City of Mount Rainier, Maryland

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

June 30, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Mount Rainier, Maryland as of June 30, 2017, 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 and budgetary comparison information and retirement plan information on pages 4 to 10 and 39 to 51, 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 March 20, 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
March 20, 2020

City of Mount Rainier, Maryland

Management's Discussion and Analysis
June 30, 2017

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, 2017. 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 $6,242,737 (net position).
- The City's total net position increased by $388,476.
- As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of $4,579,149, an increase of $438,573.

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 balances 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 37 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 39 through 51 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 $6,242,737 at the close of the most recent fiscal year.

The City's combined net position increased by $388,476. This increase is primarily due to higher than budgeted revenues and lower than budgeted expenses.

The following table presents a summary of the Statement of Net Position for the City as of June 30, 2017 and 2016:

	Governmental Activities		
	2017	2016	Percentage Change
Assets:			
Current and other assets	$ 4,988,860	$ 4,640,522	7.51%
Capital assets	4,655,373	4,786,744	-2.74%
Total assets	9,644,233	9,427,266	2.30%
Deferred Outflow of Resources	625,737	394,118	58.77%
Liabilities:			
Noncurrent liabilities	3,424,449	3,314,390	3.32%
Other liabilities	553,914	618,590	-10.46%
Total liabilities	3,978,363	3,932,980	1.15%
Deferred Inflow of Resources	48,870	34,143	43.13%
Net position:			
Net investment in capital assets	3,057,382	3,058,385	-0.03%
Restricted	383,055	201,216	90.37%
Unrestricted	2,802,300	2,594,660	8.00%
Total net position	$ 6,242,737	$ 5,854,261	6.64%

Changes in Net Position

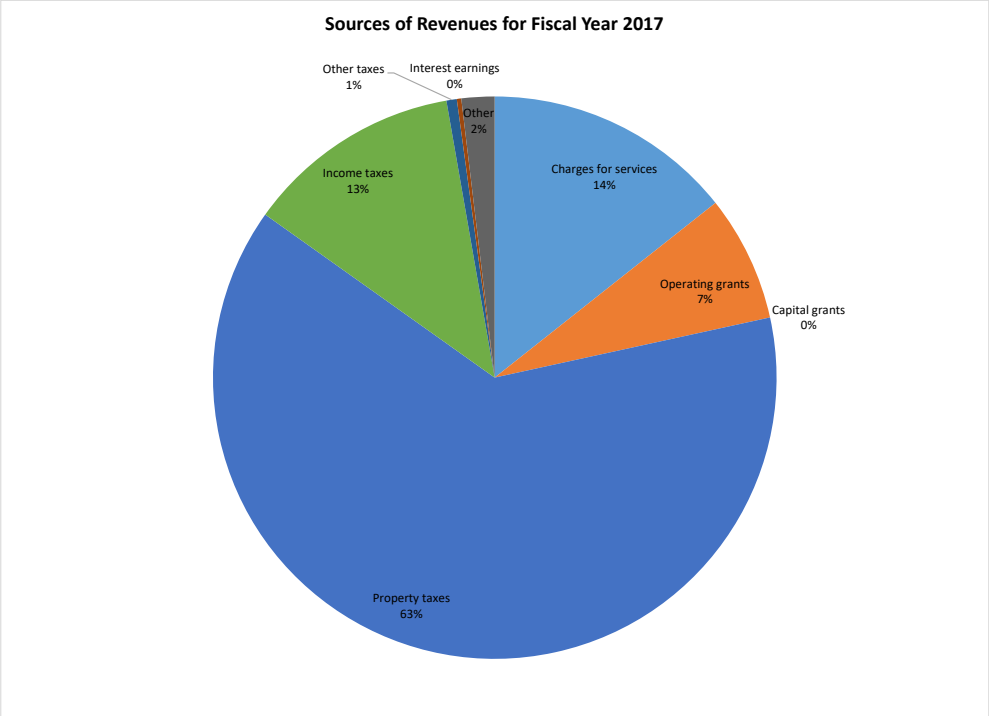
The City's revenue totaled $5,523,561. Of the City's revenue, 63% comes from property taxes and 76.3 cents ($.763) of every dollar comes from some type of tax.

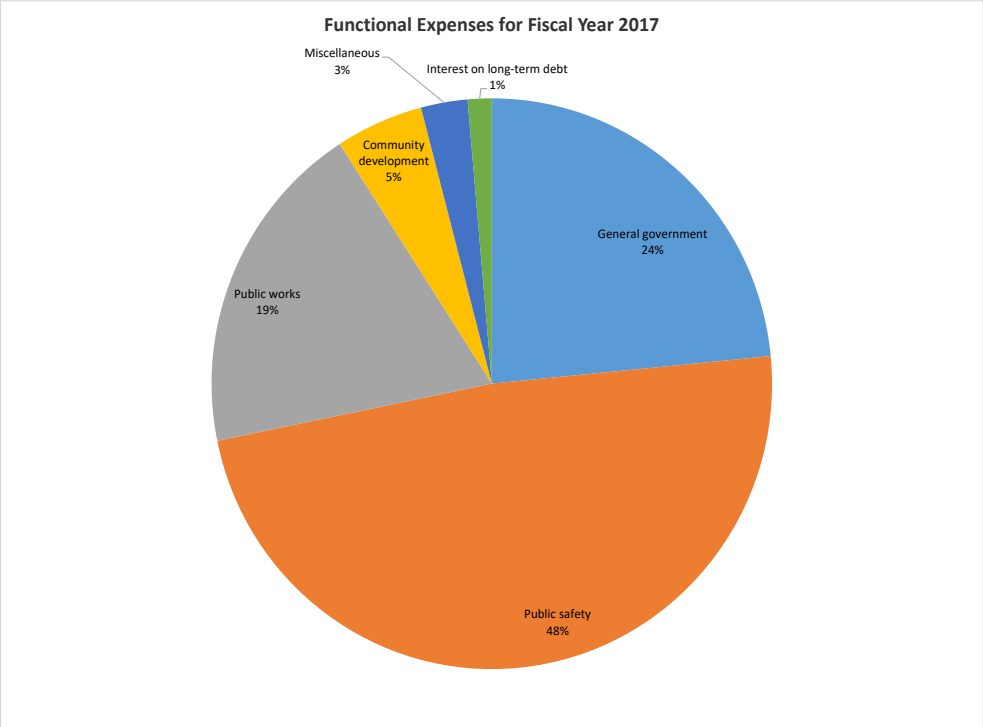
The total cost of all programs and services was $5,135,085. The City's expenses cover a range of services, with about 48.3% related to public safety.

The following table presents a summary of the Statement of Activities for the City for the years ended June 30, 2017 and 2016:

Changes in Net Position

	Governmental Activities		
	2017	2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 791,280	$ 896,945	-11.78%
Operating grants	400,216	746,139	-46.36%
Capital grants	-	-	
General revenues:			
Property taxes	3,495,185	3,110,287	12.37%
Income taxes	685,224	651,600	5.16%
Other taxes	32,589	25,905	25.80%
Interest earnings	14,212	6,944	104.67%
Other	104,855	67,831	54.58%
Total revenues	5,523,561	5,505,651	0.33%
Expenses:			
General government	1,204,486	1,412,650	-14.74%
Public safety	2,481,655	2,472,212	0.38%
Public works	980,403	1,044,236	-6.11%
Community development	259,685	146,070	77.78%
Miscellaneous	137,849	84,964	62.24%
Interest on long-term debt	71,007	77,916	-8.87%
Total expenses	5,135,085	5,238,048	-1.97%
Increase in net position	388,476	267,603	45.17%
Net position - beginning of year	5,854,261	5,586,658	4.79%
Net position - end of year	$ 6,242,737	$ 5,854,261	6.64%


Sources of Revenues for Fiscal Year 2017
Other taxes 1%
Interest earnings 0%
Other 2%
Charges for services 14%
Income taxes 13%
Operating grants 7%
Capital grants 0%
Property taxes 63%


Functional Expenses for Fiscal Year 2017
Miscellaneous 3%
Interest on long-term debt 1%
Community development 5%
General government 24%
Public works 19%
Public safety 48%

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 $4,579,149, an increase of $438,573. Of this total amount, $4,074,664, represents unassigned fund balance. The remainder of the fund balance consists of nonspendable for prepaid items of $71,279, restricted for public safety of $383,055, and assigned for subsequent expenditures of $50,151.

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 $4,074,664, while total general fund balance was $4,528,998. During fiscal year 2017, fund balance for the City's general fund increased by $494,076. The special revenue fund balance decreased by $55,503 during the current fiscal year.

General Fund Budgetary Highlights

Most of the budget variances are due to greater than budgeted tax revenue and proceeds from a new capital lease as well as lower than budgeted expenses for public safety, public works and capital outlay.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2017 was $4,655,373 (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.

Capital Assets Net of Depreciation

	Governmental Activities	
	2017	2016
Land/construction in progress	$ 2,360,469	$ 2,359,418
Land improvements	89,321	98,723
Buildings and improvements	1,861,373	1,928,569
Equipment and vehicles	344,210	400,034
Total	$ 4,655,373	$ 4,786,744

Capital assets purchased by the City during the last fiscal year includes equipment and vehicles, building and improvements, and construction in progress totaling $125,768.

Long-term Debt

At year end, the City had $1,784,367 in outstanding debt. One new capital lease obligation was incurred during the year.

	Governmental Activities	
	2017	2016
Bonds payable	$ 1,290,713	$ 1,481,004
Capital lease obligations	307,278	247,355
Accumulated compensation absences	186,376	216,625
Total	$ 1,784,367	$ 1,944,984

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 2018 are expected to increase over levels for fiscal year 2017.
- Salaries expense for fiscal year 2018 includes a 3% ("COLA") for all City employees.
- Real property tax rates were reduced at the fiscal year 2018 to 84 cents ($.84) per $100 of assessed valuation.
- Vacant Developed Property Tax was reduced from $5.00 to $2.50 per $100 of assessed valuation for fiscal year 2018.
- Business Property Tax was reduced from $1.98 to $0.99 per $100 of assessed valuation for fiscal year 2018.

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, 2017

	Governmental Activities
Assets	
Cash and investments	$ 4,415,458
Taxes receivable, net	60,912
Prepaid items	71,279
Due from other governments	365,521
Other receivables	75,690
Capital assets	
Nondepreciable assets	2,360,469
Depreciable assets, net of depreciation	2,294,904
Deferred outflow of resources	
Deferred outflows - pension related	625,737
Total assets and deferred outflow of resources	10,269,970
Liabilities	
Accounts payable and accrued expenses	73,474
Accrued salaries and fringe benefits	45,616
Other payables	17,950
Liability for seized assets	72,941
Long-term debt	
Due within one year	343,933
Due in more than one year	1,440,434
Net pension liability	1,984,015
Deferred inflow of resources	
Deferred inflows - pension related	48,870
Total liabilities and deferred inflow of resources	4,027,233
Net position	
Net investment in capital assets	3,057,382
Restricted	
Public safety	383,055
Unrestricted	2,802,300
Total net position	$ 6,242,737

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Statement of Activities
Year Ended June 30, 2017

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	$ 1,204,486	$ 621,767	$ 16,853	$ -	$ (565,866)
Public safety	2,481,655	166,488	119,058	-	(2,196,109)
Public works	980,403	3,025	35,272	-	(942,106)
Community development	259,685	-	229,033	-	(30,652)
Miscellaneous	137,849	-	-	-	(137,849)
Debt service - interest	71,007	-	-	-	(71,007)
Total governmental activities	5,135,085	791,280	400,216	-	(3,943,589)
General revenues					
Property taxes					3,495,185
Income taxes					685,224
Other taxes					32,589
Interest and investment earnings					14,212
Miscellaneous					104,855
Total general revenues					4,332,065
Change in net position					388,476
Net position - beginning					5,854,261
Net position - ending					$ 6,242,737

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Balance Sheet - Governmental Funds June 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and investments	$ 4,377,200	$ 38,258	$ 4,415,458
Taxes receivable (net of allowance of $82,416 and $0, respectively)	60,912	-	60,912
Prepaid items	71,279	-	71,279
Due from other governments	230,178	135,343	365,521
Due from other funds	123,450	-	123,450
Other receivables	75,690	-	75,690
Deferred outflow of resources	-	-	-
Total assets and deferred outflow of resources	$ 4,938,709	$ 173,601	$ 5,112,310
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 73,474	$ -	$ 73,474
Accrued salaries	45,616	-	45,616
Other payables	17,950	-	17,950
Due to other funds	-	123,450	123,450
Liability for seized assets	72,941	-	72,941
Total liabilities	209,981	123,450	333,431
Deferred inflow of resources	199,730	-	199,730
Fund balances			
Nonspendable for prepaid items	71,279	-	71,279
Restricted			
Public safety	383,055	-	383,055
Assigned for subsequent years' expenditures	-	50,151	50,151
Unassigned	4,074,664	-	4,074,664
Total fund balances	4,528,998	50,151	4,579,149
Total liabilities and fund balances	$ 4,938,709	$ 173,601	$ 5,112,310

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities
June 30, 2017

Total fund balance, governmental funds		$ 4,579,149
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	$ 7,988,623	
Accumulated depreciation	(3,333,250)	4,655,373
Deferred revenues are not available in the current period and therefore are deferred in the funds		199,730
Deferred outflow of resources - pension obligation		625,737
Deferred inflow of resources - pension obligation		(48,870)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds payable	(1,290,713)	
Capital leases payable	(307,278)	
Net pension liability	(1,984,015)	
Accrued vacation leave	(186,376)	(3,768,382)
Net position of governmental activities		$ 6,242,737

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, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Taxes	$ 4,200,049	$ -	$ 4,200,049
Licenses and permits	594,403	-	594,403
Intergovernmental	289,432	120,915	410,347
Charges for services	30,389	-	30,389
Fines and forfeitures	166,488	-	166,488
Miscellaneous	99,030	24,428	123,458
Interest and investment earnings	14,212	-	14,212
Total revenues	5,394,003	145,343	5,539,346
Expenditures			
Current			
General government	1,056,907	74,823	1,131,730
Public safety	2,269,326	-	2,269,326
Public works	946,595	-	946,595
Community development	133,662	126,023	259,685
Miscellaneous	115,329	-	115,329
Debt service			
Principal	330,368	-	330,368
Interest	71,007	-	71,007
Capital outlay	176,733	-	176,733
Total expenditures	5,099,927	200,846	5,300,773
Excess (deficiency) of revenues over expenditures	294,076	(55,503)	238,573
Other financing sources (uses)			
Proceeds from issuance of capital lease	200,000	-	200,000
Net change in fund balances	494,076	(55,503)	438,573
Fund balances - beginning	4,034,922	105,654	4,140,576
Fund balances - ending	$ 4,528,998	$ 50,151	$ 4,579,149

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, 2017

Net change in fund balances - total governmental funds		$ 438,573
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	$ 125,768	
Depreciation	(257,139)	(131,371)
The issuance of long-term debt provides financial resources to governmental funds while the repayment of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position:		
Proceeds	(200,000)	
Repayments	330,368	130,368
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		(15,785)
Recognized pension costs less than the pension amount contributed		36,351
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 compensated absences.		
Net pension expense	(99,909)	
Change in accrued vacation leave	30,249	(69,660)
Change in net position of governmental activities		$ 388,476

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 equity, 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.

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 property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income, and intergovernmental revenues. Other taxes collected and held by the

state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Financial statement amounts

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 compensated absences 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.

Compensated absences - 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 these compensated absences 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 $199,730 relating to income taxes.

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.

- 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. The basis for budgeting is the modified accrual basis, excluding certain expenditures such as compensated absences, which results in non-GAAP basis. All appropriations lapse at the end of the budget year to the extent that they have not been expended.

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 deposits and investments

Deposits

At year-end, the carrying amount of the City's deposits (including cash on hand of $700) was $1,737,984 and the corresponding bank balances were $1,800,953. Custodial 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. At year end, $750,000 of the City's deposits were covered by federal depository insurance and $1,050,953 was covered by collateral held by the City's agent in the City's name.

Investments

At June 30, 2017, the City's investments were pooled in the state created Maryland Local Government Investment Pool ("MLGIP"). The values of those investments were $2,677,474. Reconciliation of cash and investments as shown on the Statement of Net Position:

Carrying amounts of deposits	$ 1,737,984
Carrying amounts of investments	2,677,474
	$ 4,415,458
Per Statement of Net Position	
Cash and investments	$ 4,415,458

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 at June 30, 2017, met the City investment policy as of that date. Investment income was $13,933 for the year ended June 30, 2017.

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, money market mutual funds and the MLGIP. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. It is rated AAAm by Standard & Poor's, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of $1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net assets value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a $1.00 per unit constant value.

The City 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 City maintains a cash and investment pool that is available for use by all funds. The City is governed by the deposit and investment limitations of Maryland law. The City is a participant in the Maryland Local Government Investment Pool ("MLGIP"), which provides all local government units of the state an investment vehicle for short-term investment of funds. The MLGIP is rated "AAAm" by Standard and Poor's (its highest rating).

The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single financial institution. A MLGIP Advisory Committee of current participants' reviews, on a quarterly basis, the activities of the fund and provides suggestions to enhance the pool. The fair value of the pool is the same as the value of the pool shares. As of June 30, 2017, all pool holdings are in cash and cash equivalents with a weighted average maturity of 37 days. The pool 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 and also issues a publicly available financial report that includes financial statements and required supplemental information for the MLGIP. This report 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. As of June 30, 2017, the City had total investments in MLGIP of $2,677,474, which has been reflected as cash and investments in the general fund.

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 at June 30, 2017.

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, 2017 was $0.86 per $100 of assessed value for real property, $1.98 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, 2017 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	699,691	1,051	-	700,742
Total capital assets not being depreciated	2,359,418	1,051	-	2,360,469
Capital assets being depreciated				
Land improvements	141,033	-	-	141,033
Building and improvements	3,374,332	26,641	-	3,400,973
Equipment and vehicles	1,988,072	98,076	-	2,086,148
Total capital assets being depreciated	5,503,437	124,717	-	5,628,154
Less accumulated depreciation for				
Land improvements	42,310	9,402	-	51,712
Building and improvements	1,445,763	93,837	-	1,539,600
Equipment and vehicles	1,588,038	153,900	-	1,741,938
Total accumulated depreciation	3,076,111	257,139	-	3,333,250
Total capital assets being depreciated, net	2,427,326	(132,422)	-	2,294,904
Capital assets, net	$ 4,786,744	$ (131,371)	$ -	$ 4,655,373

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

General government	$ 60,753
Public safety	124,336
Public works	72,050
Total	$ 257,139

Note 6 - Due from other governments

At June 30, 2017, the balance due from other governments consisted of the following:

	General Fund	Special Revenue Fund
State of Maryland		
Police aid	$ 30,073	$ -
Income tax	200,105	-
Local		
Other grants	-	135,343
Total	$ 230,178	$ 135,343

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 I-2008 Series bonds are as follows at June 30, 2017:

Years ending June 30,	Principal	Interest	Total
2018	$ 97,171	$ 20,607	$ 117,778
2019	101,929	15,849	117,778
2020	106,920	10,858	117,778
2021	112,156	5,623	117,779
2022	31,616	768	32,384
	$ 449,792	$ 53,705	$ 503,497

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 I-2010 Series bonds are as follows at June 30, 2017:

Years ending June 30,	Principal	Interest	Total
2018	$ 101,650	$ 35,078	$ 136,728
2019	106,068	30,660	136,728
2020	110,678	26,050	136,728
2021	115,488	21,239	136,727
2022	120,508	16,221	136,729
Thereafter	286,529	17,136	303,665
	$ 840,921	$ 146,384	$ 987,305

Capital leases

The City has entered into the following agreements which meet the criteria of a capital lease. Lease payments are appropriated from general fund resources. The equipment underlying these agreements has an original cost of $601,830 and a book value net of accumulated depreciation of $151,608.

In October, 2013, the City entered into an agreement with Sun Trust Equipment Finance & Leasing Corp. to finance a Mack truck. The agreement requires semi-annual payments in the amount of $19,778 for a period of four years, including interest at 2.02%.

In October, 2013, the City entered into an agreement with Sun Trust Equipment Finance & Leasing Corp. to finance two police vehicles. The agreement requires semi-annual payments in the amount of $10,801 for a period of four years, including interest at 1.88%

In October 2014, the City entered into an agreement with BB&T Bank to finance two police vehicles and a leaf vacuum machine. The agreement requires annual payments in the amount of $29,219 for a period of four years, including interest at 2.47%.

In October 2015, the City entered into an agreement with BB&T Bank to finance three police vehicles. The agreement requires annual payments in the amount of $32,858 for a period of three years, including interest at 1.87%.

In November 2016, the City entered into an agreement with BB&T Bank to finance two police vehicles and two trucks. The agreement requires semi-annual payments in the amount of $34,433 for a period of three years, including interest at 1.87%.

The following is a schedule of the future minimum lease payments under these capital lease arrangements at June 30, 2017:

Years ending June 30,	Payments
2018	$ 150,721
2019	130,942
2020	34,433
Total payments	316,096
Less interest	8,818
	$ 307,278

Changes in long-term debt

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

	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017	Due within one year
General obligation bonds	$ 1,481,004	$ -	$ (190,291)	$ 1,290,713	$ 198,821
Capital leases	247,355	200,000	(140,077)	307,278	145,112
Accrued vacation leave	216,625	57,838	(88,087)	186,376	-
Net pension liability	1,667,216	316,799	-	1,984,015	-
Total	$ 3,612,200	$ 574,637	$ (418,455)	$ 3,768,382	$ 343,933

Note 8 - Interfund receivables and payables

Interfund receivable and payable balances at June 30, 2017 were as follows:

	Interfund receivables	Interfund payables
General fund	$ 123,450	-
Special revenue fund	-	123,450
	$ 123,450	$ 123,450

Note 9 - Fund balance

The Council of the City of Mount Rainier has assigned $50,151 of the fund balance for subsequent expenditures. The restricted fund balance of $383,055, which was generated from the speed monitoring program, has been restricted for public safety programs.

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 0.0084% as of the measurement date of June 30, 2016.

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

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 $153,431 to the System for fiscal 2017 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, 2016 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were adjusted by increasing contributions by approximately $77 million to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland for the year ended June 30, 2016.

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

(Expressed in thousands)	
Total Pension Liability	$ 68,959,954
Less: Plan Fiduciary Net Position	45,365,927
Net Pension Liability	$ 23,594,027
Plan fiduciary net position as a percentage of total pension liability	65.79%

Actuarial assumptions

As of the measurement date of June 30, 2016:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for State system, 24 years for LEOPS Muni, and 31 years for CORS Muni as of June 30, 2015. For ECS Muni, 5 years remaining as of June 30, 2015 for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.20% wage
Salary Increases	3.30% to 9.20% including inflation

Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience
Note	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2015 valuation: Investment return assumption changed from 7.65% to 7.55%. Inflation assumption changed from 2.90% to 2.70%

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

Discount rate
A single discount rate of 7.55% 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 7.55%. 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 7.55%, 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 6.55%	Current discount rate 7.55%	1% increase to 8.55%
Total System net pension liability	$32,408,442,000	$23,594,027,000	$16,259,112,000
Total City's Proportionate share of net pension liability	$ 2,725,226	$ 1,984,015	$ 1,367,229

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/CAFR-2015.pdf. 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 7.5%). 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

At June 30, 2017, City reported a liability of $1,984,015 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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. At June 30, 2017, the City's proportion was 0.0084%.

For the year ended June 30, 2017, the City recognized pension expense of $135,849 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	$ 75,604	$ -
Difference between actual and expected experience	-	48,870
Net difference between projected and actual investment earnings	236,691	-
Change in proportion	160,011	-
Contributions subsequent to measurement date	153,431	-
Total	$ 625,737	$ 48,870

The $153,431 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, 2018. The deferred outflows and inflows of resources due to changes in assumptions, differences between actual and expected experience, change in proportion, and differences between projected and actual investment earnings represent the City's proportionate share of the unamortized portions of the System's original amounts. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 5.87 years. The 2015 and 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of 5 years. The net difference in investment earnings for 2016, 2015 and 2014 are being amortized over a closed 5-year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed 5-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
2018	$ 110,809	$ (11,476)	$ 99,333
2019	110,809	(11,476)	99,333
2020	141,289	(11,476)	129,813
2021	98,949	(10,564)	88,385
2022	10,450	(3,878)	6,572
Total	$ 472,306	$ (48,870)	$ 423,436

Note 11 - Deferred compensation

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 at June 30, 2017.

Note 16 - New Governmental Accounting Standards Board Standards

GASB has issued several pronouncements prior to the year ended June 30, 2017, that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* will be effective for the City beginning with its year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45*, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

- Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, effective for financial statements for fiscal years beginning after December 15, 2015.

- Statement No. 83 - *Certain Asset Retirement Obligations*, issued November 2016, effective for fiscal years beginning after June 15, 2018.

- Statement No. 84 - *Fiduciary Activities*, issued January 2017, effective for fiscal years beginning after December 15, 2018.

- Statement No. 85 - *Omnibus 2017*, issued March 2017, effective for fiscal years beginning after June 15, 2017.

- Statement No. 86 - *Certain Debt Extinguishment Issues*, issued May 2017, effective for fiscal years beginning after June 15, 2017.

- Statement No. 87, *Leases*, issued June 2017, effective for fiscal years beginning after December 15, 2019.

- 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, 2018.

- 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, 2019.

- 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, 2018.

Note 17 - Subsequent events

The City evaluated subsequent events for potential required disclosures through March 20, 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 to have surfaced in China. 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, 2017

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues				
Taxes	$ 4,040,000	$ 4,040,000	$ 4,200,049	$ 160,049
Licenses and permits	591,750	591,750	594,403	2,653
Intergovernmental	200,000	200,000	289,432	89,432
Charges for services	43,250	43,250	30,389	(12,861)
Fines and forfeitures	180,500	180,500	166,488	(14,012)
Miscellaneous	42,750	42,750	99,030	56,280
Interest and investment earnings	3,000	3,000	14,212	11,212
Total revenues	5,101,250	5,101,250	5,394,003	292,753
Expenditures				
General government	1,021,750	1,021,750	1,056,907	(35,157)
Public safety	2,430,800	2,430,800	2,269,326	161,474
Public works	1,054,500	1,054,500	946,595	107,905
Community development	147,150	147,150	133,662	13,488
Miscellaneous	115,750	115,750	115,329	421
Debt service	356,750	356,750	401,375	(44,625)
Capital outlay	396,000	396,000	176,733	219,267
Total expenditures	5,522,700	5,522,700	5,099,927	422,773
Other financing sources (uses)				
Proceeds from issuance of capital lease	-	-	200,000	200,000
Excess (deficiency) of revenues over expenditures	(421,450)	(421,450)	494,076	915,526
Appropriation of fund balance	421,450	421,450	-	(421,450)
Net change in fund balance	$ -	$ -	$ 494,076	$ 494,076

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2017

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues				
Taxes				
Real estate	$ 3,310,000	$ 3,310,000	$ 3,334,455	$ 24,455
Business personal property	45,000	45,000	77,203	32,203
Public utilities personal property	80,000	80,000	83,984	3,984
Admission and amusement	6,000	6,000	3,855	(2,145)
Property liens	10,000	10,000	-	(10,000)
Penalties and interest on taxes	9,000	9,000	15,328	6,328
Shared income tax - state	580,000	580,000	685,224	105,224
Total taxes	4,040,000	4,040,000	4,200,049	160,049
Licenses and permits				
Burglar alarm registration	750	750	150	(600)
CDMA fees	23,000	23,000	-	(23,000)
Occupancy/building license	10,000	10,000	15,861	5,861
Traders licenses	500	500	1,198	698
Residential rental licenses	365,000	365,000	360,185	(4,815)
Building permits	4,000	4,000	17,680	13,680
CATV revenue	70,000	70,000	72,970	2,970
Franchise fee	110,000	110,000	119,137	9,137
Vacant building fees	6,000	6,000	3,675	(2,325)
Mitigation fees	1,000	1,000	254	(746)
Tree removal permit	-	-	350	350
Other licenses and permits	1,500	1,500	2,943	1,443
Total licenses and permits	591,750	591,750	594,403	2,653
Intergovernmental				
State				
Highway user tax	41,000	41,000	27,646	(13,354)
Police protection	115,500	115,500	119,058	3,558
SHA-MOU	15,000	15,000	7,626	(7,374)
Transportation grant	-	-	106,368	106,368
County				
Disposal fee rebate	22,000	22,000	28,734	6,734
Financial corps	6,500	6,500	-	(6,500)
Total intergovernmental	200,000	200,000	289,432	89,432

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2017

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues				
Charges for services				
Public parking facilities	25,000	25,000	13,852	(11,148)
Public transportation	2,000	2,000	5,174	3,174
Waste collection	1,250	1,250	25	(1,225)
Trash hauler fees	1,000	1,000	3,000	2,000
CDMA administrative fees	1,750	1,750	-	(1,750)
City service fees	1,750	1,750	1,308	(442)
Multi-family trash fees	3,000	3,000	-	(3,000)
Other charges for services	7,500	7,500	7,030	(470)
Total charges for services	43,250	43,250	30,389	(12,861)
Fines and forfeitures				
Parking violations	75,000	75,000	142,070	67,070
Meter violations	18,500	18,500	12,833	(5,667)
Parking citation recovery	75,000	75,000	-	(75,000)
Municipal code violations	2,000	2,000	600	(1,400)
Speed camera	-	-	375	375
Impoundment fees	10,000	10,000	10,610	610
Total fines and forfeitures	180,500	180,500	166,488	(14,012)
Miscellaneous				
Bus shelter advertising	750	750	205	(545)
Rent income	31,000	31,000	23,400	(7,600)
Insurance damage recovery	-	-	38,129	38,129
National Night Out	500	500	-	(500)
Mount Rainier day	8,250	8,250	1,331	(6,919)
Bike co-op	-	-	6,000	6,000
Tool Shed revenues	250	250	-	(250)
Compost revenue	1,000	1,000	180	(820)
Gateway 5K revenue	-	-	42	42
Other revenue	1,000	1,000	29,743	28,743
Total miscellaneous	42,750	42,750	99,030	56,280
Interest and investment earnings	3,000	3,000	14,212	11,212
Total revenues	5,101,250	5,101,250	5,394,003	292,753

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2017

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures				
General government				
Mayor and council				
Personnel	36,250	36,250	31,878	4,372
Other operating	26,075	26,075	15,978	10,097
Total Mayor and Council	62,325	62,325	47,856	14,469
City Administration				
Personnel	493,250	493,250	503,318	(10,068)
Other operating	120,000	120,000	206,870	(86,870)
Total City Administration	613,250	613,250	710,188	(96,938)
Economic Development				
Personnel	94,500	94,500	93,875	625
Other operating	16,425	16,425	31,780	(15,355)
Total Economic Development	110,925	110,925	125,655	(14,730)
3409 Rhode Island Avenue				
Other operating	15,000	15,000	12,817	2,183
3200 Rhode Island Avenue				
Other operating	500	500	3,026	(2,526)
3204-3208 Rhode Island Avenue				
Other operating	750	750	1,022	(272)
3405 Rhode Island Avenue				
Other operating	12,000	12,000	2,771	9,229
Legal and elections				
Other operating	65,500	65,500	60,684	4,816
3601 Bunker Hill Road				
Other operating	7,000	7,000	3,285	3,715
Communications and newsletter				
Other operating	41,250	41,250	20,274	20,976
Communications - cable TV				
Personnel	35,000	35,000	28,462	6,538
Other operating	48,500	48,500	24,301	24,199
Total Communications - cable TV	83,500	83,500	52,763	30,737

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2017

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures (continued)				
General government				
Library				
Other operating	9,750	9,750	2,848	6,902
Miscellaneous				
Bad debt	-	-	13,718	(13,718)
Total general government	1,021,750	1,021,750	1,056,907	(35,157)
Public safety				
Police				
Personnel	1,782,000	1,782,000	1,702,422	79,578
Other operating	297,550	297,550	285,815	11,735
Total police	2,079,550	2,079,550	1,988,237	91,313
Parking enforcement				
Personnel	63,750	63,750	59,766	3,984
Other operating	30,500	30,500	36,523	(6,023)
Total parking enforcement	94,250	94,250	96,289	(2,039)
Code enforcement				
Personnel	223,500	223,500	161,236	62,264
Other operating	32,000	32,000	23,564	8,436
Total code enforcement	255,500	255,500	184,800	70,700
Fire department				
Other operating	1,500	1,500	-	1,500
Total public safety	2,430,800	2,430,800	2,269,326	161,474
Public Works				
Public Works administration				
Personnel	595,500	595,500	556,182	39,318
Other operating	154,000	154,000	161,725	(7,725)
Total Public Works administration	749,500	749,500	717,907	31,593

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2017

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures (continued)				
Highway and street				
Other operating	107,500	107,500	72,198	35,302
Street lighting				
Other operating	112,500	112,500	90,126	22,374
Waste disposal				
Other operating	85,000	85,000	66,364	18,636
Total Public Works	1,054,500	1,054,500	946,595	107,905
Community development				
Call-A-Bus				
Personnel	23,750	23,750	30,759	(7,009)
Other operating	12,500	12,500	12,603	(103)
Total Call-A-Bus	36,250	36,250	43,362	(7,112)
Community programs				
Personnel	3,250	3,250	5	3,245
Other operating	21,500	21,500	13,119	8,381
Total community programs	24,750	24,750	13,124	11,626
Mount Rainier Day				
Personnel	16,000	16,000	23,994	(7,994)
Other operating	28,500	28,500	14,958	13,542
Total Mount Rainier Day	44,500	44,500	38,952	5,548
National Night Out				
Personnel	5,400	5,400	4,404	996
Other operating	5,000	5,000	870	4,130
Total National Night Out	10,400	10,400	5,274	5,126
Bike Co-op				
Other operating	1,250	1,250	5,447	(4,197)

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2017

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures (continued)				
City tax credit				
Other operating	28,500	28,500	27,503	997
Tool shed				
Other operating	1,500	1,500	-	1,500
Total community development	147,150	147,150	133,662	13,488
Miscellaneous				
General insurance	90,750	90,750	87,520	3,230
Contingency	25,000	25,000	27,809	(2,809)
Total miscellaneous	115,750	115,750	115,329	421
Debt service				
Principal	276,000	276,000	330,368	(54,368)
Interest	80,750	80,750	71,007	9,743
Total debt service	356,750	356,750	401,375	(44,625)
Capital outlay				
Capital equipment	-	-	-	-
Capital outlay projects	396,000	396,000	176,733	219,267
Redevelop City Funds	-	-	-	-
Total capital outlay	396,000	396,000	176,733	219,267
Total expenditures	5,522,700	5,522,700	5,099,927	422,773
Other financing sources (uses)				
Proceeds from issuance of capital lease	-	-	200,000	200,000
Excess (deficiency) of revenues over expenditures	(421,450)	(421,450)	494,076	915,526
Appropriation of fund balance	421,450	421,450	-	(421,450)
Net change in fund balance	$ -	$ -	$ 494,076	$ 494,076

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
Special Revenue Fund
Year Ended June 30, 2017

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues				
Intergovernmental				
Federal grants				
CDBG grant	$ 200,000	$ 200,000	$ 120,915	$ (79,085)
State grants				
Smart Energy Communities grant	164,750	164,750	-	(164,750)
State of Maryland - SGIF Grant	1,500	1,500	-	(1,500)
MDOT-transportation grant	80,000	80,000	-	(80,000)
County grants				
County tree grant	10,000	10,000	-	(10,000)
Community legacy grant	200,000	200,000	-	(200,000)
Mount Rainier Day grant	2,500	2,500	-	(2,500)
Aging Senior Program Grant	2,500	2,500	-	(2,500)
National Night Out	1,000	1,000	-	(1,000)
Total intergovernmental	662,250	662,250	120,915	(541,335)
Miscellaneous				
LGIT grant	4,000	4,000	5,825	1,825
Chesapeake Bay Trust grant	391,000	391,000	16,853	(374,147)
Art Place America grant	350,000	350,000	-	(350,000)
ATHA grant	-	-	1,750	1,750
Total miscellaneous	745,000	745,000	24,428	(720,572)
Total revenue	1,407,250	1,407,250	145,343	(1,261,907)
Expenditures				
General government				
Community legacy	100,000	100,000	44,892	55,108
Mount Rainier Day	2,500	2,500		2,500
Miscellaneous	-	-	1,640	(1,640)
Materials and supplies	11,500	11,500	5,021	6,479
Contractor services	1,092,250	1,092,250	750	1,091,500
Bad debt	-	-	22,520	(22,520)
Total general government	1,206,250	1,206,250	74,823	1,131,427

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
Special Revenue Fund
Year Ended June 30, 2017

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Public Safety				
National Night Out grant	1,000	1,000	-	1,000
Total Public Safety	1,000	1,000	-	1,000
Community development				
CDBG contract work	200,000	200,000	126,023	73,977
Total community development	200,000	200,000	126,023	73,977
Total expenditures	1,407,250	1,407,250	200,846	1,206,404
Excess (deficiency) of revenues over expenditures	$ -	$ -	$ (55,503)	$ (55,503)

Notes to the Required Supplementary Information
June 30, 2017

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.

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.

Note 3 - Other disclosures

The expenditures exceeded the budgeted amounts for the following departments:

General Fund:
- City administration
- Economic development
- 3200 Rhode Island Avenue
- 3204-3208 Rhode Island Avenue
- Parking enforcement
- Debt service
- Call-A-Bus
- Bike Co-op

The major difference between budget basis and GAAP basis is the appropriation of prior year surplus as a revenue item. $421,450 of fund balance was included as a revenue source on the budgetary statement.

The departments on the Schedule of Revenues and Expenditures - Budget and Actual have been further grouped by major governmental functions.

Note 4 - Actuarial assumptions

As of the measurement date of June 30, 2016:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for State system, 24 years for LEOPS Muni, and 31 years for CORS Muni as of June 30, 2015. For ECS Muni, 5 years remaining as of June 30, 2015 for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL
Asset Valuation Method	5-year smoothed market; 20% collar

Inflation	2.70% general, 3.20% wage
Salary Increases	3.30% to 9.20% including inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience
Note	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2015 valuation: Investment return assumption changed from 7.65% to 7.55%. Inflation assumption changed from 2.90% to 2.70%

City of Mount Rainier, Maryland

Schedules of Required Supplementary Information

Retirement Plan Information
Year Ended June 30, 2017

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

	2017	2016	2015
City's proportion (%) of the collective net pension liability	0.0084%	0.0080%	0.0072%
City's proportionate share ($) of collective net pension liability	$ 1,984,015	$ 1,667,216	$ 1,283,522
City's covered payroll ($)	$ 1,877,980	$ 1,871,296	$ 1,737,850
City's proportionate share of collective net pension liability as a percentage of its covered-employee payroll	105.65%	89.09%	73.86%
Pension plan's fiduciary net position as a percentage of the total pension liability	65.79%	68.78%	71.87%

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

City of Mount Rainier, Maryland

Schedules of Required Supplementary Information

Retirement Plan Information
Year Ended June 30, 2017

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 153,431	$ 168,542	$ 169,093	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	153,431	168,542	169,093	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered employee payroll	$ 1,877,980	$ 1,871,296	$ 1,737,850							
Contributions as a percentage of covered-employee payroll	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.

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, 2017, 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 March 20, 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 2017-001, 2017-002, 2017-003 and 2017-004 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
March 20, 2020

2017-001 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 2019 (two years 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.

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 current Finance Director started in December 2018 and has been working to address late audits, finance policies and procedures, and internal control policies. In addition, the City has engaged a consultant to assist the Finance Director 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.

2017-002 Record Keeping

Statement of Condition: The accounting records required numerous 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.

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 interim and annual financial statements that were materially misstated.

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 current Finance Director started in December 2018 and has been working to address late audits, finance policies and procedures, and

internal control policies. In addition, the City has engaged a consultant to assist the Finance Director 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.

2017-003 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.

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. 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. The Finance Director has made significant internal control changes and continues to look for opportunities to improve internal controls notwithstanding staffing limitations.

2017-004 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.

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. 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. The Finance Director has made significant internal control changes and continues to look for opportunities to improve internal controls notwithstanding staffing limitations.

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