City of Mount Rainier, Maryland

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

June 30, 2021

CohnReznick
ADVISORY • ASSURANCE • TAX

City of Mount Rainier, Maryland

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Independent Auditor's Report

To the Mayor and City Council
Mount Rainier, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Mount Rainier, Maryland (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Mount Rainier, Maryland as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and retirement plan information on pages 4 to 10 and 40 to 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022, on our consideration of the City of Mount Rainier, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Mount Rainier, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mount Rainier, Maryland's internal control over financial reporting and compliance.

CohnReznick LLP

Baltimore, Maryland
November 7, 2022

City of Mount Rainier, Maryland

Management's Discussion and Analysis
June 30, 2021

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, 2021. 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 $8,337,516 (net position).
- The City's total net position increased by $676,908.
- As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of $4,666,379, an increase of $237,178.

Overview of the Financial Statements

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

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

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

Government-Wide Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

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

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

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

- Government funds
- Proprietary funds
- Fiduciary funds

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

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

The City has 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 13 to 16 of this report. The City does not maintain proprietary funds, enterprise funds, or fiduciary funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 to 38 of the 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 $8,337,516 at the close of the most recent fiscal year.

The City's combined net position increased by $676,908. This increase is primarily due to higher than budgeted revenues and lower than budgeted expenditures.

The following table presents a summary of the Statement of Net Position for the City as of June 30, 2021 and 2020:

	Governmental Activities		
	2021	2020	Percentage Change
Assets:			
Current and other assets	$ 5,841,288	$ 5,429,903	8%
Capital assets	5,570,898	5,486,882	2%
Total assets	11,412,186	10,916,785	5%
Deferred outflow of resources	697,569	599,974	16%
Liabilities:			
Noncurrent liabilities	2,691,671	2,712,871	-1%
Other liabilities	905,432	887,721	2%
Total liabilities	3,597,103	3,600,592	0%
Deferred inflow of resources	175,136	255,559	-31%
Net position:			
Net investment in capital assets	4,925,955	4,537,178	9%
Restricted	633,539	353,881	79%
Unrestricted	2,778,022	2,769,549	0%
Total net position	$ 8,337,516	$ 7,660,608	9%

Changes in Net Position

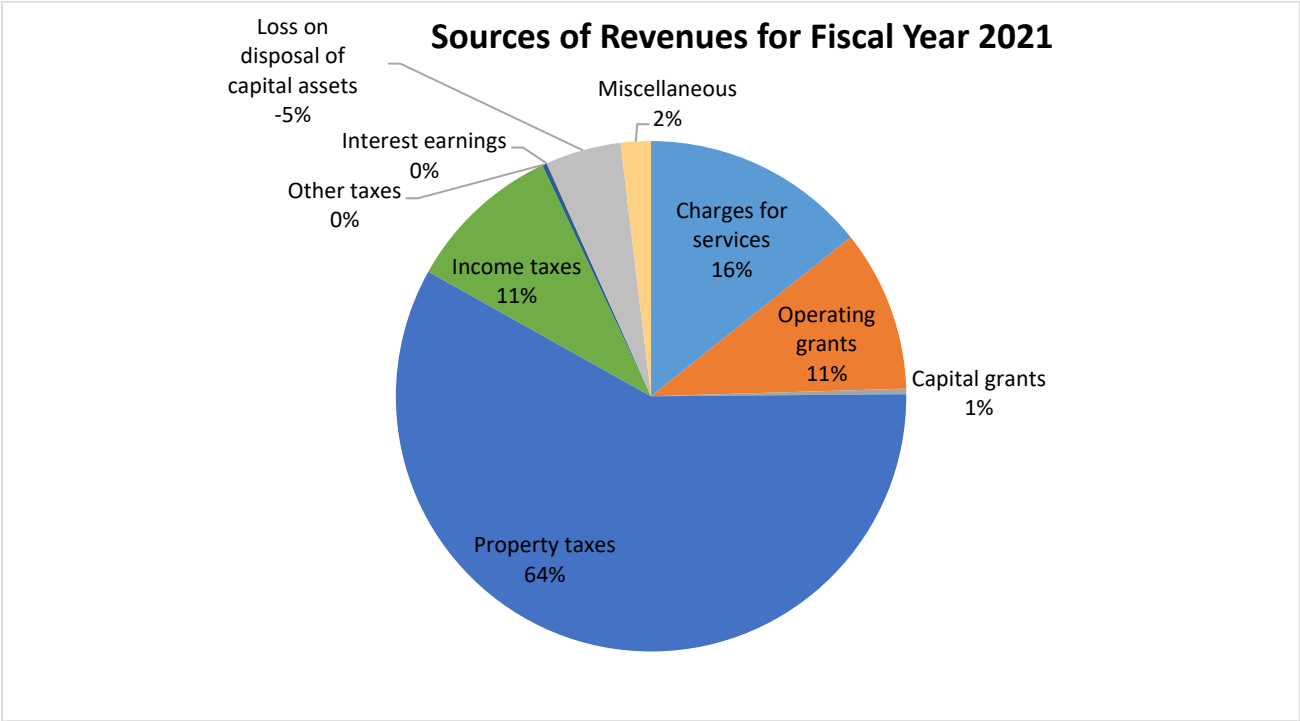
The City's revenue totaled $7,414,897. Of the City's revenue, 64% comes from property taxes and 75 cents ($.75) of every dollar comes from some type of tax.

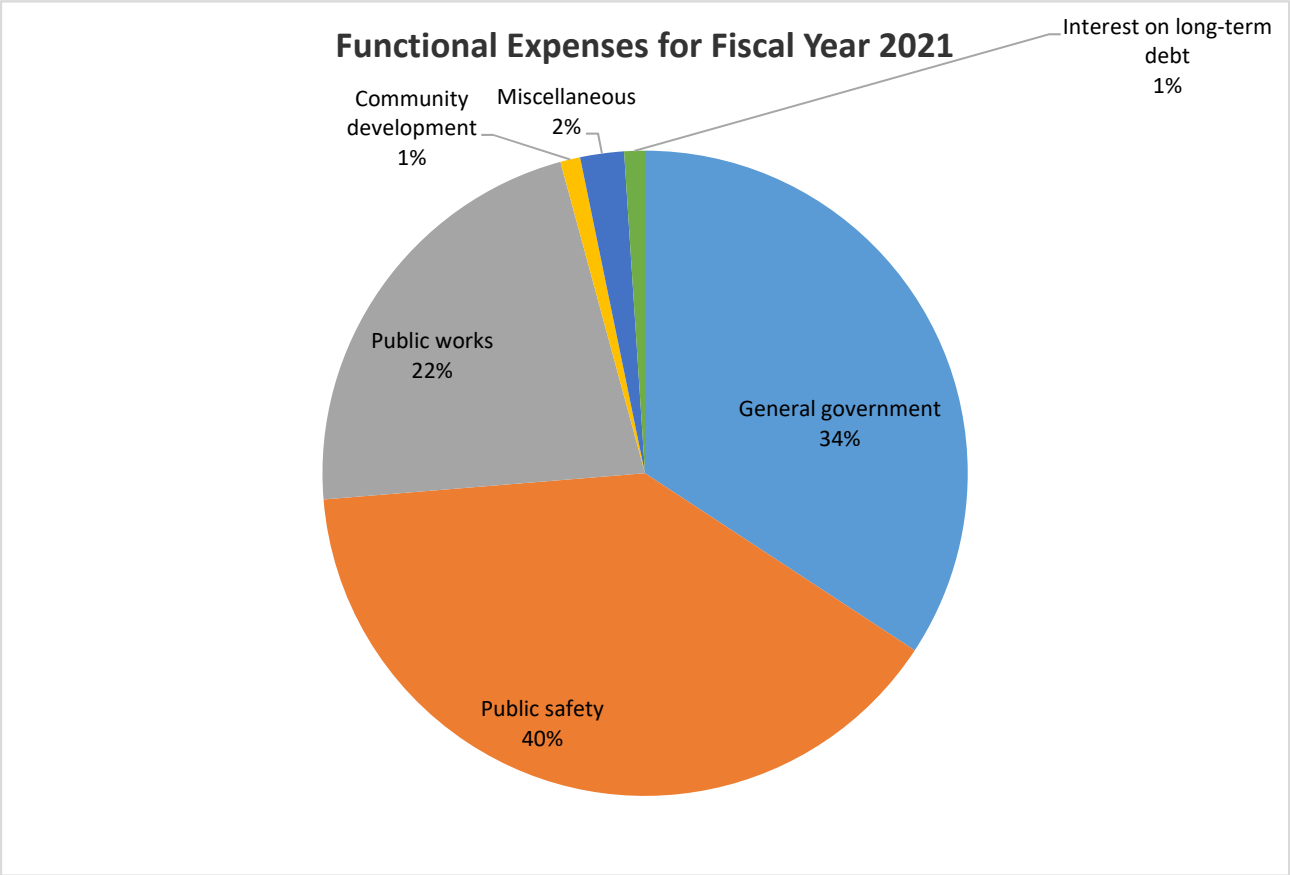
The total cost of all programs and services was $6,737,989. The City's expenses cover a range of services, with about 40% related to public safety.

The following table presents a summary of the Statement of Activities for the City for the years ended June 30, 2021 and 2020:

Changes in Net Position

	Governmental Activities		
	2021	2020	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 1,172,007	$ 1,057,087	11%
Operating grants	838,778	481,136	74%
Capital grants	28,099	35,950	-22%
General revenues:			
Property taxes	4,775,504	4,611,570	4%
Income taxes	810,382	754,059	7%
Other taxes	22,180	25,822	-14%
Interest earnings	2,946	46,449	-94%
Loss on disposal of capital assets	(391,961)	-	0%
Miscellaneous	156,962	1,501,906	-90%
Total revenues	7,414,897	8,513,979	-13%
Expenses:			
General government	2,307,900	2,951,223	-22%
Public safety	2,658,451	2,812,798	-5%
Public works	1,486,814	1,688,518	-12%
Community development	67,124	73,560	-9%
Miscellaneous	147,557	97,548	51%
Interest on long-term debt	70,143	45,749	53%
Total expenses	6,737,989	7,669,396	-12%
Increase in net position	676,908	844,583	-20%
Net position - beginning of year	7,660,608	6,816,025	12%
Net position - end of year	$ 8,337,516	$ 7,660,608	9%


Sources of Revenues for Fiscal Year 2021
Loss on disposal of capital assets -5%
Miscellaneous 2%
Interest earnings 0%
Other taxes 0%
Charges for services 16%
Income taxes 11%
Operating grants 11%
Capital grants 1%
Property taxes 64%


Functional Expenses for Fiscal Year 2021
Interest on long-term debt 1%
Community development 1%
Miscellaneous 2%
Public works 22%
General government 34%
Public safety 40%

Fund Financial Statement Analysis

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

Governmental Funds

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

At the end of the current fiscal year, the governmental funds reported combined fund balance of $4,666,379, an increase of $237,178. Of this total amount, $4,029,306 represents unassigned fund balance. The remainder of the fund balance consists of nonspendable for prepaid items of $3,534 and restricted for public safety of $633,539.

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 $4,029,306, while total general fund balance was $4,666,379. During fiscal year 2021, fund balance for the City's general fund increased by $237,178 due to slightly higher revenue than budgeted and slightly lower expenditures than budgeted.

General Fund Budgetary Highlights

Most of the budget variances are due to greater than budgeted tax revenue and lower than budgeted intergovernmental revenues and fines and forfeitures as well as higher than budgeted expenditures for capital outlay.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2021 was $5,570,898 (net of accumulated depreciation). The investment in capital assets includes land/construction in progress, land improvements, buildings and improvements, and equipment and vehicles. The following is a summary of the capital assets net of depreciation.

	Governmental Activities	
	2021	2020
Land/construction in progress	$ 2,073,884	$ 1,814,314
Land improvements	1,088,597	1,056,648
Buildings and improvements	1,779,293	1,750,344
Equipment and vehicles	629,124	865,576
Total	$ 5,570,898	$ 5,486,882

Capital assets purchased by the City during the last fiscal year includes land, equipment and vehicles, buildings and improvements, and construction in progress totaling $894,032.

Long-term Debt

At year end, the City had $796,710 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	
	2021	2020
Bonds payable	$ 438,078	$ 665,863
Capital lease obligations	206,865	283,841
Accumulated compensated absences	151,767	174,927
Total	$ 796,710	$ 1,124,631

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 2022 are expected to increase over levels for fiscal year 2021.
- Salaries expense for fiscal year 2022 includes a 3% increase.
- Real property tax rates for fiscal year 2022 were reduced to 79 cents ($0.79) per $100 of assessed valuation.

COVID-19 Relief Funding

The City has been awarded significant COVID-19 relief monies to be used over multiple fiscal years. In FY20, the City received $495,000 in COVID-19 Relief Act funds (American Rescue Plan Act) to reimburse additional expenses related to the impact of COVID. $108,387 was used in FY20 and the balance was used in FY21.

In March of 2021, the City was awarded $5.4 million American Rescue Plan Act/Coronavirus Local Fiscal Recovery Funds to be spent in fiscal years 2022 through 2026. This money is earmarked for reimbursing community assistance and bonus pay, and investments in stormwater management, sewer improvements, broadband, and other infrastructure.

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, 2021

	Governmental Activities
Assets	
Cash and investments	$ 4,923,852
Taxes receivable, net	145,319
Prepaid items	3,534
Due from other governments	476,989
Other receivables, net	291,594
Capital assets	
Nondepreciable assets	2,073,884
Depreciable assets, net of accumulated depreciation	3,497,014
Deferred outflow of resources	
Deferred outflows - pension related	697,569
Total assets and deferred outflow of resources	12,109,755
Liabilities	
Accounts payable and accrued expenses	352,184
Accrued salaries and fringe benefits	185,163
Unearned revenues	62,363
Liability for seized assets	72,941
Long-term debt	
Due within one year	232,781
Due in more than one year	563,929
Net pension liability	2,127,742
Deferred inflow of resources	
Deferred inflows - pension related	175,136
Total liabilities and deferred inflow of resources	3,772,239
Net position	
Net investment in capital assets	4,925,955
Restricted	
Public safety	633,539
Unrestricted	2,778,022
Total net position	$ 8,337,516

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Statement of Activities
Year Ended June 30, 2021

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	$ 2,307,900	$ 754,349	$ 504,529	$ -	$ (1,049,022)
Public safety	2,658,451	416,793	104,853	-	(2,136,805)
Public works	1,486,814	865	229,396	28,099	(1,228,454)
Community development	67,124	-	-	-	(67,124)
Miscellaneous	147,557	-	-	-	(147,557)
Debt service - interest	70,143	-	-	-	(70,143)
Total governmental activities	6,737,989	1,172,007	838,778	28,099	(4,699,105)
General revenues					
Property taxes					4,775,504
Income taxes					810,382
Other taxes					22,180
Interest and investment earnings					2,946
Loss on disposal of capital assets					(391,961)
Miscellaneous					156,962
Total general revenues					5,376,013
Change in net position					676,908
Net position - beginning					7,660,608
Net position - ending					$ 8,337,516

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Balance Sheet -
Governmental Funds
June 30, 2021

	General Fund
Assets	
Cash and investments	$ 4,923,852
Taxes receivable (net of allowance of $113,905)	145,319
Prepaid items	3,534
Due from other governments	476,989
Other receivables (net of allowance of $177,625)	291,594
Total assets	$ 5,841,288
Liabilities, Deferred Inflow of Resources and Fund Balances	
Liabilities	
Accounts payable	$ 352,184
Accrued salaries	185,163
Liability for seized assets	72,941
Total liabilities	610,288
Deferred inflow of resources	564,621
Fund balances	
Nonspendable for prepaid items	3,534
Restricted	
Public safety	633,539
Unassigned	4,029,306
Total fund balances	4,666,379
Total liabilities, deferred inflow of resources and fund balances	$ 5,841,288

See Notes to Financial Statements.

City of Mount Rainier, Maryland

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities
June 30, 2021

Total fund balance, governmental funds		$ 4,666,379
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	$ 9,319,381	
Accumulated depreciation	(3,748,483)	5,570,898
Deferred inflow of resources consist of revenues that do not provide financial resources within the period of availability		502,258
Deferred outflow of resources - pension obligation		697,569
Deferred inflow of resources - pension obligation		(175,136)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds payable	(438,078)	
Capital leases payable	(206,865)	
Net pension liability	(2,127,742)	
Accrued vacation leave	(151,767)	(2,924,452)
Net position of governmental activities		$ 8,337,516

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, 2021

	General Fund
Revenues	
Taxes	$ 5,597,175
Licenses and permits	769,381
Intergovernmental	772,602
Charges for services	33,013
Fines and forfeitures	394,438
Miscellaneous	167,337
Interest and investment earnings	2,946
Total revenues	7,736,892
Expenditures	
Current	
General government	2,227,751
Public safety	2,495,947
Public works	1,383,389
Community development	67,124
Miscellaneous	56,400
Debt service	
Principal	304,928
Interest	70,143
Capital outlay	894,032
Total expenditures	7,499,714
Net change in fund balances	237,178
Fund balances - beginning	4,429,201
Fund balances - end	$ 4,666,379

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, 2021

Net change in fund balances - total governmental funds		$ 237,178
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	$ 894,032	
Depreciation	(418,055)	475,977
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(391,961)
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		304,761
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.		84,510
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 expense and accrued vacation leave.		
Net pension expense	(56,717)	
Change in accrued vacation leave	23,160	(33,557)
Change in net position of governmental activities		$ 676,908

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

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

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

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

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

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

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

Deferred outflows of resources - In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, a deferred charge for pension activity reported in the government-wide statement of net position. The deferred charge for pension activity is a result of smoothing differences in actual versus expected experience, 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. 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 $405,321 relating to income taxes, and $159,300 of grant revenues.

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

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

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

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

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

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

Revenues, expenditures, and expenses

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

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

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

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

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

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

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

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

Note 2 - Stewardship, compliance and accountability

Budgetary information

A formal budget is adopted and formal budgetary accounting is employed as a management control for the general fund. 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

As of June 30, 2021, the carrying amount of the City's deposits (including cash on hand of $1,200) was $2,000,626 and the corresponding bank balances were $2,068,126. 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, 2021, $250,000 of the City's deposits were covered by federal depository insurance and $1,818,126 was covered by collateral held by the City's agent in the City's name.

Investments

As of June 30, 2021, the City's investments were pooled in the state created Maryland Local Government Investment Pool ("MLGIP"). The values of those investments were $2,923,226. Reconciliation of cash and investments as shown on the Statement of Net Position:

Carrying amounts of deposits	$ 2,000,626
Carrying amounts of investments	2,923,226
	$ 4,923,852
Per statement of net position	
Cash and investments	$ 4,923,852

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, 2021, met the City investment policy as of that date. Investment income was $2,946 for the year ended June 30, 2021.

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, 2021.

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, 2021 was $0.81 per $100 of assessed value for real property, $.99 per $100 of assessed value for business personal property, and $2.75 per $100 of assessed value for public utility and railroad personal property.

Note 5 - Capital assets

Capital asset activity for the year ended June 30, 2021 is as follows:

	Beginning balance	Increase	Decrease/ transfer	Ending balance
Government activities				
Capital assets not being depreciated				
Land	$ 1,487,129	$ 155,244	$ -	$ 1,642,373
Construction in progress	327,185	110,265	(5,939)	431,511
Total capital assets not being depreciated	1,814,314	265,509	(5,939)	2,073,884
Capital assets being depreciated				
Land improvements	1,211,022	112,684	-	1,323,706
Buildings and improvements	3,587,202	472,952	(483,988)	3,576,166
Equipment and vehicles	2,390,484	42,887	(87,746)	2,345,625
Total capital assets being depreciated	7,188,708	628,523	(571,734)	7,245,497
Less accumulated depreciation for				
Land improvements	154,374	80,735	-	235,109
Buildings and improvements	1,836,858	94,745	(134,730)	1,796,873
Equipment and vehicles	1,524,908	242,575	(50,982)	1,716,501
Total accumulated depreciation	3,516,140	418,055	(185,712)	3,748,483
Total capital assets being depreciated, net	3,672,568	210,468	(386,022)	3,497,014
Capital assets, net	$ 5,486,882	$ 475,977	$ (391,961)	$ 5,570,898

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

General government	$ 49,626
Public safety	170,399
Public works	198,030
Total	$ 418,055

Note 6 - Due from other governments

As of June 30, 2021, the balance due from other governments consisted of the following:

	General Fund
State of Maryland	
Local income tax	$ 356,082
Income tax	59,593
Highway user fees	40,752
COVID-19 relief funds	20,562
Total	$ 476,989

Note 7 - Long-term debt

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

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

Debt service requirements to maturity for the Series I-2008 bonds are as follows as of June 30, 2021:

Year ending June 30,	Principal	Interest	Total
2022	$ 31,088	$ 768	$ 31,856

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, 2021:

Years ending June 30,	Principal	Interest	Total
2022	$ 120,419	$ 16,221	$ 136,640
2023	125,745	10,983	136,728
2024	131,210	5,518	136,728
2025	29,616	636	30,252
	$ 406,990	$ 33,358	$ 440,348

Capital leases

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

Amortization of the assets under the capital leases is included in depreciation for fiscal year 2021.

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

Vehicles	$ 286,313
Less: accumulated depreciation	(85,955)
Assets acquired under capital leases, net	$ 200,358

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

Year ending June 30, 2022	$ 90,564
2023	90,564
2024	40,650
Total minimum lease payments	221,778
Less: interest payments	(14,913)
Present value of minimum capital lease payments	$ 206,865

Changes in long-term debt

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

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021	Due within one year
General obligation bonds	$ 665,863	$ -	$ (227,785)	$ 438,078	$ 151,507
Capital leases	283,841	-	(76,976)	206,865	81,274
Accrued vacation leave	174,927	49,259	(72,419)	151,767	-
Net pension liability	1,893,007	234,735	-	2,127,742	-
Total	$ 3,017,638	$ 283,994	$ (377,180)	$ 2,924,452	$ 232,781

Note 8 - Fund balance

Fund balance for the general fund consists of the following: (1) Nonspendable fund balance of $3,534 inclusive of prepaid items, (2) Restricted fund balance of $633,539 inclusive of funds generated from a previous speed monitoring program that has been restricted for public safety programs, and (3) unassigned balance of $4,029,306.

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 0.0094142% as of the measurement date of June 30, 2020.

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 $257,722 to the System for fiscal 2021 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, 2020 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, 2020.

3. The components of the calculation of the net pension liability for the ECS as of June 30, 2021, calculated in accordance with GASB Statement No. 67, are shown in the following table:

(Expressed in thousands)		
Total pension liability	$	27,533,679
Less: plan fiduciary net position		18,250,832
Net pension liability	$	9,282,847
Plan fiduciary net position as a percentage of total		66.29%

Actuarial assumptions

As of the measurement date of June 30, 2020:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, 25 year Closed
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.60% general, 3.10% wage
Salary Increases	3.10% to 11.60% including inflation
Discount Rate	7.40%
Investment Rate of Return	7.40%

Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2014-2018
Mortality	Public Sector 2010 Mortality Tables with generational mortality projections using scale MP-2018, calibrated to MSRPS experience
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 2020 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. Inflation assumption changed from 2.65% to 2.60% from 2017 to 2018 valuation, 2.60% to 2.65% from 2018 to 2019 valuation and 2.65% to 2.60% from 2019 to 2020 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 and 3.15% to 3.10% from 2019 to 2020 valuation. Asset valuation changed from 5.67-year to 5-year from 2017 to 2018 valuation, 5-year to 5.67-year from 2018 to 2019 valuation and 5.67-year to 5-year from 2019 to 2020 valuation.

Investments

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

Board after considering input from the Pension System's investment consultant(s) and actuary(s). For each major asset class that is included in the Pension System's target asset allocation, these best estimates are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Public equity	37%	5.20%
Private equity	13%	6.50%
Rate sensitive	19%	-0.30%
Credit opportunity	9%	2.80%
Real assets	14%	4.30%
Absolute return	8%	1.80%
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, 2020.

Discount rate
A single discount rate of 7.40% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% decrease to 6.40%	Current discount rate 7.40%	1% increase to 8.40%
Total ECS net pension liability (expressed in thousands)	$ 12,523,173	$ 9,282,847	$ 6,556,933
Total City's proportionate share of net pension liability	$ 3,029,178	$ 2,127,742	$ 1,376,921

State retirement and pension system of Maryland
Plan description
All permanent, full-time employees of the City are eligible to participate in the retirement plans of the State Retirement and Pension System of Maryland (the "System"). The System is a cost sharing multiple-employer defined benefit pension plan administered in accordance with Article 73B of the

annotated Code of Maryland by the State Retirement Agency of Maryland ("SRA") to provide survivor, disability, and retirement benefits to State and local government employees, teachers, police, correctional and law enforcement officers, judges, and legislators. The SRA operates under the direction of a 15-member Board of Trustees, which establishes policy, oversees investments, and represents various employee interests. The Maryland State Retirement and Pension System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Baltimore, Maryland 21202-1600, calling (800) 492-5909 or visiting 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 7.40%). The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate.

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

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

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

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

Contribution rates for employer and other "non-employer" 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, 2021, City reported a liability of $2,127,742 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City's proportion was 0.0094142%, which was an increase of 0.0002363 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of $56,717 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	$ 8,835	$ 40,514
Difference between actual and expected experience	-	76,963
Net difference between projected and actual investment earnings	161,235	-
Change in proportion	269,777	57,659
Contributions subsequent to measurement date	257,722	-
Total	$ 697,569	$ 175,136

The $257,722 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, 2022. 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 5.87 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 2020, 2019, 2018, 2017, and 2016 are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed five-year period.

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

Year ending June 30,	Deferred outflows of resources	Deferred inflows of resources	Net
2022	$ 115,213	$ (77,941)	$ 37,272
2023	120,667	(63,240)	57,427
2024	118,598	(22,538)	96,060
2025	80,826	(11,035)	69,791
2026	4,543	(382)	4,161
Total	$ 439,847	$ (175,136)	$ 264,711

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, 2021.

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 7, 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, 2021, that have effective dates that may impact future financial presentations.

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

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

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

- Statement No. 98, *The Annual Comprehensive Financial Report*, issued October 2021, effective for fiscal years beginning after December 15, 2021.

Required Supplementary Information

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund - Summarized
Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues				
Taxes	$ 5,100,520	$ 5,100,520	$ 5,597,175	$ 496,655
Licenses and permits	723,800	723,800	769,381	45,581
Intergovernmental	1,097,315	1,097,315	772,602	(324,713)
Charges for services	24,500	24,500	33,013	8,513
Fines and forfeitures	422,800	422,800	394,438	(28,362)
Miscellaneous	43,400	43,400	167,337	123,937
Interest and investment earnings	40,720	40,720	2,946	(37,774)
Total revenues	7,453,055	7,453,055	7,736,892	283,837
Expenditures				
General government	2,169,715	2,169,715	2,227,751	(58,036)
Public safety	2,635,310	2,635,310	2,495,947	139,363
Public works	1,304,644	1,304,644	1,383,389	(78,745)
Community development	92,500	92,500	67,124	25,376
Miscellaneous	34,000	34,000	56,400	(22,400)
Debt service	284,508	284,508	375,071	(90,563)
Capital outlay	380,000	380,000	894,032	(514,032)
Total expenditures	6,900,677	6,900,677	7,499,714	(599,037)
Excess (deficiency) of revenues over expenditures	552,378	552,378	237,178	(315,200)
Appropriation of fund balance	(552,378)	(552,378)	-	552,378
Net change in fund balance	$ -	$ -	$ 237,178	$ 237,178

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, 2021

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Revenues				
Taxes				
Real estate	$ 4,200,000	$ 4,200,000	$ 4,529,186	$ 329,186
Business personal property	50,000	50,000	8,709	(41,291)
Public utilities personal property	97,520	97,520	98,950	1,430
Vacant developed property tax	200,000	200,000	125,340	(74,660)
Penalties and interest on taxes	10,000	10,000	23,394	13,394
Penalty/late fee BPPT/BOL/others	3,000	3,000	1,214	(1,786)
Shared income tax - state	540,000	540,000	810,382	270,382
Total taxes	5,100,520	5,100,520	5,597,175	496,655
Licenses and permits				
Burglar alarm registration	-	-	560	560
Occupancy/building license	20,000	20,000	8,271	(11,729)
Traders licenses	500	500	-	(500)
Residential rental licenses	500,000	500,000	588,181	88,181
Building permits	20,000	20,000	3,856	(16,144)
CATV revenue	70,000	70,000	58,620	(11,380)
Franchise fees	95,000	95,000	95,342	342
CDMA fees	2,200	2,200	1,155	(1,045)
Vacant building fees	10,000	10,000	4,000	(6,000)
Parking permit revenue	400	400	624	224
Church occupancy licenses	500	500	160	(340)
Tree removal permit	200	200	1,500	1,300
Impervious fees	-	-	2,432	2,432
Other licenses and permits	5,000	5,000	4,680	(320)
Total licenses and permits	723,800	723,800	769,381	45,581
Intergovernmental				
State				
Highway user tax	200,036	200,036	162,296	(37,740)
Police protection	115,000	115,000	104,853	(10,147)
MD SHA	16,779	16,779	-	(16,779)
COVID-19 relief fund	495,000	495,000	386,490	(108,510)
Grant funds census	-	-	10,689	10,689
COVID-19 revenue donations	-	-	(10,375)	(10,375)
Chesapeake Bay Trust grant	-	-	74,931	74,931
Climate grant	-	-	20,268	20,268
Spring/Peace Park	40,000	40,000	-	(40,000)
Memorial Park	200,000	200,000	-	(200,000)
Other	6,500	6,500	1,270	(5,230)
County				
Admissions and amusements	4,000	4,000	-	(4,000)
Disposal fee rebate	20,000	20,000	22,180	2,180
Total intergovernmental	1,097,315	1,097,315	772,602	(324,713)

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2021

	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	22,355	2,355
Waste collection	300	300	-	(300)
Trash hauler fees	1,000	1,000	865	(135)
City service fees	200	200	557	357
Other charges for services	3,000	3,000	9,236	6,236
Total charges for services	24,500	24,500	33,013	8,513
Fines and forfeitures				
Parking violations	200,000	200,000	101,385	(98,615)
Meter violations	15,000	15,000	-	(15,000)
Parking citation recovery	300	300	2,430	2,130
Municipal code violations	5,000	5,000	1,100	(3,900)
Speed camera	200,000	200,000	279,248	79,248
Impoundment fees	2,500	2,500	10,275	7,775
Total fines and forfeitures	422,800	422,800	394,438	(28,362)
Miscellaneous				
Rent income	400	400	-	(400)
Solar Credits Revenue	-	-	12,596	12,596
Insurance damage recovery	-	-	141,090	141,090
Bike co-op	3,000	3,000	1,213	(1,787)
Other revenue	40,000	40,000	12,438	(27,562)
Total miscellaneous	43,400	43,400	167,337	123,937
Interest and investment earnings	40,720	40,720	2,946	(37,774)
Total revenues	7,453,055	7,453,055	7,736,892	283,837

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2021

	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	46,566	(966)
Other operating	26,136	26,136	22,519	3,617
Total Mayor and Council	71,736	71,736	69,085	2,651
Finance				
Personnel	527,646	527,646	436,773	90,873
Other operating	402,364	402,364	473,124	(70,760)
COVID-19 expenses	495,000	495,000	390,666	104,334
Total Finance	1,425,010	1,425,010	1,300,563	124,447
Administrative Services				
Personnel	407,097	407,097	440,006	(32,909)
Other operating	94,370	94,370	73,700	20,670
Total Administrative Services	501,467	501,467	513,706	(12,239)
Economic Development				
Personnel	121,382	121,382	121,434	(52)
Other operating	50,120	50,120	222,963	(172,843)
Total Economic Development	171,502	171,502	344,397	(172,895)
Total general government	2,169,715	2,169,715	2,227,751	(58,036)
Public safety				
Police (including Speed Camera)				
Personnel	1,975,170	1,975,170	2,023,805	(48,635)
Other operating	379,284	379,284	238,828	140,456
Total police	2,354,454	2,354,454	2,262,633	91,821
Code enforcement				
Personnel	227,806	227,806	218,011	9,795
Other operating	53,050	53,050	15,303	37,747
Total code enforcement	280,856	280,856	233,314	47,542
Total public safety	2,635,310	2,635,310	2,495,947	139,363

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures (continued)				
Public Works				
Public Works administration				
Personnel	805,224	805,224	808,187	(2,963)
Other operating	325,920	325,920	400,799	(74,879)
Total Public Works administration	1,131,144	1,131,144	1,208,986	(77,842)
Public Works				
Street lighting				
Other operating	93,500	93,500	96,815	(3,315)
Waste disposal				
Other operating	80,000	80,000	77,588	2,412
Total Public Works	1,304,644	1,304,644	1,383,389	(78,745)
Community development				
Community programs				
Other operating	29,500	29,500	15,923	13,577
Total community programs	29,500	29,500	15,923	13,577
Mount Rainier Day				
Other operating	15,000	15,000	1,965	13,035
Total Mount Rainier Day	15,000	15,000	1,965	13,035
Bike Co-op				
Other operating	5,000	5,000	7,090	(2,090)
City tax credit				
Other operating	43,000	43,000	42,146	854
Total community development	92,500	92,500	67,124	25,376

City of Mount Rainier, Maryland

Schedule of Revenues and Expenditures
Budget and Actual - Non-GAAP Budgetary Basis
General Fund
Year Ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance with final budget favorable
	Original	Final	budgetary basis	(unfavorable)
Expenditures (continued)				
Miscellaneous				
General insurance	34,000	34,000	56,400	(22,400)
Total miscellaneous	34,000	34,000	56,400	(22,400)
Debt service				
Principal	227,732	227,732	304,928	(77,196)
Interest	56,776	56,776	70,143	(13,367)
Total debt service	284,508	284,508	375,071	(90,563)
Capital outlay				
Capital outlay projects	380,000	380,000	894,032	(514,032)
Total capital outlay	380,000	380,000	894,032	(514,032)
Total expenditures	6,900,677	6,900,677	7,499,714	(599,037)
Excess (deficiency) of revenues over expenditures	552,378	552,378	237,178	(315,200)
Appropriation of fund balance	(552,378)	(552,378)	-	552,378
Net change in fund balance	$ -	$ -	$ 237,178	$ 237,178

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:

- Administrative Services
- Economic Development
- Public Works
- Bike Co-op
- Miscellaneous
- Debt Service
- Capital Outlay

The budgeted but unused appropriation of fund balance in the amount of $552,378 was prior year budgeted surplus for the general fund.

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

Actuarial assumptions - Other Post-Employment Benefits

As of the measurement date of June 30, 2020:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, 25 year Closed
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.60% general, 3.10% wage
Salary Increases	3.10% to 11.60% including inflation
Discount Rate	7.40%
Investment Rate of Return	7.40%

Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2014-2018
Mortality	Public Sector 2010 Mortality Tables with generational mortality projections using scale MP-2018, calibrated to MSRPS experience
Change in assumptions	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2020 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. Inflation assumption changed from 2.65% to 2.60% from 2017 to 2018 valuation, 2.60% to 2.65% from 2018 to 2019 valuation and 2.65% to 2.60% from 2019 to 2020 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 and 3.15% to 3.10% from 2019 to 2020 valuation. Asset valuation changed from 5.67-year to 5-year from 2017 to 2018 valuation, 5-year to 5.67-year from 2018 to 2019 valuation and 5.67-year to 5-year from 2019 to 2020 valuation.

City of Mount Rainier, Maryland

Schedules of Required Supplementary Information

Retirement Plan Information
Year Ended June 30, 2021

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

	2021	2020	2019	2018	2017	2016	2015
City's proportion (%) of the collective net pension liability	0.0094%	0.0092%	0.0079%	0.0075%	0.0084%	0.0080%	0.0072%
City's proportionate share ($) of collective net pension liability	$ 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 ($)	$ 2,288,019	$ 2,151,887	$ 2,094,111	$ 1,844,930	$ 1,877,980	$ 1,871,296	$ 1,737,850
City's proportionate share of collective net pension liability as a percentage of its covered payroll	92.99%	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	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, 2021

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 257,722	$ 201,847	$ 188,470	$ 157,926	$ 153,431	$ 168,542	$ 169,093	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	257,722	201,847	188,470	157,926	153,431	168,542	169,093	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll*	$ 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	11.26%	9.38%	9.00%	8.56%	8.17%	9.01%	9.73%			

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

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

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

To the Mayor and City Council
Mount Rainier, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the City of Mount Rainier, Maryland (the "City"), as of and for the year ended June 30, 2021, 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 7, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001, 2021-002, 2021-003, and 2021-004 that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Mount Rainier, Maryland's Responses to Findings

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

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 7, 2022

2021-001 Timely and Accurate Financial Reporting

Statement of Condition: During the course of the audit we observed several transaction types that were not recorded timely. Additionally, the records were not reconciled timely, including the year-end trial balance not being reconciled until April 2022 (ten months after year-end and the City's reporting deadline).

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

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

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

This is a repeat finding from the prior audit.

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

View of Responsible Officials: The City experienced continued significant turnover in its Finance Director position before, during and after the period under audit. Since that time, a new City Manager was hired in 2021 and a new and upgraded finance team was put in place during early 2022. In addition, the City has continued to engage a consultant to assist management in these areas. The new City Manager has prioritized timely and accurate financial reporting to the Mayor and Council and the residents of the City of Mount Rainier. With these personnel changes, the City has made significant progress and continues to do so.

2021-002 Record Keeping

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

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

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

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

This is a repeat finding from the prior audit.

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

View of Responsible Officials: The City experienced continued significant turnover in its Finance Director position before, during and after the period under audit. Since that time, a new City Manager was hired in 2021 and a new and upgraded finance team was put in place during early 2022. In addition, the City has continued to engage a consultant to assist management in these areas. The new City Manager has prioritized timely and accurate financial reporting to the Mayor and Council and the residents of the City of Mount Rainier. With these personnel changes, the City has made significant progress and continues to do so.

2021-003 Segregation and Delineation of Duties

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

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

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

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

This is a repeat finding from the prior audit.

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

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

2021-004 Journal Entries

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

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

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

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

This is a repeat finding from the prior audit.

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

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

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