City of Mount Rainier, Maryland

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

June 30, 2022

CohnReznick
ADVISORY • ASSURANCE • TAX

City of Mount Rainier, Maryland

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Independent Auditor's Report

To the Mayor and City Council
Mount Rainier, Maryland

Report on the 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, 2022, 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, 2022, 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.

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.

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 5 to 11 and 40 to 49, 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 November 30, 2022, on our consideration of the City of Mount Rainier, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mount Rainier, Maryland's internal control over financial reporting and compliance.

CohnReznick LLP

Baltimore, Maryland
November 30, 2022

City of Mount Rainier, Maryland

Management's Discussion and Analysis
June 30, 2022

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, 2022. 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 $9,994,140 (net position).
- The City's total net position increased by $1,656,624.
- As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of $5,939,265, an increase of $1,272,886.

Overview of the Financial Statements

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

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

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

Government-Wide 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.).

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, enterprise funds, or fiduciary funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 to 38 of this report.

Other Information

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

Government-wide Financial Analysis

Net Position

Net position may serve over time as a useful indicator of a government's financial position. The City's combined assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by $9,994,140 at the close of the most recent fiscal year.

The City's combined net position increase by $1,656,624. This increase is primarily due to tax revenue (primarily real estate and income) being $622,000 above budget, fines revenue being $157,000 above budget, and capital expenditures being $578,000 below budget.

The following table presents a summary of the Statement of Net Position for the City as of June 30, 2022 and 2021:

	Governmental Activities		
	2022	2021	Percentage Change
Assets:			
Current and other assets	$ 9,220,299	$ 5,841,288	58%
Capital assets	5,654,621	5,570,898	2%
Total assets	14,874,920	11,412,186	30%
Deferred outflow of resources	1,169,774	697,569	68%
Liabilities:			
Noncurrent liabilities	2,128,745	2,691,671	-21%
Other liabilities	2,917,790	905,432	222%
Total liabilities	5,046,535	3,597,103	40%
Deferred inflow of resources	1,004,019	175,136	473%
Net position:			
Net investment in capital assets	5,312,127	4,925,955	8%
Restricted	888,973	633,539	40%
Unrestricted	3,793,040	2,778,022	37%
Total net position	$ 9,994,140	$ 8,337,516	20%

Changes in Net Position

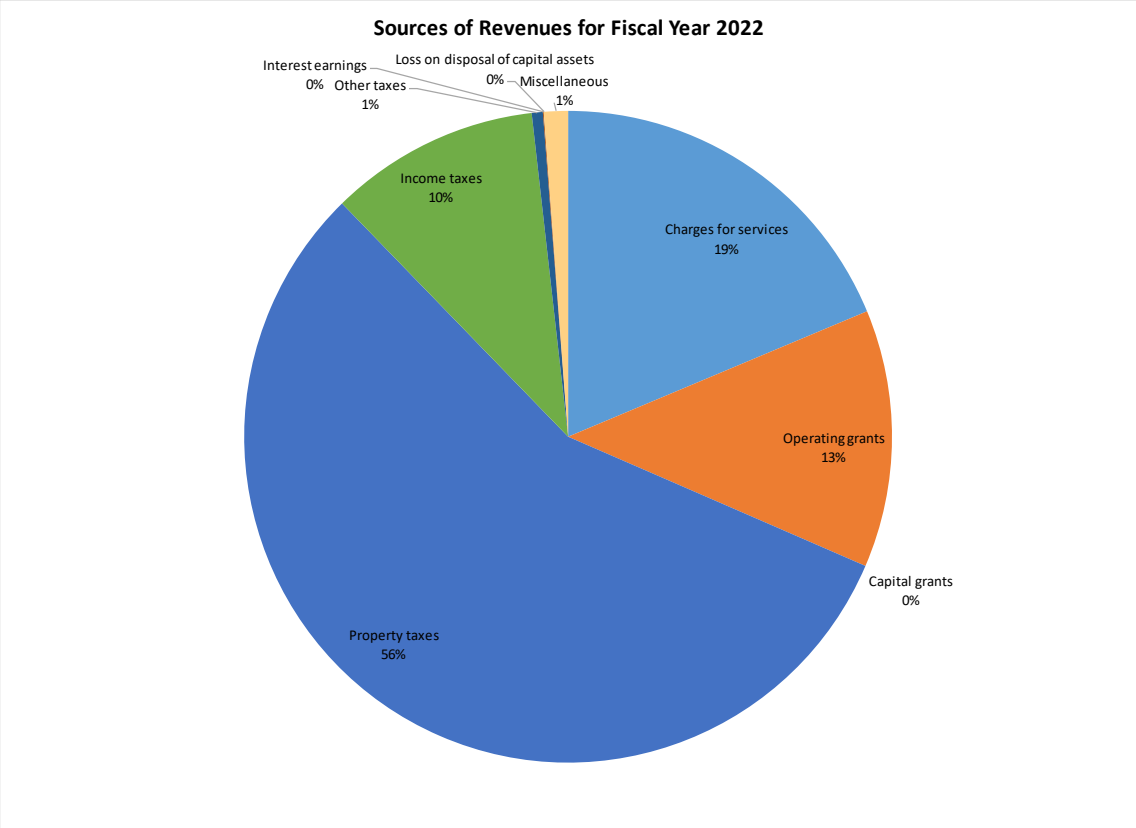
The City's revenue totaled $9,001,646. Of the City's revenue, 56% comes from property taxes and 67 cents ($.67) of every dollar comes from some type of tax.

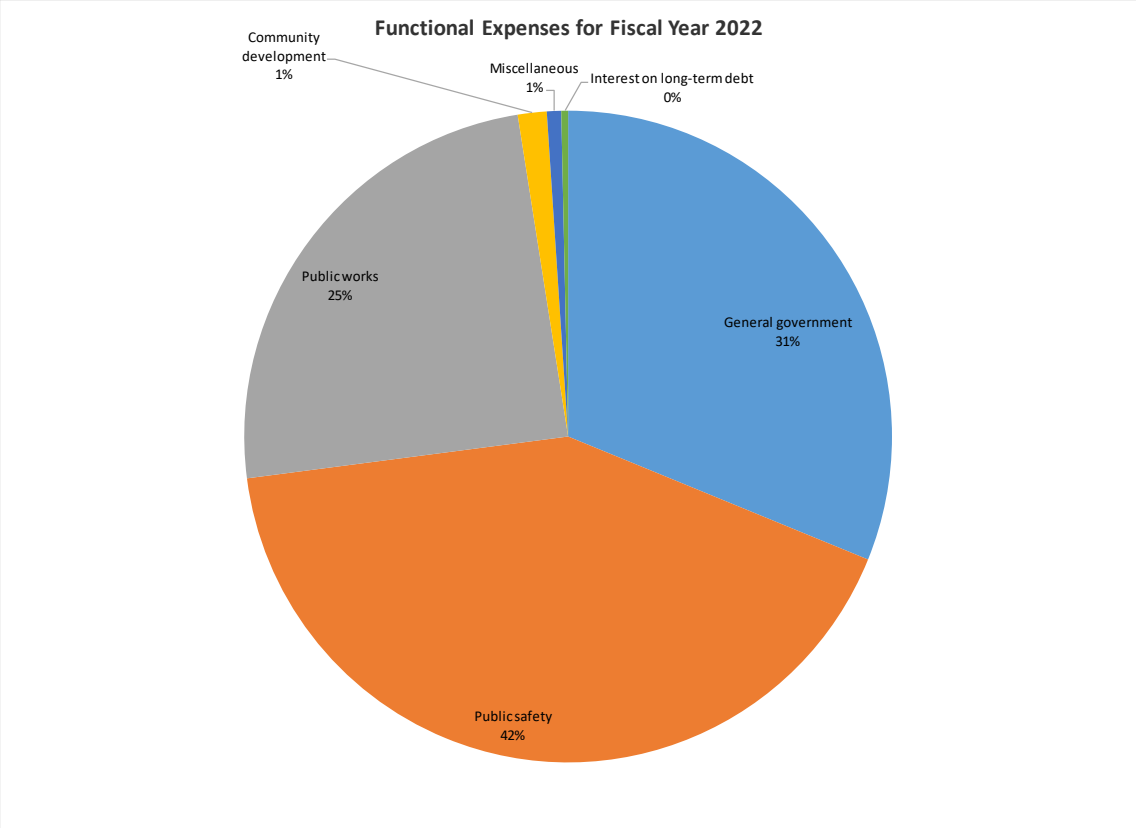
The total cost of all programs and services was $7,345,022. The City's expenses cover a range of services, with about 42% related to public safety.

The following table presents a summary of the Statement of Activities for the City for the years ended June 30, 2022 and 2021:

Changes in Net Position

	Governmental Activities		
	2022	2021	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 1,684,258	$ 1,172,007	44%
Operating grants	1,150,395	838,778	37%
Capital grants	-	28,099	0%
General revenues:			
Property taxes	5,059,876	4,775,504	6%
Income taxes	945,307	810,382	17%
Other taxes	49,759	22,180	124%
Interest earnings	3,801	2,946	29%
Loss on disposal of capital assets	-	(391,961)	
Miscellaneous	108,250	156,962	-31%
Total revenues	9,001,646	7,414,897	21%
Expenses:			
General government	2,288,805	2,307,900	-1%
Public safety	3,069,419	2,658,451	15%
Public works	1,803,675	1,486,814	21%
Community development	105,874	67,124	58%
Miscellaneous	52,300	147,557	-65%
Interest on long-term debt	24,949	70,143	-64%
Total expenses	7,345,022	6,737,989	9%
Increase in net position	1,656,624	676,908	145%
Net position - beginning of year	8,337,516	7,660,608	9%
Net position - end of year	$ 9,994,140	$ 8,337,516	20%


Sources of Revenues for Fiscal Year 2022
Interest earnings
0%
Loss on disposal of capital assets
0%
Other taxes
1%
Miscellaneous
1%
Income taxes
10%
Charges for services
19%
Operating grants
13%
Capital grants
0%
Property taxes
56%


Functional Expenses for Fiscal Year 2022
Community development
1%
Miscellaneous
1%
Interest on long-term debt
0%
Public works
25%
General government
31%
Public safety
42%

Fund Financial Statement Analysis

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

Governmental Funds

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

At the end of the current fiscal year, the governmental funds reported combined fund balance of $5,939,265, an increase of $1,272,886. Of this total amount, $4,990,185, represents unassigned fund balance. The remainder of the fund balance consists of nonspendable for prepaid items of $60,107 and restricted for public safety of $888,973.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund totaled $4,990,185, while total general fund balance was $5,939,265. During fiscal year 2022, fund balance for the City's general fund increased by $1,272,886 due to tax revenue (primarily real estate and income) being approximately $622,000 above budget, fines revenue being approximately $157,000 above budget and capital expenditures being approximately $578,000 below budget.

General Fund Budgetary Highlights

Most of the budget variances are due to greater than budgeted tax revenue of approximately $622,000, greater than budgeted fines and forfeitures of approximately $157,000 as well as lower than budgeted expenditures for capital outlay of approximately $578,000.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2022 was $5,654,621 (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 depreciation/amortization.

	Governmental Activities	
	2022	2021
Land/construction in progress	$ 2,079,384	$ 2,073,884
Land improvements	1,393,032	1,088,597
Buildings and improvements	1,681,588	1,779,293
Equipment and vehicles	354,109	428,767
Leased assets - vehicles	146,508	200,357
Total	$ 5,654,621	$ 5,570,898

Capital assets purchased by the City during the current fiscal year includes equipment and vehicles, building and improvements, and construction in progress totaling $547,967.

Long-term Debt

At year end, the City had $528,195 in outstanding debt. The reduction in long-term debt is attributed to normal annual debt service payments which reduce the outstanding balance of bonds payable as well as the use of related compensated absences by employees of the City throughout the year.

	Governmental Activities	
	2022	2021
Bonds payable	$ 216,903	$ 438,078
Lease obligations	125,591	206,865
Accumulated compensated absences	185,701	151,767
Total	$ 528,195	$ 796,710

Maintaining the Conditions of the City's Infrastructure

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

Economic Factors and Next Year's Budget and Rates

- Actual revenues for fiscal year 2023 are expected to increase over levels for fiscal year 2022.
- Salaries expense for fiscal year 2023 includes a 3% increase.
- Real property tax rates for fiscal year 2023 were reduced to 76 cents ($0.76) per $100 of assessed valuation.

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, broadband, and other infrastructure. The City received the first half ($2.7 million) in FY22 and the second half in FY23.

Contacting the City's Financial Management

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

City of Mount Rainier, Maryland

Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and investments	$ 8,250,443
Taxes receivable, net	100,961
Prepaid items	60,107
Due from other governments	602,132
Other receivables, net	206,656
Capital assets	
Nondepreciable assets	2,079,384
Capital assets, net of accumulated depreciation/amortization	3,575,237
Deferred outflow of resources	
Deferred outflows - pension related	1,169,774
Total assets and deferred outflow of resources	16,044,694
Liabilities	
Accounts payable and accrued expenses	301,241
Accrued salaries and fringe benefits	285,633
Unearned grant revenues	2,063,554
Unearned revenues	40,316
Liability for seized assets	72,941
Long-term debt	
Due within one year	154,105
Due in more than one year	374,090
Net pension liability	1,754,655
Deferred inflow of resources	
Deferred inflows - pension related	1,004,019
Total liabilities and deferred inflow of resources	6,050,554
Net position	
Net investment in capital assets	5,312,127
Restricted	
Public safety	888,973
Unrestricted	3,793,040
Total net position	$ 9,994,140

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Statement of Activities
Year Ended June 30, 2022

Functions/programs	Expenses	Program revenue: Charges for services	Program revenue: Operating grants and contributions	Program revenue: Capital grants and contributions	Net (expense) revenue and changes in net position: Governmental activities
Governmental activities					
General government	$ 2,288,805	$ 784,084	$ 672,459	$ -	$ (832,262)
Public safety	3,069,419	898,883	111,635	-	(2,058,901)
Public works	1,803,675	1,291	366,301	-	(1,436,083)
Community development	105,874	-	-	-	(105,874)
Miscellaneous	52,300	-	-	-	(52,300)
Debt service - interest	24,949	-	-	-	(24,949)
Total governmental activities	7,345,022	1,684,258	1,150,395	-	(4,510,369)
General revenues					
Property taxes					5,059,876
Income taxes					945,307
Other taxes					49,759
Interest and investment earnings					3,801
Miscellaneous					108,250
Total general revenues					6,166,993
Change in net position					1,656,624
Net position - beginning					8,337,516
Net position - end					$ 9,994,140

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Balance Sheet - Governmental Funds
June 30, 2022

	General Fund
Assets	
Cash and investments	$ 8,250,443
Taxes receivable (net of allowance of $113,905)	100,961
Prepaid items	60,107
Due from other governments	602,132
Other receivables (net of allowance of $192,557)	206,656
Total assets	$ 9,220,299
Liabilities, Deferred Inflow of Resources and Fund Balances	
Liabilities	
Accounts payable	$ 301,241
Accrued salaries	285,633
Liability for seized assets	72,941
Total liabilities	659,815
Deferred inflow of resources	2,621,219
Fund balances	
Nonspendable for prepaid items	60,107
Restricted	
Public safety	888,973
Unassigned	4,990,185
Total fund balances	5,939,265
Total liabilities, deferred inflow of resources and fund balances	$ 9,220,299

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities
June 30, 2022

Total fund balance, governmental funds		$ 5,939,265
Amounts reported in governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of capital assets	$ 9,867,348	
Accumulated depreciation/amortization	(4,212,727)	5,654,621
Deferred inflow of resources consist of revenues that do not provide financial resources within the period of availability		517,349
Deferred outflow of resources - pension obligation		1,169,774
Deferred inflow of resources - pension obligation		(1,004,019)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds payable	(216,903)	
Financing leases	(125,591)	
Net pension liability	(1,754,655)	
Accrued vacation leave	(185,701)	(2,282,850)
Net position of governmental activities		$ 9,994,140

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2022

	General Fund
Revenues	
Taxes	$ 5,902,839
Licenses and permits	780,788
Intergovernmental	1,272,854
Charges for services	22,854
Fines and forfeitures	880,616
Miscellaneous	108,250
Interest and investment earnings	3,801
Total revenues	8,972,002
Expenditures	
Current	
General government	2,216,263
Public safety	2,866,956
Public works	1,582,358
Community development	105,874
Miscellaneous	52,300
Debt service	
Principal	302,449
Interest	24,949
Capital outlay	547,967
Total expenditures	7,699,116
Net change in fund balances	1,272,886
Fund balances - beginning	4,666,379
Fund balances - end	$ 5,939,265

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
Year Ended June 30, 2022

Net change in fund balances - total governmental funds		$ 1,272,886
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	$ 547,967	
Depreciation/amortization	(464,244)	83,723
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		-
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		302,449
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.		15,091
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, such as net pension liability and accrued vacation leave.		
Net pension expense	16,409	
Change in accrued vacation leave	(33,934)	(17,525)
Change in net position of governmental activities		$ 1,656,624

See Notes to Financial Statements.

Note 1 - Summary of significant accounting policies

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

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

Financial reporting entity

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

Basic financial statements - government-wide statements

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

In the government-wide Statement of Net Position, the governmental activity column is presented on a consolidated basis by column and is reported on a full accrual, economic 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.

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. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures/expenses.

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

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

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

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

The activities reported in this fund is reported as governmental activities in the government-wide statements.

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

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

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

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

prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Financial statement presentation

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

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

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

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

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

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

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 financing leases:

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

Impairment - In accordance with GASB 42, *Accounting and Financial Reporting for Impairment of Capitals Assets and for Insurance Recoveries*, the 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.

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

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

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

Deferred inflows of resources - In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. One item qualifies for reporting in this category, a deferred amount for pension activity, which is a result of smoothing differences in actual versus expected experience, projected versus actual investment earnings, 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 reports unavailable revenues from income taxes and property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City had governmental deferred inflows of $507,665 relating to income taxes and property taxes, and $2,113,554 of grant revenues.

Equity classifications

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

- Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and 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 amounts not included in other spendable classifications.

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

Revenues, expenditures, and expenses

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

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

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

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

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

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

Accounting estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Change in accounting principle

During the year ended June 30, 2022, the City implemented GASB Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information for the City's leasing activities. It established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The adoption of GASB Statement No. 87 had no significant impact on the City's 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 represented in this report reflect the final budget authorization, including all amendments made by the City Council.

Note 3 - Cash and investments

Cash

At year-end, the carrying amount of the City's deposits (including cash on hand of $1,200) was $5,069,032 and the corresponding bank balances were $5,102,688. 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, 2022, $250,000 of the City's deposits were covered by federal depository insurance and $4,852,688 was covered by collateral held by the City's agent in the City's name.

Investments

As of June 30, 2022, the City's investments were pooled in the State created Maryland Local Government Investment Pool ("MLGIP"). The values of those investments were $3,181,411. Reconciliation of cash and investments as shown on the Statement of Net Position:

Carrying amounts of deposits	$ 5,069,032
Carrying amounts of investments	3,181,411
	$ 8,250,443
Per statement of net position cash and investments	$ 8,250,443

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, 2022, met the City investment policy as of that date. Investment income was $3,801 for the year ended June 30, 2022.

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.

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, 2022.

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, 2022 was $0.79 per $100 of assessed value for real property, $.99 per $100 of assessed value for business personal property, and $2.75 per $100 of assessed value for public utility and railroad personal property.

Note 5 - Capital assets

Capital asset activity for the year ended June 30, 2022 is as follows:

	Beginning balance	Increase	Ending balance
Governmental activities			
Capital assets not being depreciated			
Land	$ 1,642,373	$ -	$ 1,642,373
Construction in progress	431,511	5,500	437,011
Total capital assets not being depreciated	2,073,884	5,500	2,079,384
Capital assets being depreciated/amortized			
Land improvements	1,323,706	416,103	1,739,809
Buildings and improvements	3,576,166	6,260	3,582,426
Equipment and vehicles	2,059,312	120,104	2,179,416
Leased assets - vehicles	286,313	-	286,313
Total capital assets being depreciated/amortized	7,245,497	542,467	7,787,964
Accumulated depreciation			
Land improvements	235,109	111,668	346,777
Buildings and improvements	1,796,873	103,965	1,900,838
Equipment and vehicles	1,630,545	194,762	1,825,307
Accumulated amortization			
Leased assets - vehicles	85,956	53,849	139,805
Total	3,748,483	464,244	4,212,727
Total capital assets being depreciated/amortized , net	3,497,014	78,223	3,575,237
Capital assets, net	$ 5,570,898	$ 83,723	$ 5,654,621

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

	Depreciation	Amortization	Total
General government	$ 56,652	$ -	$ 56,652
Public safety	146,008	32,594	178,602
Public works	207,735	21,255	228,990
Total	$ 410,395	$ 53,849	$ 464,244

Note 6 - Due from other governments

As of June 30, 2022, the balance due from other governments consisted of the following:

	General Fund
State of Maryland	
Local income tax	$ 431,753
Income tax	99,452
Highway user fees	40,172
Disposal fee rebate	5,545
Local	
Community Development Block Grants ("CDBG")	25,210
Total	$ 602,132

Note 7 - Long-term debt

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

General obligation bonds

In December 2008, the City issued its Series I-2008 bond in the amount of $1,250,000. The bonds were issued for the purpose of funding the purchase of the Bass property. The bonds were due in semi-annual principal installments beginning June 4, 2009 and ending December 4, 2021. Interest was due semi-annually at the rate of 4.79%. The bond was paid in full during the year ended June 30, 2022.

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

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

Years ending June 30,	Principal	Interest	Total
2023	$ 63,541	$ 4,823	$ 68,364
2024	131,210	5,518	136,728
2025	22,151	636	22,787
	$ 216,903	$ 10,976	$ 227,879

Lease obligations
The City is the lessee of vehicles under lease agreements expiring through 2024. The assets and liabilities under these leases are recorded at the lower of the minimum lease payments or the fair value of the assets and amortized over the life of the lease term. Amortization expense relating to the leases was $53,849 for the year ended June 30, 2022.

Assets under these leases recorded in capital assets being amortized in the statement of net position as of June 30, 2022 were as follows:

Vehicles	$ 286,313
Less accumulated amortization	(139,805)
Assets acquired under financing leases, net	$ 146,508

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

Year ending June 30,	
2023	$ 90,564
2024	40,797
Total minimum lease payments	131,361
Less interest payments	5,770
Present value of minimum capital lease payments	$ 125,591

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

	Balance July 1, 2021	Increase	Decrease	Balance June 30, 2022	Due within one year
General obligation bonds	$ 438,078	$ -	$ (221,175)	$ 216,903	$ 63,541
Financing leases	206,865	-	(81,274)	125,591	90,564
Accrued vacation leave	151,767	78,406	(44,472)	185,701	-
Net pension liability	2,127,742	-	(373,087)	1,754,655	-
Total	$ 2,924,452	$ 78,406	$ (720,008)	$ 2,282,850	$ 154,105

Note 8 - Fund balance

Fund balance for the general fund consists of the following: (1) Nonspendable fund balance of $60,107 inclusive of prepaid items, (2) Restricted fund balance of $888,973 inclusive of funds generated from a previous speed monitoring program that has been restricted for public safety programs, and (3) unassigned balance of $4,990,185.

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 0.0116959% as of the measurement date of June 30, 2021.

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

The City's employees who participate in ECS were required to contribute five or seven percent of their earnable compensation depending on the retirement option selected, as stipulated by the System. The City contributed $253,966 to the System for fiscal 2022 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

1. Employers participating in the System's cost-sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014 in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) provide employers with the required information for financial reporting. The System's financial statements are prepared on the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") that apply to governmental accounting for fiduciary funds.

2. Actual employer contributions billed to participating government units for the year ended June 30, 2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. Because the State of Maryland contributed 100% of the actuarial determined contributions, there were no adjustments for the year ended June 30, 2021.

3. The components of the calculation of the net pension liability for the ECS as of June 30, 2022, calculated in accordance with GASB Statement No. 67, are shown in the following table:

(Expressed in thousands)	
Total pension liability	$ 29,412,444
Less plan fiduciary net position	22,577,487
Net pension liability	$ 6,834,957
Plan fiduciary net position as a percentage of total	76.76%

Actuarial assumptions

As of the measurement date of June 30, 2021:

Actuarial	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 9.25% 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
Note	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2021 valuation. 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. 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 and 2.60% to 2.25% from 2020 to 2021 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 and 3.10% to 2.75% from 2020 to 2021 valuation. Asset valuation changed

from 5.67-year to 5-year from 2017 to 2018 valuation and 5-year to 5.67-year from 2018 to 2019 valuation. No change from 2019 to 2020. Asset valuation changed from 5.67-year to 5.52-year from 2020 to 2021.

Investments

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

Asset class	Target allocation	Long-term expected real
Public equity	37%	4.70%
Private equity	13%	6.50%
Rate sensitive	19%	-0.40%
Credit opportunity	9%	2.60%
Real assets	14%	4.20%
Absolute return	8%	2.00%
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, 2021.

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.

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)	$ 10,383,190	$ 6,834,957	$ 3,867,600
Total City's proportionate share of net pension liability	$ 2,988,432	$ 1,754,655	$ 731,252

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 obligated for the payment of all pension annuities, retirement allowances, refunds, reserves and other benefits of the System. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies and administrative budget. The System is a component unit of the State of Maryland's financial reporting entity and is included in the State's financial statements as a pension trust fund.

Eligible employees participate in one of two State sponsored plans:

a. The Employees' Retirement System, established October 1, 1941 (closed to all new members in January 1980). Membership is a condition of employment. Members participate under one of three options: Plan A - member elected to pay a higher contribution rate to maintain all benefits, including unlimited cost-of-living adjustments; Plan B - member continued pre-1984 contribution rate to maintain all benefits except unlimited cost of living. Cost of living adjustments are capped at 5%; Plan C - member chose a combination, or two-part ("bifurcated") benefit. The portion of the service prior to the election is calculated at retirement as a Retirement System benefit; the portion of service after the election is calculated at retirement as a Pension System benefit.

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

Plan benefits

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

1. Members of the Employees' Retirement System hired prior to July 1, 2011 (Alternate Contributory Pension Selection ("ACPS"))

   - Members are eligible for full service pension allowances upon accumulating 30 years of eligibility service regardless of age. Absent 30 years of eligibility service, members must meet one of the following conditions to be eligible for full service pension allowances:

     a. age 62 and five years of eligibility service

     b. age 63 and four years of eligibility service

     c. age 64 and three years of eligibility service

     d. age 65 or older and two years of eligibility service

   - The annual pension allowance is equal to 1.2% of AFC for the three highest consecutive years as an employee for each year of creditable service accrued prior to July 1, 1998 plus 1.8% of AFC for the three highest consecutive years as an employee for each year of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

   - The cost of living adjustments for ACPS limits the increase the retiree may receive to a maximum of 3%, compounded annually. The adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate.

2. Members of the Employees' Pension System hired on or after July 1, 2011 (Reformed Contributory Pension Benefit ("RCPB"))

   - Eligibility for normal service retirement is determined by the Rule of 90. Members become eligible once the sum of their age and eligibility service is at least 90 or upon attaining at least age 65 and has accrued at least 10 years of eligibility service.

   - The annual pension allowance is equal to 1.5% of AFC for the five highest consecutive years as an employee for each year of creditable service accrued on or after July 1, 2011. Members are eligible for early service pension allowances upon attaining age 60 with at least 15 years of eligibility service.

   - The cost of living adjustments for RCPB is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal

to the assumed rate (currently 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.

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, 2022, City reported a liability of $1,754,655 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the City's proportion was 0.0116959%, which was an increase of 0.0022817% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of ($16,409). At June 30, 2022, 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, 2021:

	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	$ 337,145	$ 29,510
Difference between actual and expected experience	-	116,119
Net difference between projected and actual investment earnings	-	833,145
Change in proportion	578,663	25,245
Contributions subsequent to measurement date	253,966	-
Total	$ 1,169,774	$ 1,004,019

The $253,966 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, 2023. The deferred outflows and inflows of resources due to changes in assumptions, differences between actual and expected experience, change in proportion, and differences between projected and actual investment earnings represent the City's proportionate share of the unamortized portions of the System's original amounts. The deferred inflows related to non-investment activity are being amortized over the remaining service life ranging from 5.50 to 5.86 years. The 2021 deferred outflows not related to investment activity are being amortized over the remaining service life of 5.52 years. The 2020 deferred outflows not related to investment activity are being amortized over the remaining service life ranging from 5.50 to 5.87 years. The 2019 deferred outflows not related to investment activity are being amortized over the remaining service life of 5.68 years. The 2018 deferred outflows not related to investment activity are being amortized over the remaining service life of 5.72 years. The 2017 deferred outflows not related to investment activity are being amortized over the remaining service life of 5.78 years. The net difference in investment earnings for 2021, 2020, 2019, 2018, and 2017 are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed five-year period.

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

Year ending June 30,	Net
2023	$ (40,135)
2024	(1,502)
2025	(27,771)
2026	(93,404)
2027	74,601
Total	$ (88,211)

Note 10 - Deferred compensation plan

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

Note 11 - Contingent liabilities

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

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

Note 12 - Litigation

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

Note 13 - Risk management

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

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, 2022.

Note 15 - Subsequent events

The City has not identified any subsequent events, except for the below, that would require potential financial statement disclosure through November 30, 2022, which represents the date the financial statements were available to be issued.

As of August 2022, the City closed on a public improvement bond with Truist Bank for renovations to Potts Hall. The bond amount was $2,000,000 with an interest rate of 3.27% and matures on August 25, 2032.

Note 16 - New Governmental Accounting Standards Board Standards

GASB has issued several pronouncements prior to the year ended June 30, 2022, 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. 91, Conduit Debt Obligations, issued May 2019, effective for the fiscal years beginning after December 15, 2021.

- Statement No. 92, Omnibus 2020, issued January 2020, effective for the fiscal years beginning after June 15, 2021.

- Statement No. 93, Replacement of Interbank Offered Rates, issued March 2020, effective for the fiscal years beginning after June 15, 2020. The requirement in paragraph 11b is effective for fiscal years beginning after December 31, 2022. All other requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

- Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, issued March 2020, effective for the fiscal years beginning after June 15, 2022.

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

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

- Statement No. 98, The Annual Comprehensive Financial Report, issued October 2021, effective for fiscal years beginning after December 15, 2021.
- Statement No. 99, Omnibus 2022, issued April 2022, effective for the fiscal years beginning after June 15, 2022.
- 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, 2022

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues				
Taxes	$ 5,280,520	$ 5,280,520	$ 5,902,839	$ 622,319
Licenses and permits	713,300	713,300	780,788	67,488
Intergovernmental	1,997,003	1,997,003	1,272,854	(724,149)
Charges for services	24,500	24,500	22,854	(1,646)
Fines and forfeitures	723,800	723,800	880,616	156,816
Miscellaneous	28,400	28,400	108,250	79,850
Interest and investment earnings	10,720	10,720	3,801	(6,919)
Total revenues	8,778,243	8,778,243	8,972,002	193,759
Expenditures				
General government	2,870,343	2,870,343	2,216,263	654,080
Public safety	2,922,552	2,922,552	2,866,956	55,596
Public works	1,416,944	1,416,944	1,582,358	(165,414)
Community development	65,000	65,000	105,874	(40,874)
Miscellaneous	118,669	118,669	52,300	66,369
Debt service	259,035	259,035	327,398	(68,363)
Capital outlay	1,125,700	1,125,700	547,967	577,733
Total expenditures	8,778,243	8,778,243	7,699,116	1,079,127
Excess (deficiency) of revenues over expenditures	-	-	1,272,886	1,272,886
Appropriation of fund balance	-	-	-	-
Net change in fund balance	$ -	$ -	$ 1,272,886	$ 1,272,886

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, 2022

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues				
Taxes				
Real estate	$ 4,400,000	$ 4,400,000	$ 4,882,234	$ 482,234
Business personal property	40,000	40,000	37,710	(2,290)
Public utilities personal property	97,520	97,520	112,360	14,840
Vacant developed property tax	190,000	190,000	-	(190,000)
Penalties and interest on taxes	10,000	10,000	-	(10,000)
Penalty/late fee BPPT/BOL/others	3,000	3,000	900	(2,100)
Shared income tax - state	540,000	540,000	869,635	329,635
Total taxes	5,280,520	5,280,520	5,902,839	622,319
Licenses and permits				
Burglar alarm registration	-	-	475	475
Occupancy/building license	10,000	10,000	10,271	271
Residential rental licenses	500,000	500,000	612,050	112,050
Building permits	20,000	20,000	5,427	(14,573)
CATV revenue	70,000	70,000	53,231	(16,769)
Franchise fees	95,000	95,000	86,425	(8,575)
CDMA fees	2,200	2,200	1,380	(820)
Vacant building fees	10,000	10,000	3,000	(7,000)
Parking permit revenue	400	400	210	(190)
Church occupancy licenses	500	500	360	(140)
Tree removal permit	200	200	526	326
Impervious fees	-	-	500	500
Other licenses and permits	5,000	5,000	6,933	1,933
Total licenses and permits	713,300	713,300	780,788	67,488
Intergovernmental				
State				
Highway user tax	209,402	209,402	236,751	27,349
Police protection	98,122	98,122	103,259	5,137
MD SHA	16,779	16,779	8,376	(8,403)
COPS grant	41,600	41,600	-	(41,600)
COVID-19 relief fund (ARPA Funds)	1,000,000	1,000,000	672,459	(327,541)
Spring/Peace Park	40,000	40,000	-	(40,000)
Memorial Park	200,000	200,000	-	(200,000)
Police basement renovations	300,000	300,000	-	(300,000)
Civic center	44,000	44,000	-	(44,000)
Other	6,500	6,500	-	(6,500)
County				
Admissions and amusements	1,000	1,000	21,025	20,025
Disposal fee rebate	20,000	20,000	28,734	8,734
Chesapeake Bay Trust grant - 17686	19,600	19,600	128,900	109,300
Chesapeake Bay Trust grant - 18999	-	-	30,820	30,820
Community Development Block Grant ("CDBG") - PY46	-	-	2,220	2,220
Community Development Block Grant ("CDBG") - PY47	-	-	39,310	39,310
PG Pilot Grant	-	-	1,000	1,000
Total intergovernmental	1,997,003	1,997,003	1,272,854	(724,149)

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2022

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues (continued)				
Charges for services				
Public parking facilities	20,000	20,000	18,267	(1,733)
Waste collection	300	300	-	(300)
Trash hauler fees	1,000	1,000	1,291	291
City service fees	200	200	134	(66)
Other charges for services	3,000	3,000	3,162	162
Total charges for services	24,500	24,500	22,854	(1,646)
Fines and forfeitures				
Parking violations	200,000	200,000	24,443	(175,557)
Meter violations	15,000	15,000	-	(15,000)
Parking citation recovery	300	300	1,680	1,380
Municipal code violations	5,000	5,000	1,660	(3,340)
Speed camera	500,000	500,000	837,832	337,832
Impoundment fees	2,500	2,500	15,001	12,501
Other fines and forfeitures	1,000	1,000	-	(1,000)
Total fines and forfeitures	723,800	723,800	880,616	156,816
Miscellaneous				
Rent income	400	400	-	(400)
Sale of police property	-	-	5,707	5,707
Solar Credits Revenue	15,000	15,000	5,143	(9,857)
Insurance damage recovery	-	-	19,940	19,940
Mount Rainier day	-	-	1,475	1,475
Bike co-op	3,000	3,000	4,354	1,354
Medical Insurance Claims	-	-	63,274	63,274
Other revenue	10,000	10,000	8,357	(1,643)
Total miscellaneous	28,400	28,400	108,250	79,850
Interest and investment earnings	10,720	10,720	3,801	(6,919)
Total revenues	8,778,243	8,778,243	8,972,002	193,759

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2022

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures				
General government				
Mayor and council				
Personnel	45,600	45,600	39,065	6,535
Other operating	15,636	15,636	22,072	(6,436)
Total mayor and council	61,236	61,236	61,137	99
Finance				
Personnel	601,117	601,117	695,096	(93,979)
Other operating	422,931	422,931	450,198	(27,267)
COVID-19 expenses (ARPA Funds)	1,000,000	1,000,000	353,611	646,389
Total finance	2,024,048	2,024,048	1,498,905	525,143
Administrative services				
Personnel	478,729	478,729	377,936	100,793
Other operating	121,470	121,470	121,219	251
Total administrative services	600,199	600,199	499,155	101,044
Economic development				
Personnel	129,740	129,740	135,189	(5,449)
Other operating	55,120	55,120	21,877	33,243
Total economic development	184,860	184,860	157,066	27,794
Total general government	2,870,343	2,870,343	2,216,263	654,080
Public safety				
Police (including Speed Camera)				
Personnel	2,389,074	2,389,074	2,290,836	98,238
Other operating	224,862	224,862	298,936	(74,074)
Total police	2,613,936	2,613,936	2,589,772	24,164
Code enforcement				
Personnel	277,716	277,716	267,801	9,915
Other operating	30,900	30,900	9,383	21,517
Total code enforcement	308,616	308,616	277,184	31,432
Total public safety	2,922,552	2,922,552	2,866,956	55,596

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2022

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures (continued)				
Public works				
Public works administration				
Personnel	872,144	872,144	796,146	75,998
Other operating	371,300	371,300	624,886	(253,586)
Total public works administration	1,243,444	1,243,444	1,421,032	(177,588)
Street lighting				
Other operating	93,500	93,500	85,543	7,957
Waste disposal				
Other operating	80,000	80,000	75,783	4,217
Total public works	1,416,944	1,416,944	1,582,358	(165,414)
Community development				
Community programs				
Other operating	-	-	34,142	(34,142)
Total community programs	-	-	34,142	(34,142)
Mount Rainier Day				
Other operating	15,000	15,000	18,748	(3,748)
Total Mount Rainier Day	15,000	15,000	18,748	(3,748)
Bike Co-op				
Other operating	7,000	7,000	2,185	4,815
City tax credit				
Other operating	43,000	43,000	50,799	(7,799)
Total community development	65,000	65,000	105,874	(40,874)

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2022

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures (continued)				
Miscellaneous				
General insurance	81,000	81,000	52,300	28,700
Contingency	37,669	37,669	-	37,669
Total miscellaneous	118,669	118,669	52,300	66,369
Debt service				
Principal	232,778	232,778	302,449	(69,671)
Interest	26,257	26,257	24,949	1,308
Total debt service	259,035	259,035	327,398	(68,363)
Capital outlay				
Capital outlay projects	1,125,700	1,125,700	547,967	577,733
Total capital outlay	1,125,700	1,125,700	547,967	577,733
Total expenditures	8,778,243	8,778,243	7,699,116	1,079,127
Excess (deficiency) of revenues over expenditures	-	-	1,272,886	1,272,886
Appropriation of fund balance	-	-	-	-
Net change in fund balance	$ -	$ -	$ 1,272,886	$ 1,272,886

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. All appropriations lapse at the end of the budget year to the extent that they were not expended even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services (i.e. purchase orders, contracts, and commitments).

Note 2 - Other disclosures

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

Public works
Community Programs
Mount Rainier Day
City Tax Credit
Debt Service

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

Actuarial assumptions - Other Post-Employment Benefits

As of the measurement date of June 30, 2021:

Actuarial	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 9.25% 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

Change in assumptions	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2021 valuation. 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. 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 and 2.60% to 2.25% from 2020 to 2021 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 and 3.10% to 2.75% from 2020 to 2021 valuation. Asset valuation changed from 5.67-year to 5-year from 2017 to 2018 valuation and 5-year to 5.67-year from 2018 to 2019 valuation. No change from 2019 to 2020. Asset valuation changed from 5.67-year to 5.52-year from 2020 to 2021.

City of Mount Rainier, Maryland

Schedules of Required Supplementary Information

Retirement Plan Information
Year Ended June 30, 2022

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

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion (%) of the collective net pension liability	0.0117%	0.9400%	0.0092%	0.0079%	0.0075%	0.0084%	0.0080%	0.0072%
City's proportionate share ($) of collective net pension liability	$ 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 ($)	$ 2,402,715	$ 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	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	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
Year Ended June 30, 2022

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 253,966	$ 257,722	$ 201,847	$ 188,470	$ 157,926	$ 153,431	$ 168,542	$ 169,093	$ -	$ -
Contributions in relation to the contractually required contribution	253,966	257,722	201,847	188,470	157,926	153,431	168,542	169,093	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll*	$ 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	10.57%	11.26%	9.38%	9.00%	8.56%	8.17%	9.01%	9.73%	0.00%	0.00%

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

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

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

To the Mayor and City Council
Mount Rainier, Maryland

We have audited, in accordance with 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, 2022, 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 November 30, 2022.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002, that we consider to be material weaknesses.

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*.

City of Mount Rainier, Maryland's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

CohnReznick LLP

Baltimore, Maryland
November 30, 2022

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.

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

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

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

This is a repeat finding from the prior audit.

Recommendation: We recommend the City formalize its year end closing process to provide adequate time for review to ensure the financial data is properly recorded in the books and records of the City.

View of Responsible Officials: The City experienced continued significant turnover in its Finance Director position before and during the period under audit. A new City Manager was hired in the Fall of 2021 (mid-FY22) and a new and upgraded finance team was put in place in May 2022 (end-FY22). The new finance team has made significant progress on bringing the accounting records into real-time compliance.

2022-002 Segregation and Delineation of Duties

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

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

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

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

This is a repeat finding from the prior audit.

Recommendation: We recommend the City formally document its processes. Where possible, the recording of, authorization of, reconciliation of, and custody of the City's finances and assets should remain segregated. Where that is not possible, mitigating controls and procedures should be designed, documented and implemented.

View of Responsible Officials: Due to its size, the City has been challenged in the past with recruiting and retaining the appropriate number of finance staff with the appropriate levels of skill and experience to implement the desired level of segregation of duties. In May 2022, the City engaged an outside service provider with the specific goals of matching skills with needs and achieving the desired level of segregation of duties. Since that time, the service provider has overseen two years' of audits (FY21 and FY22), improved internal controls, and is in the process of documenting all financial processes.

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