other operating	(8,750)	1,250	9,637	(8,387)
City tax credit				
Other operating	52,500	52,500	39,669	12,831
Total community development	111,350	121,350	83,717	37,633
Miscellaneous				
General insurance	96,400	96,400	101,371	(4,971)
Contingency	125,270	62,635	-	62,635
Total miscellaneous	221,670	159,035	101,371	57,664
Debt service				
Principal	239,755	239,755	208,166	31,589
Interest	47,725	47,725	46,341	1,384
Total debt service	287,480	287,480	254,507	32,973
Capital outlay				
Capital outlay projects	595,475	823,075	448,566	374,509
Total capital outlay	595,475	823,075	448,566	374,509
Total expenditures	6,723,045	6,723,045	6,370,734	352,311
Excess (deficiency) of revenues over expenditures	(462,480)	(462,480)	(18,374)	444,106
Appropriation of fund balance	462,480	462,480	-	(462,480)
Net change in fund balance	$ -	$ -	$ (18,374)	$ (18,374)

See Notes to Required Supplementary Information.

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
Special Revenue Fund
Year Ended June 30, 2019

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues				
Intergovernmental				
Federal grants				
CDBG grant	$ 150,000	$ 150,000	$ -	$ (150,000)
County grants				
County tree grant	-	-	239	239
Community legacy grant	100,000	100,000	10,695	(89,305)
Mount Rainier Day grant	-	-	1,150	1,150
Chesapeake Bay Trust Grant	-	-	43,500	43,500
Total intergovernmental	250,000	250,000	55,584	(194,416)
Miscellaneous				
LGIT grant	-	-	9,536	9,536
Soft Body Armor	1,500	1,500	-	(1,500)
Bond Bill 3405 RI	100,000	100,000	-	(100,000)
ATHA grant	3,500	3,500	-	(3,500)
Treasury Grants	-	-	1,966	1,966
Other Grants	-	-	4,372	4,372
Total miscellaneous	105,000	105,000	15,874	(89,126)
Total revenue	355,000	355,000	71,458	(283,542)
Expenditures				
General government				
Community legacy	100,000	100,000	19,578	80,422
Miscellaneous	-	-	43,500	(43,500)
Contractor services	5,000	5,000	-	5,000
3405 RI Develop-Grant Funds	100,000	100,000	-	100,000
Total general government	205,000	205,000	63,078	141,922
Community development				
CDBG contract work	150,000	150,000	-	150,000
Total community development	150,000	150,000	-	150,000
Total expenditures	355,000	355,000	63,078	291,922
Excess (deficiency) of revenues over expenditures	$ -	$ -	$ 8,380	$ 8,380

See Notes to Required Supplementary Information.

Notes to the Required Supplementary Information
June 30, 2019

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:

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Current Year Effect on Fund Balance
Budgetary Basis	$ 6,352,360	$ 6,370,734	$ -	$ (18,374)
Prior year encumbrances outstanding, 06/30/2018	-	761,946	-	(761,946)
Current year encumbrances outstanding, 06/30/2019	-	-	-	-
GAAP Basis	$ 6,352,360	$ 7,132,680	$ -	$ (780,320)

No adjustments were required to convert the excess of revenues and other financing sources over expenditures and other financing uses from the budgetary basis to the GAAP basis for the special revenue fund.

Note 3 - Other disclosures

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

General Fund:
- City Administration
- Administrative Services
- Economic Development
- 3409 Rhode Island Avenue
- Legal and Elections
- Communications - Cable TV
- Public Works Administration
- Highway and Street
- Bike Co-op

Special Revenue:
- Miscellaneous

The budgeted appropriation of fund balance in the amount of $462,480 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 and public works and none for the special revenue fund.

Actuarial assumptions

As of the measurement date of June 30, 2018:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.60% general, 3.10% wage
Salary Increases	3.10% to 9.10% including inflation
Discount Rate	7.45%
Investment Rate of Return	7.45%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience
Note	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2018 valuation. Investment return assumption changed from 7.50% to 7.45%. Inflation assumption changed from 2.65% to 2.60%

City of Mount Rainier, Maryland

Schedules of Required Supplementary Information

Retirement Plan Information
Year Ended June 30, 2019

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

	2019	2018	2017	2016	2015
City's proportion (%) of the collective net pension liability	0.0079%	0.0075%	0.0084%	0.0080%	0.0072%
City's proportionate share ($) of collective net pension liability	$ 1,661,688	$ 1,630,068	$ 1,984,015	$ 1,667,216	$ 1,283,522
City's covered payroll ($)	$ 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	79.35%	88.35%	105.65%	89.09%	73.86%
Pension plan's fiduciary net position as a percentage of the total pension liability	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, 2019

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 188,470	$ 157,926	$ 153,431	$ 168,542	$ 169,093	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	188,470	157,926	153,431	168,542	169,093	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll*	$ 2,094,111	$ 1,844,930	$ 1,877,980	$ 1,871,296	$ 1,737,850					
Contributions as a percentage of covered-employee payroll	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, 2019, 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 October 26, 2020.

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) to determine the 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 entity'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 questioned costs as items 2019-001, 2019-002, 2019-003, and 2019-004 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 determination of financial statement amounts. 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 questioned costs. 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.

CohnReznick LLP

Baltimore, Maryland
October 26, 2020

2019-001 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 July 2020 (one year 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 significant turnover in its Finance Director position before, during and after the period under audit. The previous Finance Director was working to address late audits, finance policies and procedures, and internal control policies prior to his departure in May 2020. In addition, the City engaged a consultant to assist management in these areas. Significant progress has been made since December 2018 in providing timely and accurate financial reporting to the Mayor and Council and the residents of Mount Rainier. Enhanced review of accounting records prior to finalization in the accounting system has increased proper oversight of financial transactions. A new Finance Director began during July 2020 that will continue to enhance the oversight and review of the accounting records.

2019-002 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.

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 significant turnover in its Finance Director position before, during and after the period under audit. The previous Finance Director was working to address late audits, finance policies and procedures, and internal control policies prior to his departure in May 2020. In addition, the City has engaged a consultant to assist management in these areas. Significant progress has been made since December 2018 in providing timely and accurate financial reporting to the Mayor and Council and the residents of Mount Rainier. Enhanced review of accounting records prior to finalization in the accounting system has increased proper oversight of financial transactions. A new Finance Director began during July 2020 that will continue to enhance the oversight and review of the accounting records.

2019-003 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, the City has a finance staff of two, including the Finance Director position. In September 2019, the staff accountant position was upgraded to assist the Finance Director with implementing proper internal controls on higher risk functions within the finance department. A new Finance Director began during July 2020 that will continue to look for opportunities to improve these internal controls.

2019-004 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.

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, the City has a finance staff of two, including the Finance Director position. In September 2019, the staff accountant position was upgraded to assist the Finance Director with implementing proper internal controls on higher risk functions within the finance department. A new Finance Director began during July 2020 that will continue to look for opportunities to improve these internal controls.

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