

CITY OF MOUNT RAINIER, MARYLAND

**Financial Statements and Supplementary Information
For the Year Ended June 30, 2024
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

CITY OF MOUNT RAINIER, MARYLAND
Financial Statements and Supplementary Information
For the Year Ended June 30, 2024

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Financial Statements and Supplementary Information
For the Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Mount Rainier, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and the major fund of the City of Mount Rainier, Maryland (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Mount Rainier, Maryland, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Titus, LLP".

October 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MOUNT RAINIER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2024

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, 2024. 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 \$16,522,069 (net position).
- The City's total net position increased by \$4,472,189.
- As of the close of the fiscal year, the City's governmental/general fund reported a combined ending fund balance of \$8,369,544, an increase of \$67,420.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue 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.).

CITY OF MOUNT RAINIER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
For the Year Ended June 30, 2024

GOVERNMENT-WIDE FINANCIAL STATEMENTS *(continued)*

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

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

FUND FINANCIAL STATEMENTS

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

- Governmental funds
- Proprietary funds
- Fiduciary funds

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 to 42 of this report.

CITY OF MOUNT RAINIER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
For the Year Ended June 30, 2024

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and retirement plan information, which can be found on pages 43 to 52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position may serve over time as a useful indicator of a government's financial position. The City's combined assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$16,522,069 at the close of the most recent fiscal year.

The City's combined net position increased by \$4,472,189. This increase was primarily due to an increase in property taxes, charges for services and grants.

The following table presents a summary of the Statement of Net Position for the City as of June 30, 2024 and 2023:

	Governmental Activities		Percentage
	2024	2023	Change
ASSETS			
Current and other assets	\$ 11,860,952	\$ 14,186,204	(16)%
Capital assets	11,276,223	6,908,495	63%
Total assets	<u>23,137,175</u>	<u>21,094,699</u>	10%
Deferred outflows - pension	<u>1,049,551</u>	<u>1,520,652</u>	(31)%
LIABILITIES			
Noncurrent liabilities	4,450,794	4,497,868	(1)%
Other liabilities	<u>2,946,406</u>	<u>5,152,647</u>	(43)%
Total liabilities	<u>7,397,200</u>	<u>9,650,515</u>	(23)%
Deferred inflow of resources	<u>267,457</u>	<u>914,956</u>	(71)%
NET POSITION			
Net investment in capital assets	9,614,223	6,391,608	50%
Restricted	919,701	919,701	0%
Unrestricted	<u>5,988,145</u>	<u>4,738,571</u>	26%
Total net position	<u>\$ 16,522,069</u>	<u>\$ 12,049,880</u>	37%

CITY OF MOUNT RAINIER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
For the Year Ended June 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(continued)*

Changes in Net Position

The City's revenue totaled \$12,827,701. Of the City's revenue, 43% comes from property taxes and 52 cents (\$.52) of every dollar comes from some type of tax.

The total cost of all programs and services was \$8,355,512. The City's expenses cover a range of services, with about 48% related to public safety.

The following table presents a summary of the Statement of Activities for the City for the years ended June 30, 2024 and 2023:

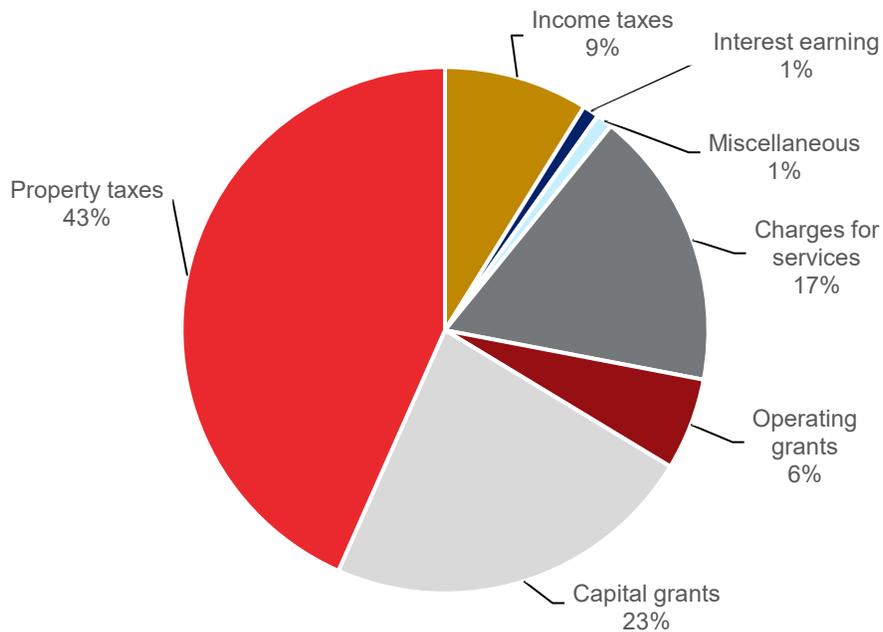
	Governmental Activities		Percentage
	2024	2023	Change
REVENUES			
<i>Program revenues</i>			
Charges for services	\$ 2,203,537	\$ 2,154,764	2%
Operating grants	726,751	688,100	6%
Capital grants	2,949,602	815,422	262%
<i>General revenues</i>			
Property taxes	5,569,266	5,232,098	6%
Income taxes	1,137,481	903,007	26%
Interest earnings	181,157	110,545	64%
Miscellaneous	59,907	234,765	(74)%
Total revenues	<u>12,827,701</u>	<u>10,138,701</u>	27%
EXPENSES			
General government	2,022,361	2,667,592	(24)%
Public safety	4,039,658	3,435,309	18%
Public works	1,945,443	1,698,438	15%
Community development	208,724	140,308	49%
Miscellaneous	76,945	73,584	5%
Interest on long-term debt	62,381	67,730	(8)%
Total expenses	<u>8,355,512</u>	<u>8,082,961</u>	3%
Increase in net position	4,472,189	2,055,740	118%
Net position, beginning of year	<u>12,049,880</u>	<u>9,994,140</u>	21%
Net position, end of year	<u><u>\$ 16,522,069</u></u>	<u><u>\$ 12,049,880</u></u>	37%

CITY OF MOUNT RAINIER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
 For the Year Ended June 30, 2024

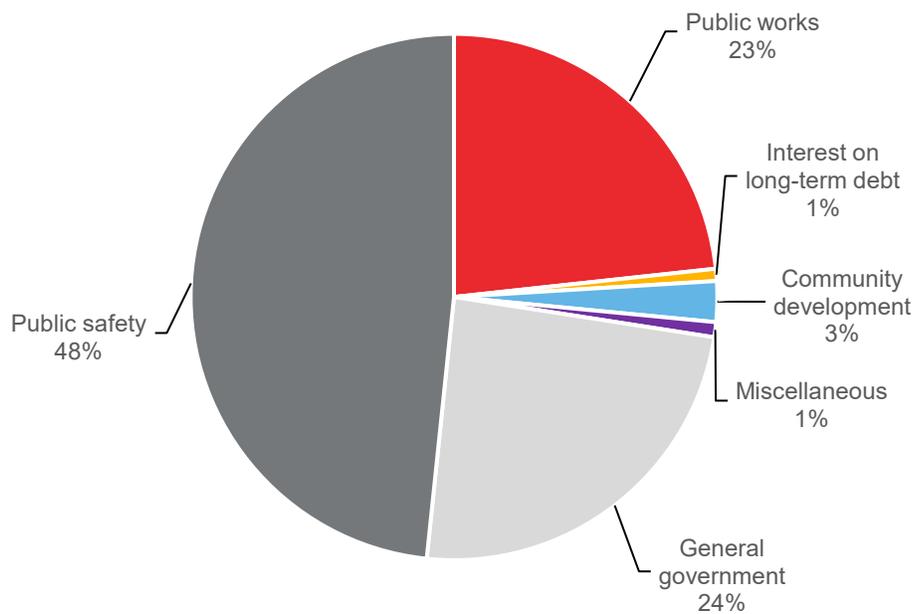
GOVERNMENT-WIDE FINANCIAL ANALYSIS *(continued)*

Changes in Net Position *(continued)*

Sources of Revenue for Fiscal Year 2024



Functional Expenses for Fiscal Year 2024



CITY OF MOUNT RAINIER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
For the Year Ended June 30, 2024

FUND FINANCIAL STATEMENT ANALYSIS

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

Governmental Funds

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

At the end of the current fiscal year, the governmental/general fund reported a combined fund balance of \$8,369,544, an increase of \$67,420. Of this total amount, \$7,349,243 represents unassigned fund balance. The remainder of the fund balance consists of nonspendable for prepaid items of \$100,600 and restricted for public safety of \$919,701.

The general fund is the main operating fund of the City. During fiscal year 2024, the fund balance for the City's general fund increased by \$67,420, primarily due to an increase in property taxes and grants.

GENERAL FUND BUDGETARY HIGHLIGHTS

Expenditures exceeded the budgeted amounts for the following departments/line items:
Street Lighting
Debt Service

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2024 was \$11,276,223 (net of accumulated depreciation/amortization). The investment in capital assets includes land/ construction in progress, land improvements, buildings and improvements, leased assets - vehicles, and equipment and vehicles. The following is a summary of the capital assets, net of accumulated depreciation/amortization.

	Governmental Activities	
	2024	2023
Land/construction in progress	\$ 7,590,209	\$ 2,976,618
Land improvements	1,712,517	1,864,821
Buildings and improvements	1,605,942	1,684,793
Equipment and vehicles	328,745	289,604
Leased assets - vehicles	38,810	92,659
Total	\$ 11,276,223	\$ 6,908,495

CITY OF MOUNT RAINIER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
For the Year Ended June 30, 2024

CAPITAL ASSET AND DEBT ADMINISTRATION *(continued)*

Capital Assets *(continued)*

Capital assets purchased by the City during the current fiscal year include additions to construction in progress, land improvements, buildings and improvements, and equipment and vehicles totaling \$4,824,946.

Long-term Debt

As of June 30, 2024, the City had \$4,450,794 in outstanding debt. The decrease in long-term debt was attributed primarily to the decrease in bonds payable which was offset by an increase in pension liabilities.

	Governmental Activities	
	2024	2023
Bonds payable	\$ 1,739,748	\$ 2,002,777
Lease obligations	-	39,934
Net Pension Liability	2,482,678	2,226,483
Accumulated compensated absences	228,368	228,674
Total	\$ 4,450,794	\$ 4,497,868

MAINTAINING THE CONDITIONS OF THE CITY'S INFRASTRUCTURE

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

In fiscal year 2023, the City began a renovation and expansion of City Hall/Potts Hall and a Welcome Center. This project, when completed, will cost \$6.8 - \$7.0 million. The project is being funded by \$1.0 million in State of Maryland capital grants, \$1.5 million of ARPA funds, \$2.0 million in bond borrowing, and \$1.0 million use of fund balance, with the balance being funded by other anticipated grants or the use of fund balance.

The Potts Hall redevelopment, along with projects to renovate Memorial Park, Newton Street and the Police building basement are all due to be completed in fiscal year 2025.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Actual revenues for fiscal year 2025 are expected to increase over levels for fiscal year 2024.
- Salaries expense for fiscal year 2025 includes a 5% increase.
- Real property tax rates for fiscal year 2025 were unchanged.

CITY OF MOUNT RAINIER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
For the Year Ended June 30, 2024

COVID RELIEF FUNDING

In March 2021, the City was awarded \$5.4 million in American Rescue Plan Act/Coronavirus Local Fiscal Recovery Funds to be spent in fiscal years 2022 through 2026. This money is earmarked for reimbursing community assistance, bonus pay, and investments in stormwater management, sewer improvements, broadband, and other infrastructure. As of June 30, 2024, the City still had \$1.5 million on hand (unearned revenue) for future spending.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

CITY OF MOUNT RAINIER, MARYLAND

Statement of Net Position

Governmental Activities

As of June 30, 2024

ASSETS

Cash and investments	\$ 10,525,575
Receivables, net of allowance of \$412,077	435,123
Prepaid items	100,600
Due from other governments	799,654
<i>Capital assets</i>	
Nondepreciable assets	7,590,209
Capital assets, net of accumulated depreciation/amortization	3,686,014
<i>Deferred outflow of resources</i>	
Deferred outflows - pension related	<u>1,049,551</u>
Total assets and deferred outflow of resources	<u>24,186,726</u>

LIABILITIES

Accounts payable and accrued expenses	1,165,341
Accrued salaries and fringe benefits	246,235
Unearned revenues	1,528,208
Liability for seized assets	6,622
<i>Long-term debt</i>	
Due within one year	180,670
Due in more than one year	1,787,446
Net pension liability	2,482,678
<i>Deferred inflow of resources</i>	
Deferred inflows - pension related	<u>267,457</u>
Total liabilities and deferred inflow of resources	<u>7,664,657</u>

NET POSITION

Net investment in capital assets	9,614,223
<i>Restricted</i>	
Public safety	919,701
Unrestricted	<u>5,988,145</u>
Total net position	<u><u>\$ 16,522,069</u></u>

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

CITY OF MOUNT RAINIER, MARYLAND
Statement of Activities
For the Year Ended June 30, 2024

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
FUNCTIONS/PROGRAMS					
<i>Governmental activities</i>					
General government	\$ 2,022,361	\$ 1,301,590	\$ 274,980	\$ 1,422,918	\$ 977,127
Public safety	4,039,658	901,947	427,437	214,344	(2,495,930)
Public works	1,945,443	-	24,334	1,312,340	(608,769)
Community development	208,724	-	-	-	(208,724)
Miscellaneous	76,945	-	-	-	(76,945)
Debt service - interest	62,381	-	-	-	(62,381)
Total governmental activities	\$ 8,355,512	\$ 2,203,537	\$ 726,751	\$ 2,949,602	(2,475,622)
GENERAL REVENUES					
Property taxes					5,569,266
Income taxes					1,137,481
Interest and investment earnings					181,157
Miscellaneous					59,907
Total general revenues					6,947,811
Change in net position					4,472,189
Net position, beginning of year					12,049,880
Net position, end of year					\$ 16,522,069

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

CITY OF MOUNT RAINIER, MARYLAND
 Balance Sheet
 Governmental Funds
 For the Year Ended June 30, 2024

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 10,525,575
Receivables (net of allowance of \$412,077)	435,123
Prepaid items	100,600
Due from other governments	<u>799,654</u>
Total assets	<u><u>\$ 11,860,952</u></u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	
<i>Liabilities</i>	
Accounts payable	\$ 1,165,341
Accrued salaries	246,235
Liability for seized assets	6,622
Unearned revenue	<u>1,528,208</u>
Total liabilities	<u>2,946,406</u>
<i>Deferred inflow of resources</i>	<u>545,002</u>
<i>Fund balances</i>	
Nonspendable for prepaid items	100,600
<i>Restricted</i>	
Public safety	919,701
Assigned	-
Unassigned	<u>7,349,243</u>
Total fund balances	<u>8,369,544</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 11,860,952</u></u>

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

CITY OF MOUNT RAINIER, MARYLAND
 Reconciliation of Total Governmental Fund Balance
 to Net Position of Governmental Activities
 For the Year Ended June 30, 2024

Total fund balances - Governmental Funds		\$ 8,369,544
<i>Amounts reported for governmental activities in the Statement of Net Position are different because</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of capital assets	\$ 16,373,962	
Accumulated depreciation/amortization	<u>(5,097,739)</u>	11,276,223
Deferred inflow of resources consist of revenues that do not provide financial resources within the period of availability		545,002
Deferred outflow of resources - pension obligation		1,049,551
Deferred inflow of resources - pension obligation		(267,457)
<i>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</i>		
General obligation bonds payable	(1,739,748)	
Net pension liability	(2,482,678)	
Accrued vacation leave	<u>(228,368)</u>	<u>(4,450,794)</u>
Net position of governmental activities		<u>\$ 16,522,069</u>

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

CITY OF MOUNT RAINIER, MARYLAND
Statement of Revenue, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2024

	General Fund
	<hr/>
REVENUES	
Taxes	\$ 6,628,315
Licenses and permits	750,592
Intergovernmental	4,436,617
Charges for services	16,671
Fines and forfeitures	940,874
Miscellaneous	59,900
Interest and investment earnings	181,157
	<hr/>
Total revenues	13,014,126
	<hr/>
EXPENDITURES	
<i>Current</i>	
General government	1,908,379
Public safety	3,837,008
Public works	1,725,367
Community development	208,724
Miscellaneous	76,945
<i>Debt service</i>	
Principal	302,956
Interest	62,381
<i>Capital outlay</i>	
	<hr/>
Total expenditures	12,946,706
	<hr/>
Net change in fund balances	67,420
	<hr/>
Fund balances, beginning	8,302,124
	<hr/>
Fund balances, end	\$ 8,369,544
	<hr/>

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

CITY OF MOUNT RAINIER, MARYLAND
 Reconciliation of the Governmental Funds
 Statement of Revenue, Expenditures and
 Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2024

Net change in fund balances - total governmental funds \$ 67,420

*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	\$ 4,824,946	
Depreciation/amortization	<u>(457,218)</u>	<u>4,367,728</u>

The issuance of long-term debt provides financial resources to governmental funds while the repayment of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position:

Repayments		302,956
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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.

(186,424)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, such as net pension liability and accrued vacation leave.

Net pension expense	(79,797)	
Change in accrued vacation leave	<u>306</u>	<u>(79,491)</u>

Change in net position of governmental activities		<u>\$ 4,472,189</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

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 accounting principles generally accepted in the United States (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in U.S. GAAP and used by the City are discussed below.

Financial Reporting Entity

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

Basic Financial Statements - Government-Wide Statements

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

In the government-wide statement of net position, the governmental activity column is presented on a consolidated basis by column and is reported on a full accrual, flow of economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenue (property, income and certain other taxes and intergovernmental revenue). The statement of activities reduces gross expenses (including depreciation and amortization) by related program revenue, operating and capital grants. Program revenue must be directly associated with the function (public safety, public works, community development, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

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

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

The net costs (by function) are normally covered by general revenue (property and income taxes, other intergovernmental revenue, interest income, etc.).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

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

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

Governmental Funds

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

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

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

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

Basis of Accounting

Basis of accounting refers to the point at which revenue 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.

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

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

Basis of Accounting *(continued)*

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

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

In applying the susceptible to accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenue. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenue is 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 revenue at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Financial Statement Presentation

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

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

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

Financial Statement Presentation *(continued)*

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

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

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

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

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

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

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

Financial Statement Presentation *(continued)*

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

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

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

Long-term debt - The accounting treatment of long-term debt depends on whether the related assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

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

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

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

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

Financial Statement Presentation *(continued)*

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

Unearned revenue - In March 2021, the City was awarded \$5.4 million in American Rescue Plan Act/Coronavirus Local Fiscal Recovery Funds to be spent in fiscal years 2022 through 2026. This money is earmarked for reimbursing community assistance, bonus pay, and investments in stormwater management, sewer improvements, broadband, and other infrastructure. As of June 30, 2024, the City still had \$1.5 million on hand (unearned revenue) for future spending.

Deferred inflows of resources - In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. One item qualifies for reporting in this category in the government-wide statement of net position, a deferred amount for pension activity, which is a result of smoothing differences in actual versus expected experience, projected versus actual investment earnings, change in proportion and from a change in assumptions.

The deferred amount for pension activity is only reported in the government-wide statement of net position. The amounts for experience, change in proportion and changes in assumptions are recognized over the remaining future working lifetime of all participants in the pension plans and the variance in projected versus actual investment earnings is recognized over a five-year period.

The City also reports unavailable revenue from income taxes, property taxes and grant revenue as deferred inflows of resources in the governmental fund balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City had governmental fund deferred inflows of \$545,002 relating to taxes and grant revenue.

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

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

Equity Classifications

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

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

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

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

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

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

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

Equity Classifications *(continued)*

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

Revenue, Expenditures, and Expenses

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Property tax calendar and revenue - 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 revenue is recognized when it becomes available. Available includes those property tax receivables expected to be collected within 60 days after year end.

Licenses and permits, fines and forfeitures, charges for sales and services, and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

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.

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

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

Revenue, Expenditures, and Expenses *(continued)*

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

NOTE 3 CASH AND INVESTMENTS

Cash

As of June 30, 2024, the carrying amount of the City's deposits (excluding cash on hand of \$7,822) was \$7,045,593 and the corresponding bank balances were \$7,127,663. 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, 2024, \$250,000 of the City's deposits were covered by federal depository insurance and \$6,877,663 was covered by collateral held by the City's agent in the City's name.

Investments

As of June 30, 2024, the City's investments were pooled in the State-created MLGIP. The value of those investments was \$3,472,160. Reconciliation of cash and investments as shown on the statement of net position:

Carrying amounts of deposits	\$ 7,045,593
Cash on hand	7,822
Carrying amounts of investments	<u>3,472,160</u>
	<u>\$ 10,525,575</u>
Per statement of net position cash and investments	<u>\$ 10,525,575</u>

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 30 days and 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, 2024, met the City's investment policy as of that date. Investment income was \$181,157 for the year ended June 30, 2024.

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

NOTE 3 CASH AND INVESTMENTS *(continued)*

Investments *(continued)*

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 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.mlqip.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, 2024.

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.

CITY OF MOUNT RAINIER, MARYLAND
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 4 PROPERTY TAXES *(continued)*

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, 2024, was \$0.75 per \$100 of assessed value for real property, \$0.99 per \$100 of assessed value for business personal property, and \$2.75 per \$100 of assessed value for public utility and railroad personal property.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
<i>Capital assets not being depreciated</i>				
Land	\$ 1,642,373	\$ -	\$ -	\$ 1,642,373
Construction in progress	1,334,245	4,613,591	-	5,947,836
Total capital assets not being depreciated	<u>2,976,618</u>	<u>4,613,591</u>	<u>-</u>	<u>7,590,209</u>
<i>Capital assets being depreciated/amortized</i>				
Land improvements	2,348,681	4,526	-	2,353,207
Buildings and improvements	3,693,806	21,000	-	3,714,806
Equipment and vehicles	2,274,556	185,829	30,958	2,429,427
Leased assets - vehicles	286,313	-	-	286,313
Total capital assets being depreciated/amortized	<u>8,603,356</u>	<u>211,355</u>	<u>30,958</u>	<u>8,783,753</u>
<i>Accumulated depreciation</i>				
Land improvements	483,860	156,830	-	640,690
Buildings and improvements	2,009,013	99,851	-	2,108,864
Equipment and vehicles	1,984,952	146,688	30,958	2,100,682
<i>Accumulated amortization</i>				
Leased assets - vehicles	193,654	53,849	-	247,503
Total	<u>4,671,479</u>	<u>457,218</u>	<u>30,958</u>	<u>5,097,739</u>
Total capital assets being depreciated/amortized, net	<u>3,931,877</u>	<u>(245,863)</u>	<u>-</u>	<u>3,686,014</u>
Capital assets, net	<u>\$ 6,908,495</u>	<u>\$ 4,367,728</u>	<u>\$ -</u>	<u>\$ 11,276,223</u>

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

NOTE 5 CAPITAL ASSETS (continued)

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

	<u>Depreciation</u>	<u>Amortization</u>	<u>Total</u>
General government	\$ 56,278	\$ -	\$ 56,278
Public safety	167,135	32,594	199,729
Public works	179,956	21,255	201,211
Total	<u>\$ 403,369</u>	<u>\$ 53,849</u>	<u>\$ 457,218</u>

NOTE 6 DUE FROM OTHER GOVERNMENTS

As of June 30, 2024, the balance due from other governments consisted of the following, due primarily from the State of Maryland:

	<u>General Fund</u>
Local income tax	\$ 609,262
Grants	190,392
Total	<u>\$ 799,654</u>

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

CITY OF MOUNT RAINIER, MARYLAND
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 7 LONG-TERM DEBT *(continued)*

General Obligation Bonds *(continued)*

Debt service requirements to maturity for the public improvements bond of 2022 are as follows as of June 30, 2024:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 180,671	\$ 55,424	\$ 236,095
2026	186,627	49,468	236,095
2027	192,779	43,316	236,095
2028	199,135	36,960	236,095
2029	205,700	30,396	236,096
2030-2033	774,836	51,497	826,333
	<u>\$ 1,739,748</u>	<u>\$ 267,061</u>	<u>\$ 2,006,809</u>

Lease Obligations

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

Amortization expense relating to the leases was \$53,849 for the year ended June 30, 2024.

There were no assets under lease recorded in capital assets being amortized in the statement of net position as of June 30, 2024.

Changes in Long-Term Debt

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

	<u>Balance</u> <u>July 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 88,124	\$ -	\$ (88,124)	\$ -	\$ -
Public improvements bond of 2022	1,914,653	-	(174,905)	1,739,748	180,670
Lease obligations	39,934	-	(39,934)	-	-
Accrued vacation leave	228,674	84,415	(84,722)	228,368	-
Net pension liability	2,226,483	-	-	2,482,678	-
Total	<u>\$ 4,497,868</u>	<u>\$ 84,415</u>	<u>\$ (387,685)</u>	<u>\$ 4,450,794</u>	<u>\$ 180,670</u>

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

NOTE 8 FUND BALANCE

Fund balance for the general fund consists of the following: (1) nonspendable fund balance of \$100,600 inclusive of prepaid items, (2) restricted fund balance of \$919,701 inclusive of funds generated from a previous speed monitoring program that has been restricted for public safety programs, and (3) unassigned fund balance of \$7,349,243.

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES

The City adopted GASB No. 68, *Accounting and Financial Reporting for Pensions* 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 0.0107800% as of the measurement date of June 30, 2023.

The City's employees who participate in ECS were required to contribute 5% or 7% of their earnable compensation depending on the retirement option selected, as stipulated by the System. The City contributed \$320,475 to the System for fiscal 2024 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.

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

Basis of Presentation and Basis of Accounting

Employers participating in the System's cost-sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The schedule of employer allocations and schedule of pension amounts by employer (pension allocation schedules), provided to the City by the System, provide employers with the required information for financial reporting. The System's financial statements are prepared on the accrual basis of accounting and are prepared in accordance with U.S. GAAP that apply to governmental accounting for fiduciary funds.

Actual employer contributions billed to participating government units for the year ended June 30, 2023, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the schedule of employer allocations.

The components of the calculation of the collective net pension liability for the ECS as of June 30, 2024, calculated in accordance with GASB Statement No. 67, are shown in the following table:

(Expressed in thousands)

Total pension liability	\$ 31,075,381
Less: Plan fiduciary net position	<u>21,622,354</u>
Net pension liability	<u>\$ 9,453,027</u>
Plan fiduciary net position as a percentage of total	<u>69.58%</u>

Actuarial Assumptions

As of the measurement date of June 30, 2023:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, 25-year closed
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.25% general, 2.75% wage
Salary Increases	2.75% to 11.75% including inflation
Discount Rate	6.80%

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

Actuarial Assumptions *(continued)*

Investment Rate of Return	6.80%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Public Sector 2010 Mortality Tables with generational mortality projections using scale MP-2018, calibrated to MSRPS experience

Investments

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real</u>
Public equity	34%	6.90%
Private equity	16%	8.60%
Rate sensitive	20%	2.60%
Credit opportunity	9%	5.60%
Real assets	15%	5.40%
Absolute return	6%	4.40%
Total	<u>100%</u>	

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, 2023.

CITY OF MOUNT RAINIER, MARYLAND
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability

The following presents the plan's net pension liability, calculated using a single discount rate of 6.80%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	<u>1% Decrease to (5.80%)</u>	<u>Current Discount Rate (6.80)%</u>	<u>1% Increase to (7.80%)</u>
Total ECS net pension liability (expressed in thousands)	<u>\$ 13,163,272</u>	<u>\$ 9,453,027</u>	<u>\$ 6,352,447</u>
Total City's proportionate share of net pension liability	<u>\$ 3,681,293</u>	<u>\$ 2,482,678</u>	<u>\$ 1,488,016</u>

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

State Retirement and Pension System of Maryland Plan Description

All permanent, full-time employees of the City are eligible to participate in the retirement plans of the State Retirement and Pension System of Maryland (the System). The System is a cost-sharing, multiple-employer defined benefit pension plan administered in accordance with Article 73B of the annotated Code of Maryland by the State Retirement Agency of Maryland (SRA) to provide survivor, disability, and retirement benefits to State and local government employees, teachers, police, correctional and law enforcement officers, judges, and legislators. The SRA operates under the direction of a 15-member Board of Trustees, which establishes policy, oversees investments, and represents various employee interests. The Maryland State Retirement and Pension System issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Baltimore, Maryland 21202-1600, calling (800) 492-5909 or visiting <https://sra.maryland.gov/annual-financial-reports>. The State of Maryland is ultimately obligated for the payment of all pension annuities, retirement allowances, refunds, reserves and other benefits of the System. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies and administrative budget. The System is a component unit of the State of Maryland's financial reporting entity and is included in the State's financial statements as a pension trust fund.

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.

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

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 adjustment 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.

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

Plan Benefits *(continued)*

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 are at least 90 or upon attaining at least age 65 and have 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 adjustment for RCPB is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate (currently 6.80%). The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate.

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

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

Contributions Required and Made

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

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

Contributions Required and Made *(continued)*

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

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

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

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

As of June 30, 2024, the City reported a liability of \$2,482,678 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the City's proportion was 0.0107800%, which was a decrease of 0.0003477% from its proportion measured as of June 30, 2022.

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

NOTE 9 RETIREMENT PLANS ACCOUNTING PRINCIPLES *(continued)*

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

For the year ended June 30, 2024, the City recognized pension expense of \$79,797. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources relating to the measurement date of June 30, 2023:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 185,122	\$ 7,502
Difference between actual and expected experience	87,259	110,595
Net difference between projected and actual investment earnings	192,114	-
Change in proportion	264,581	149,360
Contributions subsequent to measurement date	<u>320,475</u>	<u>-</u>
Total	<u>\$ 1,049,551</u>	<u>\$ 267,457</u>

The \$320,475 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, 2025. The deferred outflows and inflows of resources due to changes in assumptions, differences between actual and expected experience, change in proportion, and differences between projected and actual investment earnings represent the City's proportionate share of the unamortized portions of the System's original amounts. The deferred inflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 5.44 to 5.72 years. The net differences between projected and actual investment earnings are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these services' lives and closed five-year period.

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

<u>Year Ending June 30,</u>	<u>Net</u>
2025	\$ 126,227
2026	60,595
2027	228,594
2028	44,706
2029	<u>1,497</u>
Total	<u>\$ 461,619</u>

CITY OF MOUNT RAINIER, MARYLAND

Notes to Financial Statements

For the Year Ended June 30, 2024

NOTE 10 DEFERRED COMPENSATION PLAN

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

NOTE 11 CONTINGENT LIABILITIES

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

NOTE 12 LITIGATION

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

NOTE 13 RISK MANAGEMENT

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

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

CITY OF MOUNT RAINIER, MARYLAND
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 14 POST-RETIREMENT BENEFITS

The City has no liability for post-retirement benefits as of June 30, 2024.

NOTE 15 SUBSEQUENT EVENTS

The City has not identified any subsequent events, except for the below, that would require potential financial statement disclosure through October 30, 2024, which represents the date the financial statements were available to be issued.

NOTE 16 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD STANDARDS

GASB has issued several pronouncements prior to June 30, 2024, 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. 101, *Compensated Absences*, issued June 2022, effective for fiscal years beginning after December 15, 2023.
- Statement No. 102, *Certain Risk Disclosures*, issued December, 2023, effective for fiscal years beginning after June 15, 2024.
- Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024, effective for fiscal years beginning after June 15, 2025.

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, 2024

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 6,225,403	\$ 6,225,403	\$ 6,628,315	\$ 402,912
Licenses and permits	727,005	727,005	750,592	23,588
Intergovernmental	5,690,517	6,325,039	4,436,617	(1,888,422)
Charges for services	24,500	24,500	16,671	(7,829)
Fines and forfeitures	879,000	879,000	940,874	61,874
Miscellaneous	50,600	50,600	59,900	9,300
Interest and investment earnings	70,000	70,000	181,157	111,157
Total revenues	<u>13,667,025</u>	<u>14,301,547</u>	<u>13,014,126</u>	<u>(1,287,420)</u>
EXPENDITURES				
General government	6,839,282	7,204,282	5,114,635	2,089,647
Public safety	4,219,145	4,478,667	4,106,554	372,113
Public works	2,282,018	2,292,018	1,693,823	598,195
Debt service	326,580	326,580	324,539	2,041
Capital outlay	-	-	-	-
Total expenditures	<u>13,667,025</u>	<u>14,301,547</u>	<u>11,239,551</u>	<u>3,061,996</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,774,575</u>	<u>(1,774,575)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,774,575</u>	<u>\$ (1,774,575)</u>

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, 2024

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES				
Taxes				
Real estate	\$ 5,075,428	\$ 5,075,428	\$ 5,196,202	\$ 120,774
Business personal property	40,000	40,000	72,875	32,875
Public utilities personal property	97,520	97,520	128,421	30,901
Vacant developed property tax	249,455	249,455	154,574	(94,881)
Penalties and interest on taxes	10,000	10,000	18,791	8,791
Penalty/late fee BPPT/BOL/others	3,000	3,000	5,510	2,510
Shared income tax - state	750,000	750,000	1,051,942	301,942
Total taxes	<u>6,225,403</u>	<u>6,225,403</u>	<u>6,628,315</u>	<u>402,912</u>
Licenses and permits				
Burglar alarm registration	-	-	275	275
Occupancy/building license	10,000	10,000	11,691	1,691
Residential rental licenses	500,000	500,000	615,878	115,878
Building permits	20,000	20,000	3,900	(16,100)
CATV revenue	45,000	45,000	38,922	(6,078)
Franchise fees	75,000	75,000	62,987	(12,013)
CDMA fees	2,092	2,092	1,418	(675)
Vacant building fees	10,000	10,000	6,900	(3,100)
Parking permit revenue	400	400	550	150
Church occupancy licenses	500	500	320	(180)
Tree removal permit	200	200	350	150
Impervious fees	1,000	1,000	1,347	347
Rent Stabilization Fees	57,813	57,813	-	(57,813)
Other licenses and permits expenditures	<u>5,000</u>	<u>5,000</u>	<u>6,054</u>	<u>1,054</u>
Total licenses and permits	<u>727,005</u>	<u>727,005</u>	<u>750,592</u>	<u>23,588</u>
Intergovernmental				
State				
Highway user tax	276,053	276,053	264,997	(11,056)
Police protection	229,122	229,122	219,708	(9,414)
MD SHA	16,779	16,779	-	(16,779)
COPS grant	-	-	12,057	12,057
COVID-19 relief fund (ARPA Funds)	3,699,500	3,699,500	2,782,964	(916,536)
Spring/Peace Park	300,000	300,000	64,344	(235,657)
Memorial Park	105,726	105,726	-	(105,726)
Police basement renovations	-	-	20,000	20,000
DHCD OAG TAG	50,000	50,000	18,047	(31,953)
DHCD 00194	100,000	100,000	-	(100,000)
DHCD 00272	-	20,000	20,000	-
DHCD 00278	-	75,000	-	(75,000)
DHCD 00500	-	-	243,859	243,859

See Notes to Required Supplementary Information.

CITY OF MOUNT RAINIER, MARYLAND
Schedule of Revenues and Expenditures Budget
and Actual - Non-GAAP Budgetary Basis *(continued)*
General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES <i>(continued)</i>				
Intergovernmental <i>(continued)</i>				
<i>State (continued)</i>				
MD Capital Grant	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
Gun Crime/Safety Cameras	100,837	249,250	276,381	27,131
Police Retention & Recruitment	-	15,000	15,000	-
Green Streets	530,000	100,000	5,900	(94,100)
BJAG - Police Computers	-	38,000	30,000	(8,000)
Police Accountability & Training	-	58,109	65,004	6,895
CGPF	-	-	965	965
Police Recruitment Whitepaper	-	-	959	959
Safe Streets For All	-	700,000	-	(700,000)
<i>County</i>				
Admissions and amusements	2,500	2,500	2,039	(461)
Disposal fee rebate	20,000	20,000	16,635	(3,365)
Level Up	-	-	3,030	3,030
Chesapeake Bay Trust - Pet Waste	-	10,000	3,195	(6,805)
Chesapeake Bay Trust - 18999	-	-	4,526	4,526
Chesapeake Bay Trust - 20262	-	-	107,008	107,008
Community Garden	10,000	10,000	10,000	-
Total intergovernmental	5,690,517	6,325,039	4,436,617	(1,888,422)
Charges for services				
Public parking facilities	20,000	20,000	13,921	(6,079)
Waste collection	300	300	-	(300)
Trash hauler fees	1,000	1,000	2,437	1,437
City service fees	200	200	313	113
Other charges for services	3,000	3,000	-	(3,000)
Total charges for services	24,500	24,500	16,671	(7,829)
Fines and forfeitures				
Parking violations	70,000	70,000	10,897	(59,103)
Municipal code violations	1,500	1,500	12,875	11,375
Speed camera	800,000	800,000	901,947	101,947
Impoundment fees	7,500	7,500	15,125	7,625
Other fines and forfeitures	-	-	30	30
Total fines and forfeitures	879,000	879,000	940,874	61,874

See Notes to Required Supplementary Information.

CITY OF MOUNT RAINIER, MARYLAND
Schedule of Revenues and Expenditures Budget
and Actual - Non-GAAP Budgetary Basis *(continued)*
General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES <i>(continued)</i>				
Miscellaneous				
Rent income	\$ 33,600	\$ 33,600	\$ -	\$ (33,600)
Sale of police property	-	-	8,297	8,297
Solar Credits Revenue	7,500	7,500	5,075	(2,425)
Insurance damage recovery	-	-	35,090	35,090
Mount Rainier day	1,500	1,500	4,000	2,500
Bike co-op	3,000	3,000	716	(2,284)
Medical Insurance Claims	-	-	-	-
Other revenue	5,000	5,000	6,723	1,723
Total miscellaneous	50,600	50,600	59,900	9,300
Interest and investment earnings	70,000	70,000	181,157	111,157
Total revenues	13,667,025	14,301,547	13,014,126	(1,287,420)
EXPENDITURES				
General government				
<i>Mayor and council</i>				
Personnel	45,200	45,200	44,535	665
Other operating	33,000	33,000	27,169	5,831
Total mayor and council	78,200	78,200	71,704	6,496
Finance				
Personnel	408,579	408,579	364,390	44,189
Other operating	4,522,550	1,672,550	1,089,879	582,671
Capital outlay	780,000	3,900,000	2,755,677	1,144,323
Total finance	5,711,129	5,981,129	4,209,946	1,771,182
Administrative services				
Personnel	512,020	512,020	504,381	7,639
Other operating	181,850	181,850	107,997	73,853
Capital outlay	-	-	-	-
Total administrative services	693,870	693,870	612,378	81,491
Economic development				
Personnel	150,964	150,964	150,293	671
Other operating	55,120	75,120	52,267	22,853
Capital outlay	150,000	225,000	18,047	206,953
Total economic development	356,084	451,084	220,607	230,477
Total general government	6,839,282	7,204,282	5,114,635	2,089,646

See Notes to Required Supplementary Information.

CITY OF MOUNT RAINIER, MARYLAND
Schedule of Revenues and Expenditures Budget
and Actual - Non-GAAP Budgetary Basis *(continued)*
General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
EXPENDITURES <i>(continued)</i>				
Public safety				
<i>Police (including Speed Camera)</i>				
Personnel	\$ 2,843,980	\$ 2,921,730	\$ 2,769,431	\$ 152,299
Other operating	499,951	681,723	669,374	12,349
Capital outlay	426,000	426,000	212,632	213,368
Total police	3,769,931	4,029,453	3,651,437	378,016
Code enforcement				
Personnel	363,120	388,120	379,894	8,226
Other operating	86,094	61,094	34,424	26,669
Total code enforcement	449,213	449,213	414,318	34,895
Total public safety	4,219,145	4,478,667	4,065,755	412,911
Public works				
<i>Public works administration</i>				
Personnel	926,018	926,018	910,010	16,008
Other operating	940,774	940,774	452,512	488,263
Capital outlay	236,726	246,726	132,534	114,193
Total public works administration	2,103,518	2,113,518	1,495,056	618,463
Street lighting				
Other operating	88,500	88,500	125,860	(37,360)
Waste disposal				
Other operating	90,000	90,000	72,908	17,092
Total public works	2,282,018	2,292,018	1,693,824	598,194
Debt service				
Principal	263,029	263,029	302,956	(39,927)
Interest	63,551	63,551	62,381	1,170
Total debt service	326,580	326,580	365,337	(38,757)
Total expenditures	13,667,025	14,301,547	11,239,551	3,061,995
Excess (deficiency) of revenues over expenditures	-	-	1,774,575	1,774,575
Appropriation of fund balance	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ 1,774,575	\$ 1,774,575

See Notes to Required Supplementary Information.

CITY OF MOUNT RAINIER, MARYLAND

Notes to Schedule of Revenues and Expenditures Budget and Actual

June 30, 2024

NOTE 1 BUDGETARY INFORMATION

Formal budgetary accounting is employed as a management control during the year for the general fund. The City Council approves, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent budget transfers must be approved by the Council before becoming effective. Appropriations lapse at the end of the budget year to the extent that they were not expended even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services (*i.e.*, purchase orders, contracts, and commitments). However, for the fiscal year ended June 30, 2023, the City included encumbrances of \$1,707,155 related to certain major capital projects in expenditures on a budgetary basis (see note 2 below).

The schedule of revenue and expenditures - budget and actual is prepared on a basis consistent with the budget. The statement of revenues, expenditures and changes in fund balance is prepared on a basis consistent with U.S. GAAP where encumbrances are treated as an assignment of fund balance rather than an expenditure.

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

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

- Street Lighting
- Debt Service

CITY OF MOUNT RAINIER, MARYLAND

Notes to Schedule of Revenues and Expenditures Budget and Actual

June 30, 2024

NOTE 2 BUDGETARY RECONCILIATION

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

Reconciliation of Budgetary Data – Actual Amounts

Revenue

Budgetary basis	<u>\$ 13,014,126</u>
U.S. GAAP basis	<u>\$ 13,014,126</u>

Expenditures

Budgetary basis	\$ 11,239,551
Prior-year encumbrances	<u>1,707,155</u>
U.S. GAAP basis	<u>\$ 12,946,706</u>

CITY OF MOUNT RAINIER, MARYLAND
Schedules of Required Supplementary Information
Retirement Plan Information
Year Ended June 30, 2024

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion (%) of the collective net pension liability	0.0108%	0.0111%	0.0117%	0.0094%	0.0092%	0.0079%	0.0075%	0.0084%	0.0080%
City's proportionate share (\$) of collective net pension liability	\$ 2,482,678	\$ 2,226,483	\$ 1,754,655	\$ 2,127,742	\$ 1,893,007	\$ 1,661,688	\$ 1,630,068	\$ 1,984,015	\$ 1,667,216
City's covered payroll (\$)	\$ 2,405,459	\$ 2,402,715	\$ 2,288,019	\$ 2,151,887	\$ 2,094,111	\$ 1,844,930	\$ 1,877,980	\$ 1,871,296	\$ 1,737,850
City's proportionate share of collective net pension liability as a percentage of its covered payroll	103.21%	92.67%	76.69%	98.88%	90.40%	90.07%	86.80%	106.02%	95.94%
Pension plan's fiduciary net position as a percentage of the total pension liability	69.58%	71.75%	76.76%	66.29%	67.98%	68.36%	66.71%	62.97%	66.26%

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

CITY OF MOUNT RAINIER, MARYLAND
Schedules of Required Supplementary Information
Retirement Plan Information *(continued)*
Year Ended June 30, 2024

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 320,475	\$ 262,917	\$ 253,966	\$ 257,722	\$ 201,847	\$ 188,470	\$ 157,926	\$ 153,431	\$ 168,542	\$ 169,093
Contributions in relation to the contractually required contribution	320,475	262,917	253,966	257,722	201,847	188,470	157,926	153,431	168,542	169,093
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered payroll*	\$ 2,831,053	\$ 2,405,459	\$ 2,402,715	\$ 2,288,019	\$ 2,151,887	\$ 2,094,111	\$ 1,844,930	\$ 1,877,980	\$ 1,871,296	\$ 1,737,850
Contributions as a percentage of covered- employee payroll	11.32%	10.93%	10.57%	11.26%	9.38%	9.00%	8.56%	8.17%	9.01%	9.73%

The above schedule is presented to illustrate the requirement for specified information for 10 years.

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

CITY OF MOUNT RAINIER, MARYLAND

Notes to Schedules of Required Supplementary Information

Retirement Plan Information

Year Ended June 30, 2024

Actuarial assumptions Retirement Plan Information

As of the measurement date of June 30, 2023

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

Changes in Assumptions The following changes in assumptions were made during the periods covered by the retirement plan information schedules. Investment return assumption and Discount Rate changed from 7.45% to 7.40% from the 2018 to 2019 valuation. No change from 2019 to 2020. Investment return assumption and Discount Rate changed from 7.40% to 6.80% from the 2020 to 2021 valuation. No change from 2021 to 2022. No change from 2022 to 2023. Inflation assumption changed from 2.65% to 2.60% from 2017 to 2018 valuation, 2.60% to 2.65% from 2018 to 2019 valuation, 2.65% to 2.60% from 2019 to 2020 valuation, 2.60% to 2.25% from 2020 to 2021 valuation, no change from the 2021 to 2022 and no change from the 2022 to 2023 valuation. Inflation wages went from 3.15% to 3.10% from 2017 to 2018 valuation, 3.10% to 3.15% from 2018 to 2019 valuation, 3.15% to 3.10% from 2019 to 2020 valuation, 3.10% to 2.75% from 2020 to 2021 valuation, no change from the 2021 to 2022 and no change from the 2022 to 2023 valuation.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Council
Mount Rainier, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the City of Mount Rainier, Maryland (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 30, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Mitchell Titus, LLP

October 30, 2024

