CITY OF MOUNT RAINIER, MARYLAND

Financial Statements and Supplementary Information
For the Year Ended June 30, 2023
With Independent Auditor's Report

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

CITY OF MOUNT RAINIER, MARYLAND
Financial Statements and Supplementary Information
For the Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Mount Rainier, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and the major fund of the City of Mount Rainier, Maryland (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Mount Rainier, Maryland, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and retirement plan information on pages 4 to 11 and 43 to 52, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, 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 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.

Mitchell & Titus, LLP

October 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MOUNT RAINIER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

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, 2023. 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 $12,049,880 (net position).
- The City's total net position increased by $2,055,740.
- As of the close of the fiscal year, the City's governmental/general fund reported a combined ending fund balance of $8,302,124, an increase of $2,362,859.

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 required supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL 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.).

GOVERNMENT-WIDE FINANCIAL STATEMENTS *(continued)*

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

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

FUND FINANCIAL STATEMENTS

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

- Governmental funds
- Proprietary funds
- Fiduciary funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City has one governmental fund, the general fund. This fund is considered a major fund by the City. The basic governmental fund financial statements can be found on pages 14 to 17 of this report. The City does not maintain proprietary 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 18 to 42 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and retirement plan information, which can be found on pages 43 to 52 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 $12,049,880 at the close of the most recent fiscal year.

The City's combined net position increased by $2,055,740. This increase is primarily due an increase in property taxes, charges for services and grants.

The following table presents a summary of the Statement of Net Position for the City as of June 30, 2023 and 2022:

	Governmental Activities		Percentage
	2023	**2022**	**Change**
ASSETS			
Current and other assets	$ 14,186,204	$ 9,220,299	54%
Capital assets	6,908,495	5,654,621	22%
Total assets	21,094,699	14,874,920	42%
Deferred outflows - pension	1,520,652	1,169,774	30%
LIABILITIES			
Noncurrent liabilities	4,497,868	2,128,745	111%
Other liabilities	5,152,647	2,917,790	77%
Total liabilities	9,650,515	5,046,535	91%
Deferred inflow of resources	914,956	1,004,019	(9)%
NET POSITION			
Net investment in capital assets	6,391,608	5,312,127	20%
Restricted	919,701	888,973	3%
Unrestricted	4,738,571	3,793,040	25%
Total net position	$ 12,049,880	$ 9,994,140	21%

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(continued)*

Changes in Net Position

The City's revenue totaled $10,138,701. Of the City's revenue, 52% comes from property taxes and 60 cents ($.60) of every dollar comes from some type of tax.

The total cost of all programs and services was $8,082,961. The City's expenses cover a range of services, with about 42% related to public safety.

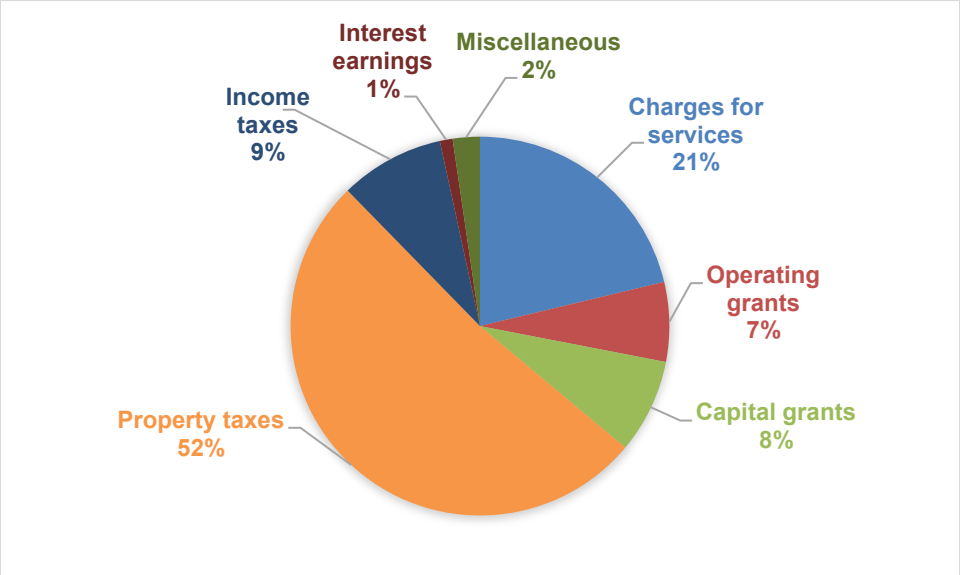
The following table presents a summary of the Statement of Activities for the City for the years ended June 30, 2023 and 2022:

	Governmental Activities		Percentage
	2023	**2022**	**Change**
REVENUES			
Program revenues			
Charges for services	$ 2,154,764	$ 1,684,258	28%
Operating grants	688,100	1,150,395	(40)%
Capital grants	815,422	-	-
General revenues			
Property taxes	5,232,098	5,059,876	3%
Income taxes	903,007	945,307	(4)%
Interest earnings	110,545	3,801	2808%
Miscellaneous	234,765	158,009	49%
Total revenues	10,138,701	9,001,646	13%
EXPENSES			
General government	2,667,592	2,288,805	17%
Public safety	3,435,309	3,069,419	12%
Public works	1,698,438	1,803,675	(6)%
Community development	140,308	105,874	33%
Miscellaneous	73,584	52,300	41%
Interest on long-term debt	67,730	24,949	171%
Total expenses	8,082,961	7,345,022	10%
Increase in net position	2,055,740	1,656,624	24%
Net position, beginning of year	9,994,140	8,337,516	20%
Net position, end of year	$ 12,049,880	$ 9,994,140	21%

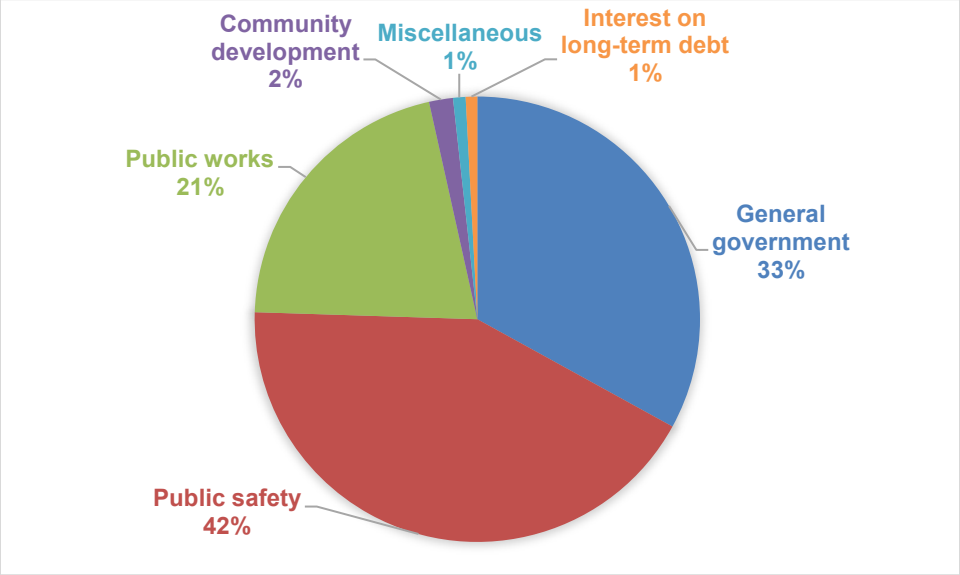
GOVERNMENT-WIDE FINANCIAL ANALYSIS *(continued)*

Changes in Net Position *(continued)*

Sources of Revenues for Fiscal Year 2023



Functional Expenses for Fiscal Year 2023



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 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/general fund reported combined fund balance of $8,302,124, an increase of $2,362,859. Of this total amount, $5,605,340 represents unassigned fund balance. The remainder of the fund balance consists of nonspendable for prepaid items of $69,928, restricted for public safety of $919,701 and assigned for encumbrances of $1,707,155.

The general fund is the main operating fund of the City. During fiscal year 2023, fund balance for the City's general fund increased by $2,362,859, primarily due an increase in property taxes and grants, plus the proceeds from the public improvement bond issued in fiscal year 2023.

GENERAL FUND BUDGETARY HIGHLIGHTS

Expenditures exceeded the budgeted amounts for the following departments/line items:

Finance
Economic Development
Debt Service

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2023 was $6,908,495 (net of accumulated depreciation/amortization). The investment in capital assets includes land/ construction in progress, land improvements, buildings and improvements, leased assets - vehicles, and equipment and vehicles. The following is a summary of the capital assets, net of accumulated depreciation/amortization.

	Governmental Activities	
	2023	**2022**
Land/construction in progress	$ 2,976,618	$ 2,079,384
Land improvements	1,864,821	1,393,032
Buildings and improvements	1,684,793	1,681,588
Equipment and vehicles	289,604	354,109
Leased assets - vehicles	92,659	146,508
Total	$ 6,908,495	$ 5,654,621

Capital assets purchased by the City during the current fiscal year includes additions to construction in progress, land improvements, and buildings and improvements totaling $1,769,409.

Long-term Debt

At year end, the City had $4,497,868 in outstanding debt. The increase in long-term debt is attributed primarily to the issuance of a public improvement bond of $2 million and a $471,000 increase in net pension liability, net of required payments.

	Governmental Activities	
	2023	**2022**
Bonds payable	$ 2,002,777	$ 216,903
Lease obligations	39,934	125,591
Net pension liability	2,226,483	1,754,655
Accumulated compensated absences	228,674	185,701
Total	$ 4,497,868	$ 2,282,850

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.

In fiscal year 2023, the City began a renovation and expansion of City Hall/Potts Hall and a Welcome Center. This project, when completed, will cost $6.3 million. The project is being funded by $1.0 million in State of Maryland capital grants, $1.0 million of ARPA funds, $2.0 in bond borrowing, and $1.0 use of fund balance, with the balance being funded by other current and anticipated grants.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Actual revenues for fiscal year 2024 are expected to increase over levels for fiscal year 2023.
- Salaries expense for fiscal year 2024 includes a 3% increase.
- Real property tax rates for fiscal year 2024 were unchanged.

COVID RELIEF FUNDING

In March of 2021, the City was awarded $5.4 million American Rescue Plan Act/Coronavirus Local Fiscal Recovery Funds to be spent in Fiscal Years 2022 through 2026. This money is earmarked for reimbursing community assistance, bonus pay, and investments in stormwater management, sewer improvements, broadband, and other infrastructure. As of June 30, 2023, the City still had $4.3 million on hand (unearned revenue) for future spending.

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.

FINANCIAL STATEMENTS

CITY OF MOUNT RAINIER, MARYLAND
Statement of Net Position
Governmental Activities
As of June 30, 2023

ASSETS	
Cash and investments	$ 12,888,553
Receivables, net of allowance of $390,222	345,111
Prepaid items	69,928
Due from other governments	882,612
Capital assets	
Nondepreciable assets	2,976,618
Capital assets, net of accumulated depreciation/amortization	3,931,877
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension related	1,520,652
Total assets and deferred outflow of resources	22,615,351
LIABILITIES	
Accounts payable and accrued expenses	613,824
Accrued salaries and fringe benefits	221,029
Unearned revenues	4,311,172
Liability for seized assets	6,622
Long-term debt	
Due within one year	302,962
Due in more than one year	1,968,423
Net pension liability	2,226,483
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension related	914,956
Total liabilities and deferred inflow of resources	10,565,471
NET POSITION	
Net investment in capital assets	6,391,608
Restricted	
Public safety	919,701
Unrestricted	4,738,571
Total net position	$ 12,049,880

The accompanying notes are an integral part of these financial statements.

CITY OF MOUNT RAINIER, MARYLAND
Statement of Activities
For the Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Governmental activities					
General government	$ 2,667,592	$ 1,303,652	$ 508,771	$ 630,667	$ (224,502)
Public safety	3,435,309	851,112	179,329	-	(2,404,868)
Public works	1,698,438	-	-	184,755	(1,513,683)
Community development	140,308	-	-	-	(140,308)
Miscellaneous	73,584	-	-	-	(73,584)
Debt service - interest	67,730	-	-	-	(67,730)
Total governmental activities	$ 8,082,961	$ 2,154,764	$ 688,100	$ 815,422	(4,424,675)
GENERAL REVENUES					
Property taxes					5,232,098
Income taxes					903,007
Interest and investment earnings					110,545
Miscellaneous					234,765
Total general revenues					6,480,415
Change in net position					2,055,740
Net position, beginning of year					9,994,140
Net position, end of year					$ 12,049,880

The accompanying notes are an integral part of these financial statements.

CITY OF MOUNT RAINIER, MARYLAND
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2023

	General Fund
ASSETS	
Cash and investments	$ 12,888,553
Receivables (net of allowance of $390,222)	345,111
Prepaid items	69,928
Due from other governments	882,612
Total assets	$ 14,186,204
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	
Liabilities	
Accounts payable	$ 613,824
Accrued salaries	221,029
Liability for seized assets	6,622
Unearned revenues	4,311,172
Total liabilities	5,152,647
Deferred inflow of resources	731,433
Fund balances	
Nonspendable for prepaid items	69,928
Restricted	
Public safety	919,701
Assigned	1,707,155
Unassigned	5,605,340
Total fund balances	8,302,124
Total liabilities,deferred inflows of resources and fund balances	$ 14,186,204

The accompanying notes are an integral part of these financial statements.

CITY OF MOUNT RAINIER, MARYLAND
Reconciliation of Total Governmental Fund Balance
to Net Position of Governmental Activities
For the Year Ended June 30, 2023

Total fund balances - Governmental Funds		$ 8,302,124
Amounts reported for governmental activities in the Statement of Net Position are different because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of capital assets	$ 11,579,974	
Accumulated depreciation/amortization	(4,671,479)	6,908,495
Deferred inflow of resources consist of revenues that do not provide financial resources within the period of availability		731,433
Deferred outflow of resources - pension obligation		1,520,652
Deferred inflow of resources - pension obligation		(914,956)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds payable	(2,002,777)	
Lease obligations	(39,934)	
Net pension liability	(2,226,483)	
Accrued vacation leave	(228,674)	(4,497,868)
Net position of governmental activities		$ 12,049,880

The accompanying notes are an integral part of these financial statements.

CITY OF MOUNT RAINIER, MARYLAND
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	General Fund
REVENUES	
Taxes	$ 6,135,105
Licenses and permits	667,724
Intergovernmental	1,823,435
Charges for services	52,764
Fines and forfeitures	900,279
Miscellaneous	234,764
Interest and investment earnings	110,545
Total revenues	9,924,616
EXPENDITURES	
Current	
General government	2,523,034
Public safety	3,150,111
Public works	1,537,797
Community development	140,308
Miscellaneous	73,584
Debt service	
Principal	299,784
Interest	67,730
Capital outlay	1,769,409
Total expenditures	9,561,757
OTHER FINANCING SOURCES	
Bonds issued	2,000,000
Net change in fund balances	2,362,859
Fund balances,beginning	5,939,265
Fund balances, end	$ 8,302,124

The accompanying notes are an integral part of these financial statements.

CITY OF MOUNT RAINIER, MARYLAND
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds		$ 2,362,859
Amounts reported for governmental activities in the Statement of Activities are different because		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense in the current period.		
Capital outlays	$ 1,769,409	
Depreciation/amortization	(477,898)	1,291,511
The net effect of various miscellaneous transactions involving capital assets (*i.e.,* sales, disposals, trade-ins, and donations) is to decrease net position.		(37,638)
The issuance of long-term debt provides financial resources to governmental funds while the repayment of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position:		
Repayments		299,784
Bond proceeds		(2,000,000)
Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenses. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net increase in "unavailable" revenues at the end of the year over the amount at the beginning of the year.		214,084
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 pension expense and compensated absences.		
Pension expense	(31,887)	
Compensated absences	(42,973)	(74,860)
Change in net position of governmental activities		$ 2,055,740

The accompanying notes are an integral part of these 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 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, flow of economic resources 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 and amortization) 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basic Financial Statements - Government-Wide Statements *(continued)*

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

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

Governmental Funds

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

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

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

The activities reported in this fund 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of Accounting *(continued)*

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, *i.e.,* when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to accrued vacation leave, pensions and claims and judgements are recorded only when payment is due.

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

Financial Statement Presentation

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Statement Presentation *(continued)*

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 include accounts, taxes and intergovernmental revenues receivable.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Statement Presentation *(continued)*

Capital assets are being depreciated/amortized over the following lives or the lesser of the useful life of the asset or the lease period for leased assets:

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

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

Impairment - In accordance with GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the City reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, the City compares the carrying amount of the capital asset to its fair value to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value.

Deferred outflows of resources - In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, a deferred charge for pension activity reported in the government-wide statement of net position. The deferred charge for pension activity is a result of smoothing differences in actual versus expected experience, change in proportion, projected versus actual investment earnings and changes in assumptions. The amounts for experience, change in proportion, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Statement Presentation *(continued)*

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

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

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

Unearned revenues - In March of 2021, the City was awarded $5.4 million American Rescue Plan Act/Coronavirus Local Fiscal Recovery Funds to be spent in Fiscal Years 2022 through 2026. This money is earmarked for reimbursing community assistance, bonus pay, and investments in stormwater management, sewer improvements, broadband, and other infrastructure. As of June 30, 2023, the City still had $4.3 million on hand (unearned revenue) for future spending.

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 in the government-wide statement of net position, a deferred amount for pension activity, which is a result of smoothing differences in actual versus expected experience, projected versus actual investment earnings, change in proportion 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, change in proportion 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 also reports unavailable revenues from income taxes, property taxes and grant revenues as deferred inflows of resources in the governmental fund balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City had governmental fund deferred inflows of $731,433 relating to taxes and grant revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 amortization and less any debt that remains outstanding that was used to finance those assets.

- Restricted net position - consists of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the City less related liabilities).

- Unrestricted - all other net position is reported in this category.

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

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

- Nonspendable fund balance - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact, such as prepaid items.

- Restricted fund balance - Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

- Committed fund balance - Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance.

- Assigned fund balance - Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the City Council.

- Unassigned fund balance - All spendable amounts not included in other classifications.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity Classifications *(continued)*

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.

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. The City Council approves, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent transfer of funds between major appropriations for different purposes must be approved by the Council before becoming effective. All appropriations lapse at the end of the budget year to the extent that they have not been expended even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services (*i.e.* purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of subsequent year's budget.

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

NOTE 3 CASH AND INVESTMENTS

Cash

At year-end, the carrying amount of the City's deposits (excluding cash on hand of $7,822) was $9,589,350 and the corresponding bank balances were $9,671,207. Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2023, $250,000 of the City's deposits were covered by federal depository insurance and $9,421,207 was covered by collateral held by the City's agent in the City's name.

NOTE 3 CASH AND INVESTMENTS *(CONTINUED)*

Investments

As of June 30, 2023, the City's investments were pooled in the State created Maryland Local Government Investment Pool ("MLGIP"). The values of those investments were $3,291,381. Reconciliation of cash and investments as shown on the Statement of Net Position:

Carrying amounts of deposits	$	9,589,350
Cash on hand		7,822
Carrying amounts of investments		3,291,381
	$	12,888,553
Per statement of net position cash and investments	$	12,888,553

Investment rate risk - Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities between thirty days to one year in order to remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. City management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost for that purpose. The investments as of June 30, 2023, met the City investment policy as of that date. Investment income was $110,545 for the year ended June 30, 2023.

Credit risk - The investment policy of the City permits investments in the following types of investments as authorized by the State of Maryland: direct U.S. obligations, U.S. agency obligations, repurchase agreements, bankers' acceptances, municipal securities, commercial paper, and money market mutual funds. The City is also a participant in the Maryland Local Government Investment Pool ("MLGIP"), which provides all local government units of the State of Maryland an investment vehicle for short-term investment of funds. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the Maryland State Treasurer. Participation is voluntary and eligibility is regulated by MLGIP Local Government Article. The City adopted Governmental Accounting Standards Board Statement 79, *Certain External Investment Pools and Pool Participants*, which requires disclosure of specific criteria regarding external investment pools. The MLGIP is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940 at $1 per share value. Financial statements and required supplemental information for the MLGIP can be obtained in writing from: Maryland Local Government Investment Pool; c/o PNC Institutional Investments Group; One East Pratt Street; Baltimore, Maryland, 21202; by calling 1-800-492-5160, or the website, www.mlgip.com.

NOTE 3 CASH AND INVESTMENTS *(CONTINUED)*

Investments *(continued)*

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

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The investments of the City were not exposed to custodial credit risk as of June 30, 2023.

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, 2023, was $0.76 per $100 of assessed value for real property, $0.99 per $100 of assessed value for business personal property, and $2.75 per $100 of assessed value for public utility and railroad personal property.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	$ 1,642,373	$ -	$ -	$ 1,642,373
Construction in progress	437,011	897,234	-	1,334,245
Total capital assets not being depreciated	2,079,384	897,234	-	2,976,618
Capital assets being depreciated/amortized				
Land improvements	1,739,809	608,872	-	2,348,681
Buildings and improvements	3,582,426	111,380	-	3,693,806
Equipment and vehicles	2,179,416	151,913	(56,773)	2,274,556
Leased assets - vehicles	286,313	-	-	286,313
Total capital assets being depreciated/amortized	7,787,964	872,165	(56,773)	8,603,356
Accumulated depreciation				
Land improvements	346,777	137,083	-	483,860
Buildings and improvements	1,900,838	108,175	-	2,009,013
Equipment and vehicles	1,825,307	159,645	-	1,984,952
Accumulated amortization				
Leased assets - vehicles	139,805	53,849	-	193,654
Total	4,212,727	458,752	-	4,671,479
Total capital assets being depreciated/amortized, net	3,575,237	413,413	(56,773)	3,931,877
Capital assets, net	$ 5,654,621	$ 1,310,647	$ (56,773)	$ 6,908,495

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

	Depreciation	Amortization	Total
General government	$ 60,285	$ -	$ 60,285
Public safety	213,683	32,594	246,277
Public works	130,935	21,255	152,190
Total	$ 404,903	$ 53,849	$ 458,752

NOTE 6 DUE FROM OTHER GOVERNMENTS

As of June 30, 2023, the balance due from other governments consisted of the following, due primarily from the State of Maryland:

	General Fund
Local income tax	$ 511,013
Disposal fee rebate	11,090
Grants	360,509
Total	$ 882,612

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 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%.

In August 2022, the City issued its public improvements bond of 2022 in the amount of $2,000,000, registered in the name of Truist Bank. The bond is subject to prepayment prior to maturity at the option of the City, in whole only, on or after August 25, 2027. The full faith and credit and unlimited taxing power of City of Mount Rainier are pledged for the payment of principal and interest on this bond. The bond is due in semi-annual payments with the final payment being due on August 25, 2032. Interest is due semi-annually at 3.27%.

Debt service requirements to maturity for the Series I-2010 bonds and public improvements bond of 2022 are as follows as of June 30, 2023:

NOTE 7 LONG-TERM DEBT *(continued)*

Years Ending June 30,	Principal	Interest	Total
2024	$ 263,028	$ 63,552	$ 326,580
2025	180,671	55,424	236,095
2026	186,627	49,468	236,095
2027	192,779	43,316	236,095
2028	199,135	36,960	236,095
2029-2033	980,537	81,893	1,062,430
	$ 2,002,777	$ 330,613	$ 2,333,390

Lease Obligations

The City is the lessee of vehicles under lease agreements expiring through 2024. As a lessee, the City recognizes a lease liability at the present value of the payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. Lease assets are initially recorded as the sum of 1) the amount of the initial measurement of the lease liability, 2) lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, 3) initial direct costs that are ancillary charges necessary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying assets.

Amortization expense relating to the leases was $53,849 for the year ended June 30, 2023.

Assets under these leases recorded in capital assets being amortized in the statement of net position as of June 30, 2023 were as follows:

Vehicles	$ 286,313
Less: Accumulated amortization	(193,654)
Assets acquired under leases, net	$ 92,659

Principal and interest requirements to maturity under leases are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	$ 39,934	$ 863	$ 40,797

NOTE 7 LONG-TERM DEBT *(continued)*

Changes In Long-Term Debt

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

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023	Due Within One Year
General obligation bonds	$ 216,903	$ -	$ (128,779)	$ 88,124	$ 88,124
Public improvements bond of 2022	-	2,000,000	(85,347)	1,914,653	174,904
Lease obligations	125,591	-	(85,657)	39,934	39,934
Accrued vacation leave	185,701	91,571	(48,598)	228,674	-
Net pension liability	1,754,655	471,828	-	2,226,483	-
Total	$ 2,282,850	$ 2,563,399	$ (348,381)	$ 4,497,868	$ 302,962

NOTE 8 FUND BALANCE

Fund balance for the general fund consists of the following: (1) Nonspendable fund balance of $69,928 inclusive of prepaid items, (2) Restricted fund balance of $919,701 inclusive of funds generated from a previous speed monitoring program that has been restricted for public safety programs, (3) assigned fund balance of $1,707,155 for outstanding encumbrances and (4) unassigned fund balance of $5,605,340.

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES

The City adopted GASB No. 68, *Accounting and Financial Reporting for Pensions ("GASB 68")* during the year ended June 30, 2015. The City participates in the Maryland State Retirement and Pension System (the "System") and qualifies as a Participating Governmental Unit ("PGU") in the plan. The State Retirement Agency (the "Agency") is the plan administrator and fiduciary for the plan. GASB No. 68 requires that a PGU recognize its proportionate share of the System's net pension liability (*i.e.* unfunded pension liability) and pension expense. The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement Pension System, Judges' Retirement System, and the Law Enforcement Officers' Pension System ("LEOPS"). The City's employees participate in the Employees' Retirement and Pension Systems ("ECS"). The City's proportionate share is based on total System contributions and approximates 0.0111277% as of the measurement date of June 30, 2022.

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

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 $262,917 to the System for fiscal 2023 which was actuarially determined based on statutory provisions. The City has also recognized in Pension Expense; its proportionate share of the City's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets; the difference between actual and expected experience, change in assumptions and change in proportionate share; and its proportionate share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions, net difference between projected and actual investment earnings on pension plan assets, change in proportionate share and contributions made subsequent to the measurement date.

Basis of Presentation and Basis of Accounting

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), provided to the City by the System, 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.

Actual employer contributions billed to participating government units for the year ended June 30, 2022 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 components of the calculation of the collective net pension liability for the ECS as of June 30, 2023, calculated in accordance with GASB Statement No. 67, are shown in the following table:

(Expressed in thousands)

Total pension liability	$	29,867,155
Less: Plan fiduciary net position		21,428,734
Net pension liability	$	8,438,421
Plan fiduciary net position as a percentage of total		71.75%

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

Actuarial Assumptions

As of the measurement date of June 30, 2022:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, 25 year closed
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.25% general, 2.75% wage
Salary Increases	2.75% to 11.75% including inflation
Discount Rate	6.80%
Investment Rate of Return	6.80%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Public Sector 2010 Mortality Tables with generational mortality projections using scale MP-2018, calibrated to MSRPS experience

Investments

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometrical real rates of return were adopted by the Pension System's Board after considering input from the Pension System's investment consultant(s) and actuary(s). For each major asset class that is included in the Pension System's target asset allocation, these best estimates are summarized in the following table:

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

Asset Class	Target Allocation	Long-Term Expected Real
Public equity	34%	6.00%
Private equity	16%	8.40%
Rate sensitive	21%	1.20%
Credit opportunity	8%	4.90%
Real assets	15%	5.20%
Absolute return	6%	3.50%
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, 2022.

Discount Rate

A single discount rate of 6.80% 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 6.80%. 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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

Sensitivity of the Net Pension Liability

The following presents the plan's net pension liability, calculated using a single discount rate of 6.80%, 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 (5.80%)	Current Discount Rate (6.80)%	1% Increase to (7.80%)
Total ECS net pension liability (expressed in thousands)	$ 11,999,140	$ 8,431,943	$ 5,451,353
Total City's proportionate share of net pension liability	$ 3,416,133	$ 2,226,483	$ 1,239,349

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 annual comprehensive 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 https://sra.maryland.gov/annual-financial-reports. The State of Maryland is ultimately 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.

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

State Retirement and Pension System of Maryland Plan Description *(continued)*

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

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

Plan Benefits *(continued)*

- 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 6.80%). 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.

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

Contributions Required and Made

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

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

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

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

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2023, the City reported a liability of $2,226,483 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's portion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contribution of all participating employers. As of June 30, 2022, the City's proportion was 0.0111277%, which was a decrease of 0.0005682% from its proportion measured as of June 30, 2021.

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions *(continued)*

For the year ended June 30, 2023, the City recognized pension expense of $31,887. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources relating to the measurement date of June 30, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 838,285	$ (18,506)
Difference between actual and expected experience	-	(170,094)
Net difference between projected and actual investment earnings	-	(636,376)
Change in proportion	419,450	(89,980)
Contributions subsequent to measurement date	262,917	-
Total	$ 1,520,652	$ (914,956)

The $262,917 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, 2024. 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 inflows related to non-investment activity are being amortized over the remaining service life ranging from 5.49 to 5.78 years. The net differences between projected and actual investment earnings are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed five-year period.

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions *(continued)*

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

Year Ending June 30,	Net
2024	$ 98,528
2025	72,259
2026	6,628
2027	174,625
2028	(9,261)
Total	$ 342,779

NOTE 10 DEFERRED COMPENSATION PLAN

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

NOTE 11 CONTINGENT LIABILITIES

The City participates in a number of state and federal 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 City. Any claims which may be disallowed cannot be currently determined, although the City expects such amounts, if any, to be immaterial.

NOTE 12 LITIGATION

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

NOTE 13 RISK MANAGEMENT

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

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

NOTE 14 POST-RETIREMENT BENEFITS

The City has no liability for post-retirement benefits as of June 30, 2023.

NOTE 15 SUBSEQUENT EVENTS

The City has not identified any subsequent events, except for the below, that would require potential financial statement disclosure through October 31, 2023, which represents the date the financial statements were available to be issued.

NOTE 16 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD STANDARDS

GASB has issued several pronouncements prior to June 30, 2023, that have effective dates that may impact future financial presentations.

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

- Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, issued June 2022, effective for fiscal years beginning after June 15, 2023.

- Statement No. 101, *Compensated Absences*, issued June 2022, effective for fiscal years beginning after December 15, 2023.

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, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES				
Taxes	$ 5,916,496	$ 5,916,496	$ 6,135,105	$ 218,609
Licenses and permits	712,100	712,100	667,724	(44,376)
Intergovernmental	3,922,544	5,399,131	1,823,435	(3,575,696)
Charges for services	24,500	24,500	52,764	28,264
Fines and forfeitures	785,400	785,400	900,280	114,880
Miscellaneous	25,500	92,500	234,763	142,263
Interest and investment earnings	3,000	3,000	110,545	107,545
Total revenues	11,389,540	12,933,127	9,924,616	(3,008,511)
EXPENDITURES				
General government	4,643,893	4,942,556	2,787,433	2,155,123
Public safety	3,594,137	3,971,811	3,335,407	636,404
Public works	2,639,080	5,569,330	4,672,150	897,180
Miscellaneous	375,702	367,420	106,408	261,012
Debt service	136,728	182,010	367,514	(185,504)
Total expenditures	11,389,540	15,033,127	11,268,912	3,764,215
Excess (deficiency) of revenues over expenditures	-	(2,100,000)	(1,344,296)	755,704
Other Financing Revenues				
Bonds issued	-	2,000,000	2,000,000	-
Appropriation of fund balance	-	100,000	-	(100,000)
Net changes in fund balances	$ -	$ -	$ 655,704	$ 655,704

See Notes to Required Supplementary Information.

CITY OF MOUNT RAINIER, MARYLAND
Schedule of Revenues and Expenditures Budget
and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES				
Taxes				
Real estate	$ 4,937,985	$ 4,937,985	$ 5,015,758	$ 77,773
Business personal property	40,000	40,000	5,895	(34,105)
Public utilities personal property	97,520	97,520	112,356	14,836
Vacant developed property tax	177,991	177,991	69,909	(108,082)
Penalties and interest on taxes	10,000	10,000	24,625	14,625
Penalty/late fee BPPT/BOL/others	3,000	3,000	3,555	555
Shared income tax - state	650,000	650,000	903,007	253,007
Total taxes	5,916,496	5,916,496	6,135,105	218,609
Licenses and permits				
Burglar alarm registration	-	-	425	425
Occupancy/building license	10,000	10,000	10,006	6
Residential rental licenses	500,000	500,000	515,874	15,874
Building permits	20,000	20,000	3,500	(16,500)
CATV revenue	70,000	70,000	39,397	(30,603)
Franchise fees	95,000	95,000	78,010	(16,990)
CDMA fees	-	-	1,925	1,925
Vacant building fees	10,000	10,000	7,500	(2,500)
Parking permit revenue	400	400	540	140
Church occupancy licenses	500	500	600	100
Tree removal permit	200	200	1,125	925
Impervious fees	1,000	1,000	3,139	2,139
Other licenses and permits expenditures	5,000	5,000	5,683	683
Total licenses and permits	712,100	712,100	667,724	(44,376)
Intergovernmental				
State				
Highway user tax	234,702	234,702	233,505	(1,197)
Police protection	98,122	229,122	229,216	94
MD SHA	16,779	16,779	46,578	29,799
COPS grant	41,667	41,667	-	(41,667)
COVID-19 relief fund (ARPA Funds)	2,717,833	2,717,833	452,034	(2,265,799)
Spring/Peace Park	50,000	50,000	200,000	150,000
Memorial Park	300,000	300,000	80,000	(220,000)
Police basement renovations	300,000	300,000	-	(300,000)
DHCD OAG TAG	-	25,000	25,000	-
DHCD 00194	-	50,000	50,000	-
DHCD 00272	-	50,000	50,000	-
DHCD 00278	-	-	667	667
DHCD 00500	-	-	100,000	100,000

See Notes to Required Supplementary Information.

CITY OF MOUNT RAINIER, MARYLAND
Schedule of Revenues and Expenditures Budget
and Actual - Non-GAAP Budgetary Basis *(continued)*
General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES *(continued)*				
Intergovernmental *(continued)*				
State (continued)				
MD Capital Grant	$ -	$ 250,000	$ 150,000	$ (100,000)
Gun Crime/Safety Cameras	-	201,674	26,130	(175,544)
Nat'l Night Out	-	15,000	15,000	-
Green Streets	-	530,000	-	(530,000)
Whitepaper grant	-	-	40,990	40,990
Level up	-	20,000	23,270	3,270
County				
Admissions and amusements	1,000	1,000	2,517	1,517
Disposal fee rebate	20,000	20,000	22,180	2,180
Chesapeake Bay Trust grant - 18999	142,441	142,441	42,954	(99,487)
Chesapeake Bay Trust grant - 20262	-	150,250	23,500	(126,750)
CDBG - PY47	-	53,663	9,894	(43,769)
Total intergovernmental	3,922,544	5,399,131	1,823,435	(3,575,696)
Charges for services				
Public parking facilities	20,000	20,000	49,175	29,175
Waste collection	300	300	-	(300)
Trash hauler fees	1,000	1,000	3,408	2,408
City service fees	200	200	-	(200)
Other charges for services	3,000	3,000	181	(2,819)
Total charges for services	24,500	24,500	52,764	28,264
Fines and forfeitures				
Parking violations	28,900	28,900	4,238	(24,662)
Municipal code violations	1,500	1,500	7,875	6,375
Speed camera	750,000	750,000	851,112	101,112
Impoundment fees	5,000	5,000	12,601	7,601
Other fines and forfeitures	-	-	24,454	24,454
Total fines and forfeitures	785,400	785,400	900,280	114,880
Miscellaneous				
Rent income	-	-	24,901	24,901
Sale of police property	-	11,000	-	(11,000)
Solar credits revenue	7,500	7,500	4,570	(2,930)
Insurance damage recovery	-	56,000	25,116	(30,884)
Mount Rainier day	-	-	4,020	4,020
Bike co-op	3,000	3,000	3,871	871
Medical Insurance Claims	-	-	71,611	71,611
Other revenue	15,000	15,000	100,674	85,674
Total miscellaneous	25,500	92,500	234,763	142,263

See Notes to Required Supplementary Information.

CITY OF MOUNT RAINIER, MARYLAND
Schedule of Revenues and Expenditures Budget
and Actual - Non-GAAP Budgetary Basis *(continued)*
General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES *(continued)*				
Interest and investment earnings	$ 3,000	$ 3,000	$ 110,545	$ 107,545
Total revenues	11,389,540	12,933,127	9,924,616	(3,008,511)
EXPENDITURES				
General government				
Mayor and council				
Personnel	45,200	45,200	44,807	393
Other operating	2,760,083	2,760,083	28,650	2,731,433
Total mayor and council	2,805,283	2,805,283	73,457	2,731,826
Finance				
Personnel	382,993	382,993	390,696	(7,703)
Other operating	630,150	630,150	928,536	(298,386)
Capital outlay	-	-	162,643	(162,643)
Total finance	1,013,143	1,013,143	1,481,875	(468,732)
Administrative services				
Personnel	467,866	467,866	469,666	(1,800)
Other operating	160,750	160,750	64,173	96,577
Capital outlay	-	-	11,771	(11,771)
Total administrative services	628,616	628,616	545,610	83,006
Economic development				
Personnel	141,731	141,731	140,360	1,371
Other operating	55,120	353,783	546,131	(192,348)
Total economic development	196,851	495,514	686,491	(190,977)
Total general government	4,643,893	4,942,556	2,787,433	2,155,123
Public safety				
Police (including Speed Camera)				
Personnel	2,542,822	2,542,822	2,472,136	70,686
Other operating	341,237	557,911	356,946	200,965
Capital outlay	300,000	461,000	185,296	275,704
Total police	3,184,059	3,561,733	3,014,378	547,355
Code enforcement				
Personnel	355,291	355,291	285,008	70,283
Other operating	54,787	54,787	36,021	18,766
Total code enforcement	410,078	410,078	321,029	89,049
Total public safety	3,594,137	3,971,811	3,335,407	636,404

See Notes to Required Supplementary Information.

CITY OF MOUNT RAINIER, MARYLAND
Schedule of Revenues and Expenditures Budget
and Actual - Non-GAAP Budgetary Basis *(continued)*
General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
EXPENDITURES *(continued)*				
Public works				
Public works administration				
Personnel	$ 853,322	$ 853,322	$ 873,685	$ (20,363)
Other operating	1,059,817	1,059,817	494,688	565,129
Capital outlay	542,441	3,472,691	3,134,353	338,338
Total public works administration	2,455,580	5,385,830	4,502,726	883,104
Street lighting				
Other operating	93,500	93,500	85,584	7,916
Waste disposal				
Other operating	90,000	90,000	83,840	6,160
Total public works	2,639,080	5,569,330	4,672,150	897,180
Miscellaneous				
Other operating	375,702	367,420	106,408	261,012
Total miscellaneous	375,702	367,420	106,408	261,012
Debt service				
Principal	124,254	168,598	299,784	(131,186)
Interest	12,474	13,412	67,730	(54,318)
Total debt service	136,728	182,010	367,514	(185,504)
Total expenditures	11,389,540	15,033,127	11,268,912	3,764,215
Excess (deficiency) of revenues over expenditures	-	(2,100,000)	(1,344,296)	755,704
Other Financing Revenues				
Bonds issued	-	2,000,000	2,000,000	-
Appropriation of fund balance	-	100,000	-	(100,000)
Net change in fund balance	$ -	$ -	$ 655,704	$ 655,704

See Notes to Required Supplementary Information.

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. Appropriations lapse at the end of the budget year to the extent that they were not expended even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services (*i.e.,* purchase orders, contracts, and commitments). However, for the fiscal year ended June 30, 2023, the City included encumbrances of $1,707,155 related to certain major capital projects in expenditures on a budgetary basis (See Note 2 below).

The Schedule of Revenues and Expenditures - Budget and Actual is prepared on a basis consistent with the budget. The statement of revenues, expenditures and changes in fund balance is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) where encumbrances are treated as an assignment of fund balance rather than an expenditure.

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 Schedule of Revenues and Expenditures - Budget and Actual presented as Required Supplementary Information in this report reflects the final budget authorization, including all amendments made by the City Council.

Expenditures exceeded the budgeted amounts for the following departments/line items:

Finance
Economic Development
Debt Service

NOTE 2 BUDGETARY RECONCILIATION

A reconciliation of revenue and expenditures from the budgetary basis to GAAP basis is as follows:

RECONCILIATION OF BUDGETARY DATA - Actual Amounts

Revenues	
Budgetary basis	$ 9,924,616
GAAP basis	$ 9,924,616
Other financing sources	
Budgetary basis	$ 2,000,000
GAAP Basis	$ 2,000,000
Expenditures	
Budgetary basis	$ 11,268,912
Current year encumbrances	(1,707,155)
GAAP basis	$ 9,561,757

CITY OF MOUNT RAINIER, MARYLAND
Schedules of Required Supplementary Information
Retirement Plan Information
Year Ended June 30, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion (%) of the collective net pension liability	0.0111%	0.0117%	0.0094%	0.0092%	0.0079%	0.0075%	0.0084%	0.0080%	0.0072%
City's proportionate share ($) of collective net pension liability	$ 2,226,483	$ 1,754,655	$ 2,127,742	$ 1,893,007	$ 1,661,688	$ 1,630,068	$ 1,984,015	$ 1,667,216	$ 1,283,522
City's covered payroll ($)	$ 2,405,459	$ 2,402,715	$ 2,288,019	$ 2,151,887	$ 2,094,111	$ 1,844,930	$ 1,877,980	$ 1,871,296	$ 1,737,850
City's proportionate share of collective net pension liability as a percentage of its covered payroll	92.56%	73.03%	92.99%	87.97%	79.35%	88.35%	105.65%	89.09%	73.86%
Pension plan's fiduciary net position as a percentage of the total pension liability	71.75%	76.76%	66.29%	67.98%	68.36%	66.71%	62.97%	66.26%	69.53%

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 *(continued)*
Year Ended June 30, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 262,917	$ 253,966	$ 257,722	$ 201,847	$ 188,470	$ 157,926	$ 153,431	$ 168,542	$ 169,093
Contributions in relation to the contractually required contribution	262,917	253,966	257,722	201,847	188,470	157,926	153,431	168,542	169,093
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll*	$ 2,405,459	$ 2,402,715	$ 2,288,019	$ 2,151,887	$ 2,094,111	$ 1,844,930	$ 1,877,980	$ 1,871,296	$ 1,737,850
Contributions as a percentage of covered- employee payroll	10.93%	10.57%	11.26%	9.38%	9.00%	8.56%	8.17%	9.01%	9.73%

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

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

Actuarial assumptions	Retirement Plan Information

As of the measurement date of June 30, 2022

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, 25 year closed
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.25% general, 2.75% wages
Salary Increases	2.75% to 11.75% including inflation
Discount Rate	6.80%
Investment Rate of Return	6.80%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Public Sector 2010 Mortality Tables with generational mortality projections using scale MP-2018, calibrated to MSRPS experience.

Changes in Assumptions The following changes in assumptions were made during the periods covered by the retirement plan information schedules. Investment return assumption and Discount Rate changed from 7.45% to 7.40% from the 2018 to 2019 valuation. No change from 2019 to 2020. Investment return assumption and Discount Rate changed from 7.40% to 6.80% from the 2020 to 2021 valuation. No change from 2021 to 2022. Inflation assumption changed from 2.65% to 2.60% from 2017 to 2018 valuation, 2.60% to 2.65% from 2018 to 2019 valuation, 2.65% to 2.60% from 2019 to 2020 valuation, 2.60% to 2.25% from 2020 to 2021 valuation and no change from the 2021 to 2022 valuation. Inflation wages went from 3.15% to 3.10% from 2017 to 2018 valuation, 3.10% to 3.15% from 2018 to 2019 valuation, 3.15% to 3.10% from 2019 to 2020 valuation, 3.10% to 2.75% from 2020 to 2021 valuation and no change from the 2021 to 2022 valuation.

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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 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 the major fund of the City of Mount Rainier, Maryland (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Mount Rainier, Maryland's basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

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

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.

Mitchell & Titus, LLP

October 31, 2023

CITY OF MOUNT RAINIER, MARYLAND
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

Following is a summary of prior audit findings and their status as of June 30, 2023.

2022-001 – Record Keeping

Statement of Condition:

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

Status:

Resolved.

2022-002 – Segregation and Delineation of Duties

Statement of Condition:

Many processes were not formally documented to delineate responsibility, and the individuals that were, in practice, carrying out duties pertinent to the City's finances were performing duties that created conflicts when performed by single individuals.

Status:

Resolved.