

CITY OF MOUNT RAINIER, MARYLAND

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2016



Murphy & Murphy, CPA, LLC

CONTENTS

	<u>PAGE</u>
Independent auditor's report	1-3
Management's discussion and analysis	4-10
Basic financial statements:	
Government-wide statements:	
Statement of net position	11
Statement of activities	12
Governmental fund financial statements:	
Balance sheet	13
Reconciliation of total governmental fund balance to net position of governmental activities	14
Statement of revenues, expenditures, and changes in fund balance – governmental funds	15
Reconciliation of governmental funds statement of revenues, Expenditures, and changes in fund balance to the statement of activities	16
Notes to financial statements	17-41
Required supplementary information:	
Schedule of revenues and expenditures – budget and actual - non-GAAP budgetary basis – general fund	42-49
Schedule of revenues and expenditures – budget and actual - non-GAAP budgetary basis – special revenue fund	50-51
Notes to the required supplementary information	52-53
Retirement plan information	54-55
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 <i>Government Auditing Standards</i>	56-57



Murphy & Murphy, CPA, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Mount Rainier, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Mount Rainier, Maryland (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Mount Rainier, Maryland as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and retirement plan information on pages 4 – 10 and 42 – 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2018, on our consideration of the City of Mount Rainier, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mount Rainier, Maryland's internal control over financial reporting and compliance.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
January 26, 2018

CITY OF MOUNT RAINIER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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, 2016. 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 \$5,854,261 (net position).
- The City's total net position decreased by \$1,015,919.
- As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,140,576, an increase of \$223,976.

Overview of the Financial Statements

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

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

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

Government-Wide Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will

only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

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

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

Fund Financial Statements

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

- Government funds
- Proprietary funds
- Fiduciary funds

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

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

The City has two governmental funds, the general fund and the special revenue fund. Both of these funds are considered major funds by the City. The basic governmental fund financial statements can be found on pages 13 and 15 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 17 through 41 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and special revenue fund, and retirement plan information, which can be found on pages 42 through 55 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 \$5,854,261 at the close of the most recent fiscal year.

The City's combined net position decreased by \$1,015,919, which came from the City's governmental activities. This decrease is primarily a result of a prior period adjustment to record the net pension liability.

The following table presents a summary of the Statement of Net Position for the City as of June 30, 2016 and 2015.

	Governmental Activities		Percentage Change
	2016	2015	
Assets:			
Current and other assets	\$ 4,640,522	\$ 4,499,338	3.14%
Capital assets	<u>4,786,744</u>	<u>4,916,328</u>	-2.64%
Total assets	<u>9,427,266</u>	<u>9,415,666</u>	0.12%
Deferred Outflow of Resources	<u>394,118</u>	<u>-</u>	100.00%
Liabilities:			
Noncurrent liabilities	3,314,390	1,866,368	77.59%
Other liabilities	<u>618,590</u>	<u>679,118</u>	-8.91%
Total liabilities	<u>3,932,980</u>	<u>2,545,486</u>	54.51%
Deferred Inflow of Resources	<u>34,143</u>	<u>-</u>	100.00%
Net position:			
Net investment in capital assets	3,058,385	3,015,617	1.42%
Restricted	201,216	199,810	0.70%
Unrestricted	<u>2,594,660</u>	<u>3,654,753</u>	-29.01%
Total net position	<u>\$ 5,854,261</u>	<u>\$ 6,870,180</u>	-14.79%

Changes in Net Position

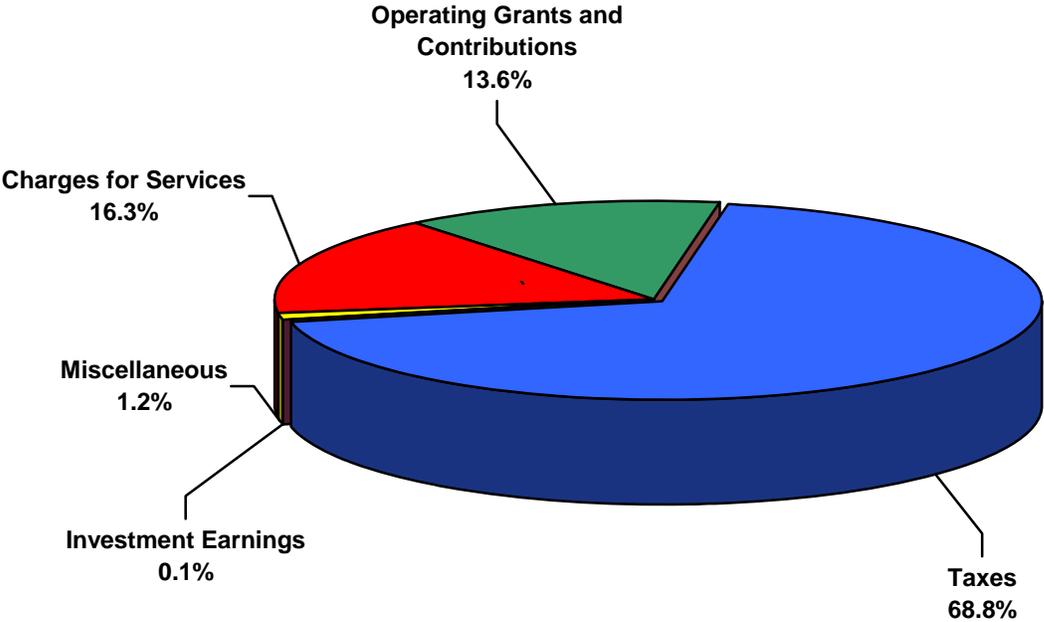
The City's revenue totaled \$5,505,651. Of the City's revenue, 56.5% comes from property taxes and 68.8 cents (\$.688) of every dollar comes from some type of tax.

The total cost of all programs and services was \$5,238,048. The City's expenses cover a range of services, with about 47% related to public safety.

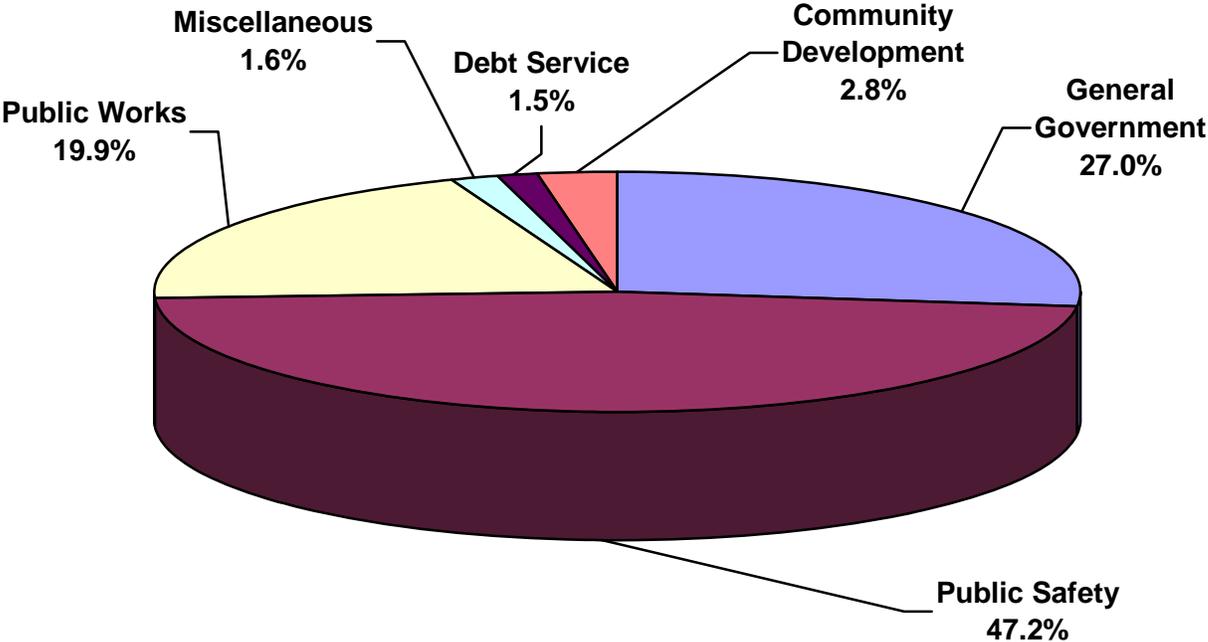
The following table presents a summary of the Statement of Activities for the City for the years ended June 30, 2016 and 2015:

	<u>Changes in Net Position</u>		<u>Percentage Change</u>
	<u>2016</u>	<u>2015</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 896,945	\$ 727,401	23.31%
Operating grants	746,139	377,529	97.64%
Capital grants	-	6,000	-100.00%
General revenues:			
Property taxes	3,110,287	3,068,501	1.36%
Income taxes	651,600	613,686	6.18%
Other taxes	25,905	26,072	-0.64%
Interest earnings	6,944	1,995	248.07%
Other	67,831	71,399	-5.00%
Total revenues	<u>5,505,651</u>	<u>4,892,583</u>	12.53%
Expenses:			
General government	1,412,650	1,044,447	35.25%
Public safety	2,472,212	2,248,483	9.95%
Public works	1,044,236	1,071,820	-2.57%
Community development	146,070	79,136	84.58%
Miscellaneous	84,964	79,619	6.71%
Interest on long-term debt	77,916	86,039	-9.44%
Total expenses	<u>5,238,048</u>	<u>4,609,544</u>	13.63%
Increase in net position	267,603	283,039	-5.45%
Net position - beginning of year	6,870,180	6,587,141	4.30%
Prior period adjustment	<u>(1,283,522)</u>	<u>-</u>	100.00%
Net position - end of year	<u>\$ 5,854,261</u>	<u>\$ 6,870,180</u>	-14.79%

Sources of Revenues for Fiscal Year 2016



Functional Expenses for Fiscal Year 2016



Fund Financial Statement Analysis

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

Governmental Funds

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

At the end of the current fiscal year, the governmental funds reported combined fund balance of \$4,140,576, an increase of \$223,976. Of this total amount, \$3,334,032, represents unassigned fund balance. The remainder of the fund balance consists of nonspendable for prepaid items of \$78,224, restricted for public safety of \$201,216, and assigned for subsequent expenditures of \$527,104.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$3,334,032, while total general fund balance was \$4,034,922. During fiscal year 2016, fund balance for the City's general fund increased by \$220,894. The special revenue fund balance increased by \$3,082 during the current fiscal year.

General Fund Budgetary Highlights

Most of the budget variances were due to greater than expected revenues.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2016 was \$4,786,744 (net of accumulated depreciation). The investment in capital assets includes land/construction in progress, land improvements, buildings and improvements, and equipment and vehicles. The following is a summary of the capital assets net of depreciation.

Capital Assets Net of Depreciation

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land/construction in progress	\$ 2,359,418	\$ 2,359,418
Land improvements	98,723	108,126
Buildings and improvements	1,928,569	2,022,960
Equipment and vehicles	<u>400,034</u>	<u>425,824</u>
Total	<u>\$ 4,786,744</u>	<u>\$ 4,916,328</u>

Capital assets purchased by the City during the last fiscal year includes equipment and vehicles totaling \$134,764.

Long-term Debt

At year end, the City had \$1,944,984 in outstanding debt. One new capital lease obligation was incurred during the year.

Long-term debt consists of the following:

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Bonds payable	\$ 1,481,004	\$ 1,662,944
Capital lease obligations	247,355	237,767
Accumulated compensation absences	<u>216,625</u>	<u>233,014</u>
Total	<u>\$ 1,944,984</u>	<u>\$ 2,133,725</u>

Maintaining the Conditions of the City's Infrastructure

Prospective accounting of the City infrastructure has been adopted by the City. During fiscal year 2016, the City performed maintenance on several road projects.

Economic Factors and Next Year's Budget and Rates

- Actual revenues for fiscal year 2017 are expected to increase over levels for fiscal year 2016.
- Salaries expense for fiscal year 2017 includes a 3% Cost-of-Living Adjustment (COLA) for all City employees.
- Real property tax rates remain at the fiscal year 2016 levels of 86 cents (\$.86) per \$100 of assessed valuation.
- Funding is included for the continuance of Mt. Rainier Day, National Night Out and the Bike-Co-op Program.
- Funding of \$23,500 is included for the continuation of the City Homeowner's Tax Credit and \$5,000 for the Historic Preservation Tax Credit.
- The City projects revenues of \$1,000 from speed monitoring violations. The funds will be utilized for public safety expenditures.

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.

CITY OF MOUNT RAINIER, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and investments	\$ 3,820,352
Taxes receivable	192,062
Prepaid items	78,224
Due from other governments	497,508
Other receivables	52,376
Capital assets:	
Nondepreciable assets	2,359,418
Depreciable assets, net of depreciation	2,427,326
DEFERRED OUTFLOW OF RESOURCES	
Pension	<u>394,118</u>
Total Assets and Deferred Outflow of Resources	<u>9,821,384</u>
LIABILITIES:	
Accounts payable and accrued expenses	158,394
Accrued salaries and fringe benefits	53,065
Other payables	37,323
Liability for seized assets	71,998
Long-term debt:	
Due within one year	297,810
Due in more than one year	1,647,174
Net pension liability	1,667,216
DEFERRED INFLOW OF RESOURCES	
Pension	<u>34,143</u>
Total Liabilities and Deferred Inflow of Resources	<u>3,967,123</u>
NET POSITION:	
Net investment in capital assets	3,058,385
Restricted:	
Public safety	201,216
Capital expenditures	-
Unrestricted	<u>2,594,660</u>
Total net position	<u>\$ 5,854,261</u>

See accompanying notes.

CITY OF MOUNT RAINIER, MARYLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
General government	1,412,650	\$ 761,435	\$ 245,397	\$ -	\$ (405,818)
Public safety	2,472,212	126,112	116,668	-	(2,229,432)
Public works	1,044,236	9,398	203,047	-	(831,791)
Community development	146,070		181,027		34,957
Miscellaneous	84,964	-	-	-	(84,964)
Debt service - interest	77,916	-	-	-	(77,916)
Total governmental activities	\$ 5,238,048	\$ 896,945	\$ 746,139	\$ -	(3,594,964)
General revenues:					
Property taxes					3,110,287
Income taxes					651,600
Other taxes					25,905
Investment earnings					6,944
Miscellaneous					67,831
Total general revenues					3,862,567
Change in net position					267,603
Net position - beginning, as previously stated					6,870,180
Prior period adjustment					(1,283,522)
Net position - beginning, as restated					5,586,658
Net position - ending					\$ 5,854,261

See accompanying notes.

CITY OF MOUNT RAINIER, MARYLAND

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and investments	\$ 3,784,506	\$ 35,846	\$ 3,820,352
Restricted cash	-	-	-
Taxes receivable (net of allowance of \$6,000)	192,062	-	192,062
Prepaid items	78,224	-	78,224
Due from other governments	168,260	329,248	497,508
Due from other funds	259,440	-	259,440
Other receivables	<u>52,376</u>	<u>-</u>	<u>52,376</u>
Total assets	<u>\$ 4,534,868</u>	<u>\$ 365,094</u>	<u>\$ 4,899,962</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 153,615	\$ -	\$ 153,615
Accrued salaries	53,065	-	53,065
Other payables	37,323	-	37,323
Due to other funds	-	259,440	259,440
Liability for seized assets	71,998	-	71,998
Unearned revenue	<u>183,945</u>	<u>-</u>	<u>183,945</u>
Total liabilities	<u>499,946</u>	<u>259,440</u>	<u>759,386</u>
FUND EQUITY:			
Fund balances:			
Nonspendable for prepaid items	78,224	-	78,224
Restricted:			
Public safety	201,216	-	201,216
Assigned for subsequent years' expenditures	421,450	105,654	527,104
Unassigned	<u>3,334,032</u>	<u>-</u>	<u>3,334,032</u>
Total fund balances	<u>4,034,922</u>	<u>105,654</u>	<u>4,140,576</u>
Total liabilities and fund balances	<u>\$ 4,534,868</u>	<u>\$ 365,094</u>	<u>\$ 4,899,962</u>

See accompanying notes.

CITY OF MOUNT RAINIER, MARYLAND

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2016

Total fund balance, governmental funds		\$ 4,140,576
<p>Amounts reported in governmental activities in the Statement of Net Position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Cost of capital assets	\$ 7,862,855	
Accumulated depreciation	<u>(3,076,111)</u>	4,786,744
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(1,944,984)
Accrued interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability on the governmental funds balance sheet.		(4,779)
Net pension liability		(1,667,216)
Deferred outflow of resources - pension obligation		394,118
Deferred inflow of resources - pension obligation		(34,143)
Certain prepaid expenses are expensed in the current period and, therefore, are not reported as an asset on the governmental fund balance sheet.		-
Certain receivables are offset by unearned revenue in the government funds since they are not available to pay for current-period expenditures. This is the amount of unearned revenue related to these receivables.		<u>183,945</u>
Net position of governmental activities		<u>\$ 5,854,261</u>

See accompanying notes.

CITY OF MOUNT RAINIER, MARYLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ 3,757,038	\$ -	\$ 3,757,038
Licenses and permits	703,533	-	703,533
Intergovernmental	290,637	484,236	774,873
Charges for services	67,299	-	67,299
Fines and forfeitures	126,112	-	126,112
Miscellaneous	68,221	-	68,221
	<hr/>	<hr/>	<hr/>
Total revenues	5,012,840	484,236	5,497,076
EXPENDITURES:			
Current:			
General government	1,034,243	359,725	1,393,968
Public safety	2,305,516	50,229	2,355,745
Public works	950,354	-	950,354
Community development	74,870	71,200	146,070
Miscellaneous	84,964	-	84,964
Debt service:			
Principal	267,352	-	267,352
Interest	77,531	-	77,531
Capital outlay	92,116	-	92,116
	<hr/>	<hr/>	<hr/>
Total expenditures	4,886,946	481,154	5,368,100
Excess (deficiency) of revenues over expenditures	125,894	3,082	128,976
OTHER FINANCING SOURCES/(USES):			
Proceeds from issuance of capital lease	95,000	-	95,000
	<hr/>	<hr/>	<hr/>
Net change in fund balance	220,894	3,082	223,976
Fund balances - beginning	3,814,028	102,572	3,916,600
	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 4,034,922	\$ 105,654	\$ 4,140,576

See accompanying notes.

CITY OF MOUNT RAINIER, MARYLAND

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds		\$ 223,976
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Capital outlays	\$ 134,764	
Depreciation	<u>(264,348)</u>	(129,584)
<p>Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds. This is the amount by which accumulated unused compensated absences decreased.</p>		
		16,389
<p>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:</p>		
Proceeds	(95,000)	
Repayments	<u>267,352</u>	172,352
<p>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.</p>		
		8,574
<p>Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest.</p>		
		(385)
<p>Recognized pension costs less than the pension amount contributed</p>		
		(23,719)
<p>Some expenditures reported in governmental funds are reported as prepaid expenses in the Statement of Activities.</p>		
		<u>-</u>
Change in net position of governmental activities		<u>\$ 267,603</u>

See accompanying notes.

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. **Summary of significant accounting policies**

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

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

Financial reporting entity

These financial statements include the accounts of all City operations. As defined by government auditing standards, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City. Based on the aforementioned criteria, the City of Mount Rainier has no component units.

Basic financial statements – government- wide statements

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

In the government-wide Statement of Net Position, the governmental activity column is presented on a consolidated basis by column and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

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

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. **Summary of significant accounting policies (continued)**

Basic financial statements – government-wide statements (continued)

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

The City does not allocate indirect costs.

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

Basic financial statements – fund financial statements

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

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

Governmental funds:

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

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

Special revenue fund - The special revenue fund is used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes.

The activities reported in these funds are reported as governmental activities in the government-wide statements.

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. **Summary of significant accounting policies (continued)**

Basis of accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Position and the Statement of Activities presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the related liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income, and intergovernmental revenues. Other taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Financial statement amounts

Cash and investments – The City has defined cash and cash equivalents to include cash on hand, demand deposits, savings accounts, and certificates of deposits.

Investments are carried at fair value. Fair value is based on quoted market price.

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. **Summary of significant accounting policies (continued)**

Financial statement amounts (continued)

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

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

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

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

Government-wide statements - In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. The City defines capital assets as those which have an acquisition cost or donated value of at least \$1,000 and an estimated life of more than one year. The City capitalizes infrastructure assets (any road, street, or sidewalk) with a cost of at least \$100,000.

Capital assets are being depreciated over the following lives:

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

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. **Summary of significant accounting policies (continued)**

Financial statement amounts (continued)

Capital assets (continued)

Fund financial statements - In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

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

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

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

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

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

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. **Summary of significant accounting policies (continued)**

Financial statement amounts (continued)

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

Equity classifications

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

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

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

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. **Summary of significant accounting policies (continued)**

Financial statement amounts (continued)

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

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

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

Revenues, expenditures, and expenses

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

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. **Summary of significant accounting policies (continued)**

Revenues, expenditures, and expenses (continued)

Property tax calendar and revenues - (continued)

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

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

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

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

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

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

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

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2. **Stewardship, compliance and accountability**

Budgetary information

A formal budget is adopted and formal budgetary accounting is employed as a management control for the General Fund and Special Revenue Fund. The City Council approves, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent transfer of funds between major appropriations for different purposes must be approved by the Council before becoming effective. The basis for budgeting is the modified accrual basis, excluding certain expenditures such as compensated absences, which results in non-GAAP basis. All appropriations lapse at the end of the budget year to the extent that they have not been expended.

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

3. **Cash deposits and investments**

Deposits

At year-end, the carrying amount of the City's deposits (including cash on hand of \$700) was \$956,811 and the corresponding bank balances were \$1,100,840. Custodial risk, in the case of deposits, is the risk that in the event of a bank failure the City's deposits may not be returned to it. At year end, all of the City's deposits were covered by federal depository insurance or were covered by collateral held by the City's agent in the City's name.

Investments

At June 30, 2016, the City's investments were pooled in the state created Maryland Local Government Investments Pool (MLGIP). The fair values of those investments were \$3,107,001. Reconciliation of cash and temporary investments as shown on the Statement of Net Position:

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

3. **Cash deposits and investments (continued)**

Investments (continued)

Carrying amount of deposits	\$ 956,811
Carrying amount of temporary investments	<u>2,863,541</u>
	<u>\$ 3,820,352</u>
Per Statement of Net Position:	
Cash and investments	<u>\$ 3,820,352</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 thirty days to one year in order to remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. City management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost for that purpose. The investments at June 30, 2016, met the City investment policy as of that date. Investment income was comprised entirely of interest amounting to \$6,944 for the year ended June 30, 2016.

Credit risk - The investment policy of the City permits investments in the following types of investments as authorized by the State of Maryland: direct U.S. obligations, U.S. agency obligations, repurchase agreements, bankers' acceptances, municipal securities, commercial paper, money market mutual funds and the MLGIP. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. It is rated AAAM by Standard & Poor's, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net assets value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The investments of the City were not exposed to custodial credit risk at June 30, 2016.

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

3. **Cash deposits and investments (continued)**

Investments (continued)

Foreign currency risk - The City's investment policy does not allow for investments denominated in foreign currencies.

4. **Property taxes**

Real estate and personal property taxes are levied based on assessments determined by the State of Maryland.

Real estate taxes are levied on July 1 and are payable either by September 30 or in two equal installments on September 30 and December 31. Penalties and interest are charged thereafter. Liens are placed on delinquent property on the second Monday in May. Sale of property because of tax liens is conducted by Prince George's County.

Personal property taxes are levied throughout the year when the assessment is received from the State. They are payable 30 days after levy.

Real and personal property taxes are levied at rates enacted by the Mayor and City Council in the annual budget on the assessed value as determined by the Maryland State Department of Assessments and Taxation. Prince George's County collects all taxes billed and the City receives its share in monthly installments from the County. City property tax revenues are recognized when levied to the extent that they result in current receivables. The tax rate for fiscal year ended June 30, 2016 was \$0.86 per \$100 of assessed value for real property, \$1.98 per \$100 of assessed value for business personal property, and \$2.50 per \$100 of assessed value for public utility and railroad personal property.

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

5. Capital assets

Capital asset activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Government activities:				
Capital assets not being depreciated:				
Land and construction in progress	\$ 2,359,418	\$ -	\$ -	\$ 2,359,418
Capital assets being depreciated:				
Land improvements	141,033	-	-	141,033
Building and improvements	3,374,332	-	-	3,374,332
Equipment and vehicles	1,853,308	134,764	-	1,988,072
Total capital assets being depreciated	5,368,673	134,764	-	5,503,437
Less accumulated depreciation for:				
Land improvements	32,907	9,403	-	42,310
Building and improvements	1,351,372	94,391	-	1,445,763
Equipment and vehicles	1,427,484	160,554	-	1,588,038
Total accumulated depreciation	2,811,763	264,348	-	3,076,111
Total capital assets being depreciated, net	2,556,910	(129,584)	-	2,427,326
Capital assets, net	\$ 4,916,328	\$ (129,584)	\$ -	\$ 4,786,744

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

General government	\$ 55,109
Public works	90,803
Public safety	<u>118,436</u>
Total	<u>\$ 264,348</u>

6. Due from other governments

At June 30, 2016, the balance due from other governments consisted of the following:

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

6. **Due from other governments (continued)**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
State of Maryland:		
Highway user	\$ 16,049	\$ -
Income tax	80,421	-
Local:		
Other grants	<u>71,790</u>	<u>329,248</u>
Total	<u>\$ 168,260</u>	<u>\$ 329,248</u>

7. **Long-term debt**

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

General obligation bonds

In December 2008, the City issued its Series I-2008 bond in the amount of \$1,250,000. The bonds were issued for the purpose of funding the purchase of the Bass property. The bonds are due in semi-annual principal installments beginning June 4, 2009 and ending December 4, 2023. Interest is due semi-annually at the rate of 4.79%.

Debt service requirements to maturity for the I-2008 Series bonds are as follows at June 30, 2016:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2017	\$ 92,881	\$ 24,897
June 30, 2018	97,384	20,395
June 30, 2019	102,104	15,674
June 30, 2020	107,053	10,725
June 30, 2021	112,243	5,535
Later years	<u>31,010</u>	<u>743</u>
	<u>\$ 542,675</u>	<u>\$ 77,969</u>

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

7. **Long-term debt (continued)**

General obligation bonds (continued)

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

Debt service requirements to maturity for the I-2010 Series bonds are as follows at June 30, 2016:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2017	\$ 97,415	\$ 39,313
June 30, 2018	101,649	35,079
June 30, 2019	106,067	30,662
June 30, 2020	110,677	26,052
June 30, 2021	115,487	21,241
Later years	<u>407,034</u>	<u>32,726</u>
	<u>\$ 938,329</u>	<u>\$ 185,073</u>

Capital leases

The City has entered into the following agreements which meet the criteria of a capital lease. Lease payments are appropriated from general fund resources. The equipment underlying these agreements has an original cost of \$601,830 and a book value net of accumulated depreciation of \$254,501.

In October, 2013, the City entered into an agreement with Sun Trust Equipment Finance & Leasing Corp. to finance a Mack truck. The agreement requires semi-annual payments in the amount of \$19,778.25 for a period of 4 years, including interest at 2.02%.

In October, 2013, the City entered into an agreement with Sun Trust Equipment Finance & Leasing Corp. to finance two police vehicles. The agreement requires semi-annual payments in the amount of \$10,800.87 for a period of 4 years, including interest at 1.88%

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

7. **Long-term debt (continued)**

Capital leases (continued)

In October 2014, the City entered into an agreement with BB&T Bank to finance two police vehicles and a leaf vacuum machine. The agreement requires annual payments in the amount of \$29,218.84 for a period of 4 years, including interest at 2.47%.

In October 2015, the City entered into an agreement with BB&T Bank to finance three police vehicles. The agreement requires annual payments in the amount of \$32,858.31 for a period of 3 years, including interest at 1.87%.

The following is a schedule of the future minimum lease payments under these capital lease arrangements at June 30, 2016:

<u>Years Ending</u>	<u>Payments</u>
June 30, 2017	\$ 112,435
June 30, 2018	81,855
June 30, 2019	<u>62,077</u>
Total payments	256,367
Less interest	<u>9,012</u>
Present value of lease payments	<u>\$ 247,355</u>

Changes in long-term debt

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due within</u> <u>One Year</u>
General obligation bonds	\$ 1,662,944	\$ -	\$ (181,940)	\$ 1,481,004	\$ 190,296
Capital leases	237,767	95,000	(85,412)	247,355	107,514
Accrued vacation leave	<u>233,014</u>	<u>-</u>	<u>(16,389)</u>	<u>216,625</u>	<u>-</u>
Total	<u>\$ 2,133,725</u>	<u>\$ 95,000</u>	<u>\$ (283,741)</u>	<u>\$ 1,944,984</u>	<u>\$ 297,810</u>

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

8. Interfund receivables and payables

Interfund receivable and payable balances at June 30, 2016, were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 259,440	\$ -
Special revenue fund	<u>-</u>	<u>259,440</u>
	<u>\$ 259,440</u>	<u>\$ 259,440</u>

9. Fund balance

The Council of the City of Mount Rainier has assigned \$421,450 of the fund balance for subsequent expenditures. The restricted fund balance of \$201,216, which was generated from the speed monitoring program, has been restricted for public safety programs.

10. Retirement plans

State retirement and pension system of Maryland

Plan description

All permanent, full-time employees of the City are eligible to participate in the retirement plans of the State Retirement and Pension System of Maryland (the System). The System is a cost sharing multiple-employer defined benefit pension plan administered in accordance with Article 73B of the annotated Code of Maryland by the State Retirement Agency of Maryland (SRA) to provide survivor, disability, and retirement benefits to State and local government employees, teachers, police, correctional and law enforcement officers, judges, and legislators. The SRA operates under the direction of a 15-member Board of Trustees, which establishes policy, oversees investments, and represents various employee interests. The Maryland State Retirement and Pension System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Baltimore, Maryland 21202-1600, calling (800) 492-5909 or visiting www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2015.pdf . The State of

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

10. Retirement plans (continued)

State retirement and pension system of Maryland (continued)

Plan description (continued)

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

Eligible employees participate in one of two State sponsored plans:

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

Plan benefits

Members of the Employees' Retirement Systems 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.

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

10. Retirement plans (continued)

State retirement and pension system of Maryland (continued)

Plan benefits (continued)

1. Members of the Employees' Pension 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, & five years of eligibility service
 - b. age 63, & four years of eligibility service
 - c. age 64, & three years of eligibility service
 - d. age 65 or older, & two years of eligibility service
 - The annual pension allowance is equal to 1.2% of AFC for the three highest consecutive years as an employee for each year of creditable service accrued prior to July 1, 1998 plus 1.8% of AFC for the three highest consecutive years as an employee for each year of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.
 - The cost of living adjustments for ACPS limits the increase the retiree may receive to a maximum of 3%, compounded annually. The adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate.
2. Members of the Employees' Pension System hired on or after July 1, 2011 (Reformed Contributory Pension Benefit (RCPB))
 - Eligibility for normal service retirement is determined by the Rule of 90. Members become eligible once the sum of their age and eligibility service is at least 90 or upon attaining at least age 65 and has accrued at least 10 years of eligibility service.
 - The annual pension allowance is equal to 1.5% of AFC for the five highest consecutive years as an employee for each year of creditable service accrued on or after July 1, 2011. Members are eligible for early service pension allowances upon attaining age 60 with at least 15 years of eligibility service.

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

10. Retirement plans (continued)

State retirement and pension system of Maryland (continued)

Plan benefits (continued)

- The cost of living adjustments for RCPB is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate (currently 7.5%). The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate.

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

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

The System has adopted Governmental Accounting Standards Board (GASB) Statement No.67, *Financial Reporting for Pension Plans* and amendment of GASB Statement No. 27.

Actuarial assumptions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for State system, 24 years for LEOPS Muni, and 31 years for CORS Muni as of June 30, 2015. For ECS Muni, 5 years remaining as of June 30, 2015 for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.20% wage
Salary Increases	3.20% to 8.95% including inflation
Discount Rate	7.55%

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

10. Retirement plans (continued)

State retirement and pension system of Maryland (continued)

Actuarial assumptions (continued)

Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2006-2010
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

Note
 There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2015 valuation:
 Investment return assumption changed from 7.65% to 7.55%
 Inflation assumption changed from 2.90% to 2.70%

Investments

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	<u>1%</u>	0.00%
Total	<u>100%</u>	

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

10. Retirement plans (continued)

State retirement and pension system of Maryland (continued)

Investments (continued)

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, 2015.

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 Systems are required to contribute 7% (or 5% depending upon the plan option selected) of earnable compensation. Members of the Employees' Pension Systems are required to contribute 7% of earnable compensation.

The unfunded actuarial 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. Employee contributions, which are applied to normal cost, for fiscal year 2015 totaled approximately \$755,444,000. The City's contribution to the System for the year ended June 30, 2016 was \$163,814.

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.

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

10. Retirement plans (continued)

State retirement and pension system of Maryland (continued)

Discount rate

A single discount rate of 7.55% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability

The following presents the plan's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher.

	(Expressed in thousands)		
	1% Decrease to 6.55%	Current Discount Rate 7.55%	1% Increase to 8.55%
Total System Net Pension Liability	\$29,371,763	\$20,781,713	\$13,658,848

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, City reported liability of \$1,667,216 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of that date. The City's portion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contribution of all participating employers. At June 30, 2016, the City's proportion was 0.0080225%.

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

10. **Retirement plans (continued)**

State retirement and pension system of Maryland (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, 2016, the City recognized pension expense of \$23,719 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 83,457	\$ -
Net difference between projected and actual investment earnings	146,847	-
Difference between actual and expected experience	-	34,143
Contributions subsequent to measurement date	<u>163,814</u>	<u>-</u>
Total	<u>\$ 394,118</u>	<u>\$ 34,143</u>

The \$163,814 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, 2017. The \$83,457 from the change in assumptions, and the \$34,143 from the difference between actual and expected experience, will be amortized over the service life of all employees, and the difference between projected and actual earnings of \$146,847 will be amortized over a five-year period. The amortization is as follows:

<u>Year ending June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 57,576	\$ 8,536
2018	\$ 57,576	\$ 8,536
2019	\$ 57,576	\$ 8,536
2020	\$ 57,576	\$ 8,536
2021 and thereafter	-	-

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

11. Deferred compensation

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

12. Contingent liabilities

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

13. Litigation

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

14. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability risks are financed through the City's participation in the Local Government Insurance Trust (LGIT). The City pays an annual premium to LGIT for its general insurance coverage. The agreement with LGIT provides that LGIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000. The City continues to carry commercial insurance for employee health and accident insurance and worker's compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years.

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

15. Post retirement benefits

The City has no liability for post retirement benefits at June 30, 2016.

16. Subsequent events

The City evaluated subsequent events for potential required disclosures through January 26, 2018, which represents the date the financial statements were available to be issued.

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 3,658,750	\$ 3,658,750	\$ 3,757,038	\$ 98,288
Licenses and permits	590,750	590,750	703,533	112,783
Intergovernmental	168,000	168,000	290,637	122,637
Charges for services	51,000	51,000	67,299	16,299
Fines and forfeitures	117,000	117,000	126,112	9,112
Miscellaneous	37,000	37,000	61,278	24,278
Investment earnings	3,000	3,000	6,943	3,943
Total revenues	<u>4,625,500</u>	<u>4,625,500</u>	<u>5,012,840</u>	<u>387,340</u>
EXPENDITURES:				
General government	1,039,300	1,039,300	1,025,435	13,865
Public safety	2,383,550	2,383,550	2,305,516	78,034
Public works	1,014,750	1,014,750	950,354	64,396
Community development	65,250	65,250	83,678	(18,428)
Miscellaneous	90,750	90,750	84,964	5,786
Debt service	349,000	349,000	344,883	4,117
Capital outlay	<u>96,500</u>	<u>96,500</u>	<u>92,116</u>	<u>4,384</u>
Total expenditures	<u>5,039,100</u>	<u>5,039,100</u>	<u>4,886,946</u>	<u>152,154</u>
Other Financing Sources/(Uses):				
Proceeds from issuance of capital lease	-	-	95,000	95,000
Excess (deficiency) of revenues over expenditures	(413,600)	(413,600)	220,894	634,494
Appropriation of fund balance	<u>413,600</u>	<u>413,600</u>	-	<u>(413,600)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,894</u>	<u>\$ 220,894</u>

See independent auditor's report.

CITY OF MOUNT RAINIER, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
 GENERAL FUND
 (CONTINUED)

YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Real estate	\$ 2,953,000	\$ 2,953,000	\$ 2,951,170	\$ (1,830)
Business personal property	45,000	45,000	49,932	4,932
Public utilities personal property	75,000	75,000	84,396	9,396
Admission and amusement	5,000	5,000	3,725	(1,275)
Property liens	10,000	10,000	-	(10,000)
Penalties and interest on taxes	5,750	5,750	16,215	10,465
Shared income tax - state	<u>565,000</u>	<u>565,000</u>	<u>651,600</u>	<u>86,600</u>
Total taxes	<u>3,658,750</u>	<u>3,658,750</u>	<u>3,757,038</u>	<u>98,288</u>
Licenses and permits:				
Burglar alarm registration	750	750	735	(15)
CDMA fees	23,000	23,000	24,625	1,625
Occupancy/building license	10,000	10,000	10,814	814
Traders licenses	-	-	1,627	1,627
Residential rental licenses	365,000	365,000	402,350	37,350
Building permits	4,000	4,000	47,043	43,043
CATV revenue	70,000	70,000	73,066	3,066
Franchise fee	110,000	110,000	119,365	9,365
Vacant building fees	6,000	6,000	5,550	(450)
Mitigation Fees	500	500	14,945	14,445
Tree Removal Permit	-	-	280	280
Parking Permit Revenue	-	-	240	240
Other licenses and permits	<u>1,500</u>	<u>1,500</u>	<u>2,893</u>	<u>1,393</u>
Total licenses and permits	<u>590,750</u>	<u>590,750</u>	<u>703,533</u>	<u>112,783</u>

See independent auditor's report.

CITY OF MOUNT RAINIER, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
 GENERAL FUND
 (CONTINUED)

YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES: (continued)				
Intergovernmental:				
State:				
Highway user tax	\$ 39,500	\$ 39,500	\$ 148,423	\$ 108,923
Police protection	100,000	100,000	106,680	6,680
SHA-MOU	-	-	6,800	6,800
County:				
Disposal fee rebate	22,000	22,000	22,180	180
Financial	<u>6,500</u>	<u>6,500</u>	<u>6,554</u>	<u>54</u>
Total intergovernmental	<u>168,000</u>	<u>168,000</u>	<u>290,637</u>	<u>122,637</u>
Charges for services:				
Brentwood MOU police	500	500	-	(500)
Public parking facilities	28,000	28,000	31,059	3,059
Public transportation	7,500	7,500	6,574	(926)
Waste collection	750	750	742	(8)
Trash hauler fees	1,250	1,250	2,055	805
CDMA administrative fees	1,750	1,750	1,655	(95)
City service fees	2,250	2,250	11,106	8,856
Multi-Family Trash Fees	3,500	3,500	6,600	3,100
Other charges for services	<u>5,500</u>	<u>5,500</u>	<u>7,508</u>	<u>2,008</u>
Total charges for services	<u>51,000</u>	<u>51,000</u>	<u>67,299</u>	<u>16,299</u>
Fines and forfeitures:				
Parking fines	75,000	75,000	36,221	(38,779)
Complus parking	-	-	67,490	67,490
Meter violations	17,500	17,500	4,165	(13,335)
Complus meter violations	-	-	6,030	6,030
Parking citation recovery	7,500	7,500	1,590	(5,910)
Municipal code violations	2,000	2,000	700	(1,300)
Speed camera	5,000	5,000	1,440	(3,560)
Impoundment fees	10,000	10,000	8,715	(1,285)
Other fines and forfeitures	<u>-</u>	<u>-</u>	<u>(239)</u>	<u>(239)</u>
Total fines and forfeitures	<u>117,000</u>	<u>117,000</u>	<u>126,112</u>	<u>9,112</u>

See independent auditor's report.

CITY OF MOUNT RAINIER, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
 GENERAL FUND
 (CONTINUED)

YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES: (continued)				
Miscellaneous:				
Interest	\$ 3,000	\$ 3,000	\$ 6,944	\$ 3,944
Bus shelter advertising	750	750	1,326	576
Rent income	31,000	31,000	23,200	(7,800)
Insurance damage recovery	-	-	24,332	24,332
National night out	500	500	-	(500)
Mount Rainier day	2,500	2,500	40	(2,460)
Bike co-op	-	-	4,762	4,762
Tool Shed Revenues	250	250	5	(245)
Compost Revenue	1,000	1,000	445	(555)
Gateway 5K Revenue	-	-	1,077	1,077
Egg Hunt Revenue	-	-	550	550
Other revenue	1,000	1,000	5,540	4,540
Total miscellaneous	40,000	40,000	68,221	28,221
Total Revenues	4,625,500	4,625,500	5,012,840	387,340
EXPENDITURES:				
General government:				
Mayor and council:				
Personnel	\$ 33,750	\$ 33,750	\$ 32,031	\$ 1,719
Other operating	18,700	18,700	26,840	(8,140)
Total Mayor and Council	52,450	52,450	58,871	(6,421)
City Administration:				
Personnel	518,000	518,000	492,296	25,704
Other operating	112,250	112,250	116,553	(4,303)
Total City administration	630,250	630,250	608,849	21,401
Economic Development:				
Personnel	91,850	91,850	85,485	6,365
Other operating	24,000	24,000	11,581	12,419
Total Economic Development	115,850	115,850	97,066	18,784

See independent auditor's report.

CITY OF MOUNT RAINIER, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
 GENERAL FUND
 (CONTINUED)

YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES: (continued)				
3409 Rhode Island Avenue:				
Other operating	\$ 12,250	\$ 12,250	\$ 11,656	\$ 594
3200 Rhode Island Avenue:				
Other operating	500	500	2,516	(2,016)
3204-3208 Rhode Island Avenue:				
Other operating	500	500	323	177
3405 Rhode Island Avenue:				
Other operating	10,000	10,000	14,932	(4,932)
Legal and elections:				
Other operating	56,000	56,000	87,907	(31,907)
3601 Bunker Hill Road:				
Other operating	6,000	6,000	10,253	(4,253)
Communications and newsletter:				
Other operating	35,250	35,250	29,097	6,153
Communications - cable TV:				
Personnel	40,750	40,750	53,212	(12,462)
Other operating	31,000	31,000	25,196	5,804
Total Communications - Cable TV	71,750	71,750	78,408	(6,658)
Mount Rainier Day:				
Personnel	9,250	9,250	-	9,250
Other operating	13,250	13,250	-	13,250
Total Mount Rainier Day	22,500	22,500	-	22,500
City tax credit:				
Other operating	26,000	26,000	25,557	443
Total General Government	1,039,300	1,039,300	1,025,435	13,865

See independent auditor's report.

CITY OF MOUNT RAINIER, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
 GENERAL FUND
 (CONTINUED)

YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES: (continued)				
Public safety:				
Police:				
Personnel	\$ 1,822,750	\$ 1,822,750	\$ 1,756,396	\$ 66,354
Other operating	<u>288,550</u>	<u>288,550</u>	<u>284,985</u>	<u>3,565</u>
Total Police	<u>2,111,300</u>	<u>2,111,300</u>	<u>2,041,381</u>	<u>69,919</u>
Parking enforcement:				
Personnel	62,000	62,000	60,642	1,358
Other operating	<u>25,750</u>	<u>25,750</u>	<u>27,126</u>	<u>(1,376)</u>
Total parking enforcement	<u>87,750</u>	<u>87,750</u>	<u>87,768</u>	<u>(18)</u>
Speed camera:				
Other operating	<u>2,000</u>	<u>2,000</u>	<u>847</u>	<u>1,153</u>
Code enforcement:				
Personnel	148,250	148,250	150,889	(2,639)
Other operating	<u>27,000</u>	<u>27,000</u>	<u>23,701</u>	<u>3,299</u>
Total code enforcement	<u>175,250</u>	<u>175,250</u>	<u>174,590</u>	<u>660</u>
National night out:				
Personnel	3,250	3,250	-	3,250
Other operating	<u>2,500</u>	<u>2,500</u>	<u>930</u>	<u>1,570</u>
Total National Night Out	<u>5,750</u>	<u>5,750</u>	<u>930</u>	<u>4,820</u>
Fire department:				
Other operating	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total Public Safety	<u>2,383,550</u>	<u>2,383,550</u>	<u>2,305,516</u>	<u>78,034</u>

See independent auditor's report.

CITY OF MOUNT RAINIER, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
 GENERAL FUND
 (CONTINUED)

YEAR ENDED JUNE 30, 2016

EXPENDITURES: (continued)	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Public Works:				
Public works administration:				
Personnel	\$ 588,750	\$ 588,750	\$ 494,376	\$ 94,374
Other operating	<u>153,000</u>	<u>153,000</u>	<u>157,145</u>	<u>(4,145)</u>
Total Public works administration	<u>741,750</u>	<u>741,750</u>	<u>651,521</u>	<u>90,229</u>
Highway and street:				
Other operating	<u>68,000</u>	<u>68,000</u>	<u>121,147</u>	<u>(53,147)</u>
Street lighting:				
Other operating	<u>120,000</u>	<u>120,000</u>	<u>100,731</u>	<u>19,269</u>
Waste disposal:				
Other operating	<u>85,000</u>	<u>85,000</u>	<u>76,955</u>	<u>8,045</u>
Total Public Works	<u>1,014,750</u>	<u>1,014,750</u>	<u>950,354</u>	<u>64,396</u>
Community development:				
Call-A-Bus:				
Personnel	24,000	24,000	34,880	(10,880)
Other operating	<u>12,000</u>	<u>12,000</u>	<u>13,917</u>	<u>(1,917)</u>
Total Call-A-Bus	<u>36,000</u>	<u>36,000</u>	<u>48,797</u>	<u>(12,797)</u>
Library:				
Other operating	<u>10,750</u>	<u>10,750</u>	<u>8,807</u>	<u>1,943</u>
Community programs:				
Personnel	-	-	3,074	(3,074)
Other operating	<u>16,500</u>	<u>16,500</u>	<u>16,210</u>	<u>290</u>
Total Community programs	<u>16,500</u>	<u>16,500</u>	<u>19,284</u>	<u>(2,784)</u>

See independent auditor's report.

CITY OF MOUNT RAINIER, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
 GENERAL FUND
 (CONTINUED)

YEAR ENDED JUNE 30, 2016

EXPENDITURES: (continued)	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Bike Co-op:				
Other operating	\$ 1,250	\$ 1,250	\$ 6,187	\$ (4,937)
Tool shed:				
Other operating	750	750	603	147
Total community development	65,250	65,250	83,678	(18,428)
Miscellaneous:				
General insurance	90,750	90,750	84,964	5,786
Contingency	-	-	-	-
Total miscellaneous	90,750	90,750	84,964	5,786
Debt service:				
Principal	260,750	260,750	267,352	(6,602)
Interest	88,250	88,250	77,531	10,719
Total Debt Service	349,000	349,000	344,883	4,117
Capital outlay:				
Capital equipment	1,500	1,500	92,116	(90,616)
Capital Outlay Projects	95,000	95,000	-	95,000
Redevelop City Funds	-	-	-	-
Total Capital Outlay	96,500	96,500	92,116	4,384
Total Expenditures	5,039,100	5,039,100	4,886,946	152,154
Other Financing Sources/(Uses):				
Proceeds from issuance of capital lease	-	-	95,000	95,000
Excess (deficiency) of revenues over expenditures	(413,600)	(413,600)	220,894	634,494
Appropriation of fund balance	413,600	413,600	-	(413,600)
Net change in fund balance	\$ -	\$ -	\$ 220,894	\$ 220,894

See independent auditor's report.

CITY OF MOUNT RAINIER, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
 SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental:				
Federal grants:				
Justice program	\$ -	\$ -	\$ 5,488	\$ 5,488
FEMA Grant- Snow Emg	-	-	47,824	47,824
CDBG grant	150,000	150,000	10,258	(139,742)
State grants:				
Smart Energy Communities grant	58,000	58,000	18,500	(39,500)
State of MD - SGIF Grant	175,000	175,000	66,050	(108,950)
ATHA Grant	140,000	140,000	775	(139,225)
County grants:				
County tree grant	10,000	10,000	-	(10,000)
Community legacy grant	50,000	50,000	103,944	53,944
Mount Rainier Day grant	2,500	2,500	-	(2,500)
National night out	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total Intergovernmental	586,500	586,500	252,839	(333,661)
Miscellaneous:				
LGIT Grant	-	-	4,500	4,500
Chesapeake Bay Trust grant	-	-	226,897	226,897
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>586,500</u>	<u>586,500</u>	<u>484,236</u>	<u>(102,264)</u>

See independent auditor's report.

CITY OF MOUNT RAINIER, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS
 SPECIAL REVENUE FUND
 (CONTINUED)

YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
General government:				
Employee training - LGIT grant	\$ -	\$ -	\$ 4,750	\$ (4,750)
Community legacy	50,000	50,000	102,726	(52,726)
Mount Rainier Day	2,500	2,500	-	2,500
Smart Energy Communities	58,000	58,000	18,500	39,500
State of MD - SGIF Grant	175,000	175,000	71,159	103,841
Chesapeake Bay Trust grant expense	-	-	227,865	(227,865)
Total general government	<u>285,500</u>	<u>285,500</u>	<u>425,000</u>	<u>(139,500)</u>
Public Safety:				
CSAFE grant expenses	-	-	-	-
Justice program	-	-	2,405	(2,405)
FEMA Grant- Snow Emergency	-	-	47,824	(47,824)
National Night Out grant	<u>1,000</u>	<u>1,000</u>	-	<u>1,000</u>
Total Public Safety	<u>1,000</u>	<u>1,000</u>	<u>50,229</u>	<u>(49,229)</u>
Public Works:				
Tree grant	<u>10,000</u>	<u>10,000</u>	-	<u>10,000</u>
Total Public Works	<u>10,000</u>	<u>10,000</u>	-	<u>10,000</u>
Community development:				
ATHA Grant	140,000	140,000	775	139,225
CDBG contract work	<u>150,000</u>	<u>150,000</u>	<u>5,150</u>	<u>144,850</u>
Total community development	<u>290,000</u>	<u>290,000</u>	<u>5,925</u>	<u>284,075</u>
Total Expenditures	<u>586,500</u>	<u>586,500</u>	<u>481,154</u>	<u>105,346</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,082</u>	<u>\$ 3,082</u>

See independent auditor's report.

CITY OF MOUNT RAINIER, MARYLAND

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2016

1. **Budgetary Information**

Formal budgetary accounting is employed as a management control during the year for the General Fund. The City Council approves, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent budget transfers must be approved by the Council before becoming effective. All appropriations lapse at the end of the budget year to the extent that they were not expended.

2. **Reconciliation of budgetary basis and GAAP basis**

Actual results of operations are presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds and the Schedules of Revenues and Expenditures - Budget and Actual - Non-GAAP Budgetary Basis, in order to provide a meaningful comparison of actual results with budget estimates.

3. **Other disclosures**

The expenditures exceeded the budgeted amounts for the following departments:

General Fund:

Mayor and council	\$ 6,421
3200 Rhode Island Avenue	2,016
3405 Rhode Island Avenue	4,932
Legal and elections	31,907
3601 Bunker Hill Road	4,253
Communications – cable TV	6,658
Parking enforcement	18
Highways and streets	53,147
Call-A-Bus	12,797
Community Programs	2,784
Bike co-op	4,937

CITY OF MOUNT RAINIER, MARYLAND
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

3. Other disclosures (continued)

The major difference between budget basis and GAAP basis is the appropriation of prior year surplus as a revenue item. \$413,600 of fund balance was included as a revenue source on the budgetary statement.

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

CITY OF MOUNT RAINIER, MARYLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 RETIREMENT PLANS

YEAR ENDED JUNE 30, 2016

Maryland State Retirement and Pension Plan

Schedule of net pension liability and related ratios

Date	Proportion of Collective NPL (a)	Proportionate Share of Collective NPL (b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll (b/c)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Collective)
06/30/15	0.0072324%	\$ 1,283,522	\$ 1,737,850	73.86%	71.87%
06/30/16	0.0080225%	\$ 1,667,216	\$ 1,871,296	89.09%	68.78%

Schedule of contributions and related ratios

Date	Actuarially Determined Contribution (a)	Actual Contribution (b)	Contribution Deficiency (Excess) (c)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
06/30/15	\$ 168,542	\$ 168,542	\$ -	\$ 1,737,850	9.70%
06/30/16	\$ 169,093	\$ 169,093	\$ -	\$ 1,871,296	9.04%

CITY OF MOUNT RAINIER, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

RETIREMENT PLANS

YEAR ENDED JUNE 30, 2016

Maryland State Retirement and Pension Plan (continued)

Changes in benefit terms

There were no benefit changes during the year.

Changes in assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2015 valuation:

- Investment return assumption changed from 7.65% to 7.55%
- Inflation assumption changed from 2.90% to 2.70%

Method and assumptions used in calculations of actuarially determined contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for State system, 24 years for LEOPS Muni, and 31 years for CORS Muni as of June 30, 2015. For ECS Muni, 5 years remaining as of June 30, 2015 for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.20% wage
Salary Increases	3.20% to 8.95% including inflation
Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience



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
City of Mount Rainier, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mount Rainier, Maryland (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Mount Rainier, Maryland's basic financial statements, and have issued our report thereon dated January 26, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that

there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 may exist that have not been identified.

Compliance and Other Matters

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

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.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
January 26, 2018