

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Financial Statements and Supplemental Schedules  
Together with Report of Independent Public Accountants**

**For the Year Ended June 30, 2020**

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**JUNE 30, 2020**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Commissioners of St. Mary's County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Commissioners of St. Mary's (the County) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The County's 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 controls 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 basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the basic 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 controls. 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 basic 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, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of the County, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows 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, required supplementary information, and budget and actual schedules, as individually listed in the table of contents, 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 management's discussion and analysis, required supplementary information, and budget and actual schedules as listed in the table of contents, 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements, schedule of revenues and other financing sources, and schedule of unexpended appropriations for capital projects, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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The combining and individual fund statements, schedule of revenues and other financing sources, and schedule of unexpended appropriations for capital projects, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund statements, schedule of revenues and other financing sources, and schedule of unexpended appropriations for capital projects, as listed in the accompanying table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

Owings Mills, Maryland  
December 2, 2020

*S B & Company, LLC*

## COMMISSIONERS OF ST. MARY'S COUNTY

### Management's Discussion and Analysis June 30, 2020

This section of the Annual Financial Report of St. Mary's County, Maryland presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2020. We encourage readers to use the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

#### Financial Highlights

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$281.7 million (net position). Approximately \$17.3 million, or 6.14%, is attributable to the County's enterprise funds, which include business-type activities for Solid Waste and Recycling, Recreation and Parks Activities, and the Wicomico Golf Course. Unrestricted Net Position for FY2020 is (\$17.7 million) a change from the FY2019 (\$30.6 million), an increase of approximately \$12.9 million. Other components of the net position are \$38.3 million of restricted net position and approximately \$261.1 million of net investment in capital assets. The net investment in capital assets represents the capitalized assets, net of accumulated depreciation and outstanding debt.
- The Government's overall net asset position reflects an increase of \$35.6 million compared to the prior year.
- Governmental activities' total indebtedness increased by approximately \$21.1 million during the fiscal year ended June 30, 2020. General Obligation Bonds was sold in FY2020 for \$30 million for capital improvement projects and \$2 million was financed for equipment. Payments on the debt totaled approximately \$12 million. The estimated post-closure costs of the landfill decreased by approximately \$0.2 million and there was a net increase in the accrual for compensated absences of approximately \$1.3 million.
- As of June 30, 2020, the County's governmental funds reported combined fund balances of \$104.0 million, an increase of \$11.1 million compared to the prior year. The general fund reflected an increase of \$37,653. The capital projects fund reflected an increase of \$11.6 million. The fund balance for the non-major funds decreased \$0.5 million. The County's governmental fund balances as of June 30, 2020 include \$37.0 million for capital projects, \$65.7 million in general funds, and \$1.2 million for the other non-major funds. The general fund balance of \$65.7 million includes: \$2.0 million that is nonspendable, as well as, \$24.3 million which is committed to the following: \$14.7 million for the Bond Rating Reserve, \$1.625 million for County's Rainy-Day Fund and \$8.0 million for use of non-recurring in the FY2021 Budget. In addition, the general fund reflects assigned designations of approximately \$5.6 million which includes encumbrances.



# COMMISSIONERS OF ST. MARY'S COUNTY

## Management's Discussion and Analysis June 30, 2020

### Financial Highlights (continued)

- With the FY2020 budget, the State's allocations/funding to the County continue to be level funded or close to the same as in past years. Cost shifts continue and this budget continues to focus on funding recurring expenses with recurring revenues. The County deems it prudent to stay the course with respect to basic government services, while maintaining reserves adequate to cushion against changes over which it has little influence. The County approved the budget using \$14.9 of unassigned fund balance. Maintaining a healthy fund balance can help the County to weather negative revenue results and avoid sudden disruption or elimination of services, by allowing time for a plan to be developed to address negative trends.
- The non-major funds are special purpose funds that correspond to special assessments, the emergency services support fund, and a revolving loan fund set up to assist volunteer fire and rescue squads in financing their acquisition of capital assets.
- The business-type operating activities reflect a total decrease in net position of \$313,834. Fee-based recreation activities posted a decrease of \$162,677. This fund is an accumulation of a large number of recreation activities, and fees are adjusted so that the fund, over the long term, breaks even, with no significant net position being accumulated. Fee-based solid waste and recycling activities posted an increase of \$25,510 with Environmental Service fee set at \$92.78. The Wicomico Golf Course reflects a decrease of \$176,667 in net position, reflects the continuation of reduced expenses compared to past years. The enterprise funds are reviewed for sustainability, as a part of the annual budget process. At the same time, increased costs for personal, utilities and general operating costs has been realized. During FY2021, consideration will continue to be given to the fee schedules as well as cost control, to restore this activity to a balanced budget.
- As of June 30, 2020, the unassigned fund balance for the general fund (primary operating fund) was \$33.4 million, or 14.25% of general fund expenditures. Assigned fund balance of the general fund was \$5.6 million, or 8.5% of the general fund total fund balance.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required and non-required supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner comparable to a private-sector business.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Management's Discussion and Analysis June 30, 2020

### Overview of the Financial Statements (continued)

The *statement of net position* presents information on all of the County's assets and deferred outflows of resources liabilities and deferred inflows 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 County is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County 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*). The governmental activities of the County include general government, public safety, public works, health, social services, economic development, agricultural land preservation and recreation and parks, community services, planning and zoning, and permits and inspections. The business-type activities of the County include Wicomico Golf Course, Solid Waste and Recycling Activities and the Recreation Activities.

The government-wide financial statements include not only the Commissioners of St. Mary's County itself (known as the *primary government*), but also legally separate component units. The County has the following component units: St. Mary's County Public Schools, St. Mary's County Library, and the Metropolitan Commission. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 19 to 21 of this report.

**Fund financial statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental 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 spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Management's Discussion and Analysis June 30, 2020

### Overview of the Financial Statements (continued)

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 impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Commissioners of St. Mary's County maintains five individual governmental funds: general, capital projects, special assessments, fire and rescue revolving funds, and emergency support. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, capital projects and non-major funds (special assessments, fire and rescue revolving, and emergency support funds). The detail for the non-major funds is presented as part of supplementary information following the notes to the financial statements. The basic governmental fund financial statements can be found on pages 22 and 24 of this report.

The Commissioners of St. Mary's County adopts an annual appropriated budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund, the County's primary fund. The budget to actual statement can be found on page 113 of this report.

**Proprietary funds:** Proprietary funds, also known as *Enterprise funds*, are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Commissioners of St. Mary's County uses enterprise funds to account for Wicomico Golf Course, and fee-based Solid Waste and Recycling Activities and Recreation Activities. The proprietary fund financial statements can be found on pages 26 to 28 of this report.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the Commissioners of St. Mary's County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary Funds are established for retiree benefit trusts, specifically the Sheriff's Office Retirement plan, the Retiree Benefit Trust of St. Mary's County, Maryland, which addresses the County's retiree health benefits and the Length of Service Awards for Fire & Rescue. The basic fiduciary fund financial statements can be found on pages 29 and 30 of this report.

**Notes to the 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 are part of the basic financial statements and can be found on pages 31 to 111 of this report.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Management's Discussion and Analysis June 30, 2020

#### Overview of the Financial Statements (continued)

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commissioners of St. Mary's County's progress in funding its obligations to retiree benefits. Required supplementary information can be found on pages 113 to 121 of this report. Combining and Individual Fund Statements on pages 123 and 124. Other supplementary information can be found on pages 127 to 136.

#### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of St. Mary's County, assets exceeded liabilities by \$281.7 million at the close of the current fiscal year. The County's net position is divided into three categories: net investment in capital assets, restricted net position; and unrestricted net position. \$261.1 million of the County's net position reflects its net investment in capital assets (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net position represents 13.6% of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government has a balance of negative \$17.7 million.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Management's Discussion and Analysis June 30, 2020

### Government-wide Financial Analysis (continued)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>						
Current Assets	\$ 173,413,486	\$ 138,036,777	\$ 1,256,623	\$ 1,636,323	\$ 174,670,109	\$ 139,673,100
Other Non-Current Assets	3,609,098	2,663,398	-	-	3,609,098	2,663,398
Capital assets	360,639,170	328,447,336	17,843,281	17,559,646	378,482,451	346,006,982
<b>Total Assets</b>	<b>537,661,754</b>	<b>469,147,511</b>	<b>19,099,904</b>	<b>19,195,969</b>	<b>556,761,658</b>	<b>488,343,480</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>						
Pension	10,632,887	11,664,199	-	-	10,632,887	11,664,199
<b>Total Deferred Outflow of Resources</b>	<b>10,632,887</b>	<b>11,664,199</b>	<b>-</b>	<b>-</b>	<b>10,632,887</b>	<b>11,664,199</b>
<b>Total Assets &amp; Deferred Outflow of Resources</b>	<b>548,294,641</b>	<b>480,811,710</b>	<b>19,099,904</b>	<b>19,195,969</b>	<b>567,394,545</b>	<b>500,007,679</b>
<b>LIABILITIES</b>						
Current liabilities	43,316,897	28,524,896	1,080,551	1,260,141	44,397,448	29,785,037
Non-Current Liabilities	219,055,315	202,499,724	734,605	337,246	219,789,920	202,836,970
<b>Total Liabilities</b>	<b>262,372,212</b>	<b>231,024,620</b>	<b>1,815,156</b>	<b>1,597,387</b>	<b>264,187,368</b>	<b>232,622,007</b>
<b>DEFERRED INFLOW OF RESOURCES</b>						
Pension	8,295,027	8,146,553	-	-	8,295,027	8,146,553
OPEB	13,174,103	13,093,100	-	-	13,174,103	13,093,100
<b>Total Deferred Inflow of Resources</b>	<b>21,469,130</b>	<b>21,239,653</b>	<b>-</b>	<b>-</b>	<b>21,469,130</b>	<b>21,239,653</b>
<b>Total Liabilities &amp; Deferred Inflow of Resources</b>	<b>283,841,342</b>	<b>252,264,273</b>	<b>1,815,156</b>	<b>1,597,387</b>	<b>285,656,498</b>	<b>253,861,660</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	243,479,547	231,322,781	17,675,846	17,353,580	261,155,393	248,676,361
Restricted	38,316,266	28,085,864	-	-	38,316,266	28,085,864
Unrestricted	(17,342,514)	(30,861,208)	(391,098)	245,002	(17,733,612)	(30,616,206)
<b>Total Net Position</b>	<b>264,453,299</b>	<b>228,547,437</b>	<b>17,284,748</b>	<b>17,598,582</b>	<b>281,738,047</b>	<b>246,146,019</b>
<b>Total Liabilities, Deferred Inflow of Resources and Net Position</b>	<b>\$ 548,294,641</b>	<b>\$ 480,811,710</b>	<b>\$ 19,099,904</b>	<b>\$ 19,195,969</b>	<b>\$ 567,394,545</b>	<b>\$ 500,007,679</b>

As of June 30, 2020, the Commissioners of St. Mary's County reports positive balances in two categories of net position as a whole. Unrestricted is negative due to GASB reporting changes.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Management's Discussion and Analysis June 30, 2020

### Government-wide Financial Analysis (continued)

The following table indicates the changes in net position for governmental and business-type activities:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Program Revenues:</b>						
Charges for Services	\$ 3,723,760	\$ 4,701,891	\$ 3,773,971	\$ 4,475,978	\$ 7,497,731	\$ 9,177,869
Environmental/Solid Waste Fees	-	-	4,173,148	4,080,280	4,173,148	4,080,280
Operating Grants and Contributions	11,620,570	8,826,105	29,781	29,781	11,650,351	8,855,886
Capital Grants and Dedicated Fees or Taxes	8,933,693	8,308,046	-	-	8,933,693	8,308,046
<b>General Revenues:</b>						
Property taxes	113,230,333	110,200,973	-	-	113,230,333	110,200,973
Income taxes	117,739,704	116,793,920	-	-	117,739,704	116,793,920
Other Taxes	21,585,045	21,906,185	-	-	21,585,045	21,906,185
Investment Earnings	1,437,906	1,794,906	-	-	1,437,906	1,794,906
Roads Constructed by Third Parties	9,483,502	3,366,108	-	-	9,483,502	3,366,108
Capital Transfers	-	-	-	-	-	-
Miscellaneous, Principally Capital Projects Funding	-	-	600	8,319	600	8,319
<b>Total Revenues</b>	<b>287,754,513</b>	<b>275,898,134</b>	<b>7,977,500</b>	<b>8,594,358</b>	<b>295,732,013</b>	<b>284,492,492</b>
<b>Program Expenses:</b>						
General Government	24,534,794	10,254,444	-	-	24,534,794	10,254,444
Public Safety	57,512,547	53,280,264	-	-	57,512,547	53,280,264
Public Works	25,631,935	31,455,053	4,735,059	4,636,127	30,366,994	36,091,180
Health	3,656,714	2,789,716	-	-	3,656,714	2,789,716
Social Services	4,283,394	4,522,183	-	-	4,283,394	4,522,183
Primary and Secondary Education	108,833,498	106,264,748	-	-	108,833,498	106,264,748
Post-Secondary Education	4,849,585	4,424,465	-	-	4,849,585	4,424,465
Parks, Recreation and Culture	11,280,290	8,004,172	3,556,275	3,980,440	14,836,565	11,984,612
Libraries	3,158,634	3,064,401	-	-	3,158,634	3,064,401
Conservation of Natural Resources	361,975	680,202	-	-	361,975	680,202
Economic Development and Opportunity	2,554,190	2,466,428	-	-	2,554,190	2,466,428
Interest on Debt	1,363,042	943,132	-	-	1,363,042	943,132
Other, Principally Retiree's Health	3,828,053	4,163,946	-	-	3,828,053	4,163,946
<b>Total Expenses</b>	<b>251,848,651</b>	<b>232,313,154</b>	<b>8,291,334</b>	<b>8,616,567</b>	<b>260,139,985</b>	<b>240,929,721</b>
<b>Change in Net Position</b>	<b>35,905,862</b>	<b>43,584,980</b>	<b>(313,834)</b>	<b>(22,209)</b>	<b>35,592,028</b>	<b>43,562,771</b>
<b>Net Position – beginning of year</b>	<b>228,547,437</b>	<b>184,962,457</b>	<b>17,598,582</b>	<b>17,620,791</b>	<b>246,146,019</b>	<b>202,583,248</b>
<b>Net Position – End of year</b>	<b>\$ 264,453,299</b>	<b>\$ 228,547,437</b>	<b>\$ 17,284,748</b>	<b>\$ 17,598,582</b>	<b>\$ 281,738,047</b>	<b>\$ 246,146,019</b>

**Governmental activities:** Governmental activities reflected an increase in net position of approximately \$35.9 million.

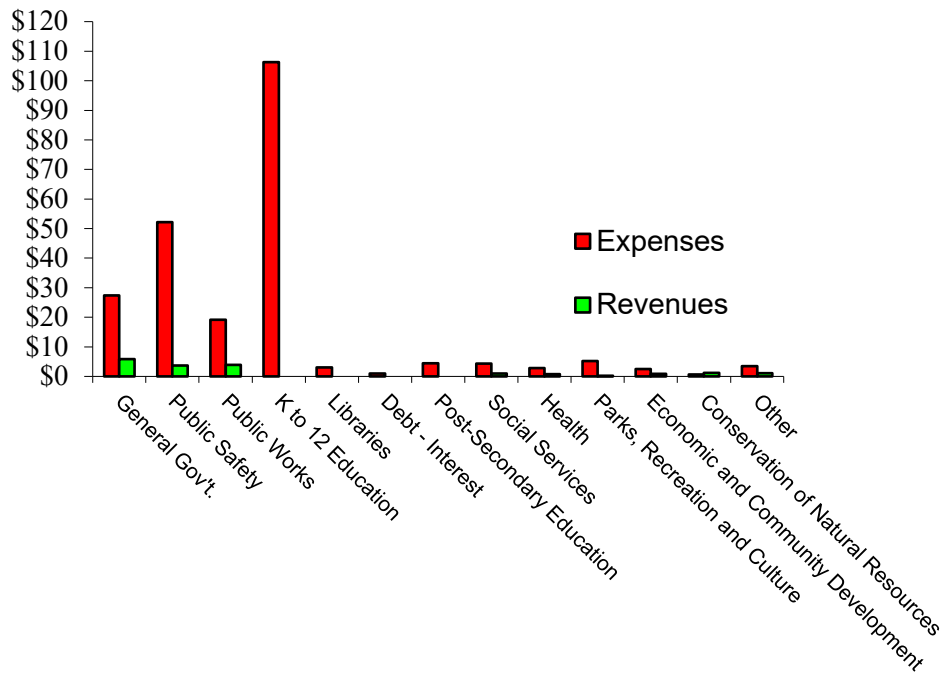
**Business-type activities:** Business-type activities reflected a decrease in net position of \$313,834.

**COMMISSIONERS OF ST. MARY'S COUNTY**

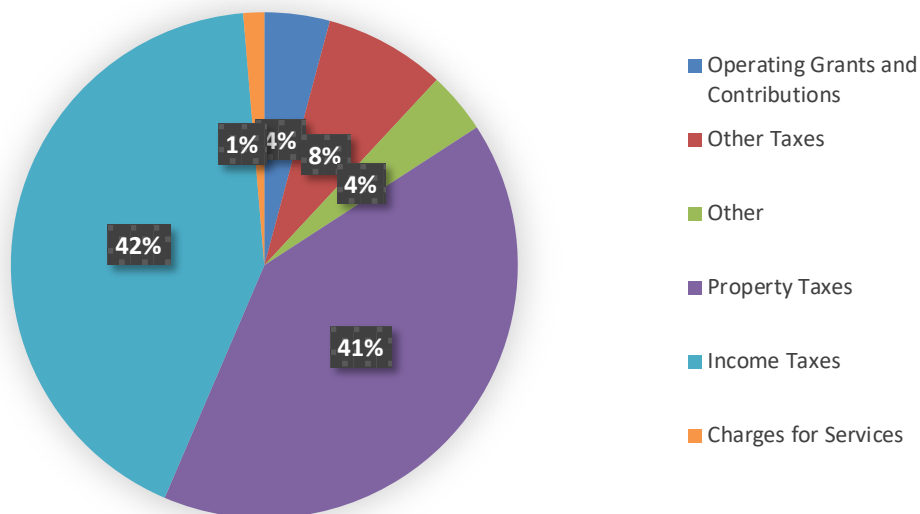
**Management's Discussion and Analysis  
June 30, 2020**

**Government-wide Financial Analysis (continued)**

**Expenses and Program Revenues – Governmental Activities  
(in millions)**



**Revenues By Source – Governmental Activities**



# COMMISSIONERS OF ST. MARY'S COUNTY

## Management's Discussion and Analysis June 30, 2020

### Financial Analysis of the Government's Funds

As noted earlier, the Commissioners of St. Mary's County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The focus of the Commissioners of St. Mary's County governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the Commissioners of St. Mary's County financing requirements. In particular, *committed, assigned and unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2020, the Commissioners of St. Mary's County governmental funds reported combined ending fund balances of \$104.0 million, an increase of \$11.1 million compared to the prior year. The Capital Projects fund accounts for \$37.0 million. Of the total fund balance, approximately \$33.5 million, or 50.9% of this total, constitutes unassigned general fund balance, which is available for spending at the government's discretion in the General Fund. Assigned fund balance represents encumbrances and miscellaneous revolving fund reserved for specific uses. Restricted and committed fund balances include \$38.0 million for capital projects, \$14.7 million for the Bond Rating Reserve, \$1.625 million for Rainy Day Fund, and \$8.0 million for non-recurring operating and capital improvement pay-go in the FY2021 budget. Non-spendable fund balance includes \$1.3 million committed to liquidate inventories, prepaid expenses of \$102,259 and \$594,918 in interfund advances. Unassigned fund balance represents almost 14.25% of general fund expenditures.

The fund balance of the Commissioners of St. Mary's County general fund has increased \$37,653 in FY2020, when compared to the prior year increase of \$5.5 million. Unassigned fund balance used in the FY2020 Budget was \$14.9 million. \$4,961,718 was used in the FY2021 approved budget. Additionally, \$3 million was approved in April 2020 for a supplemental appropriation for COVID-19 related expenses for a total of \$7.9 million committed. The County uses unassigned fund balance for non-recurring expenses.

The capital projects fund has a total fund balance of \$37.0 million. This balance reflects the accumulated unspent balance of impact fees, transfer taxes, and pay-go, which has been appropriated for specific projects, but remains unspent as of June 30, 2020. These funds have been budgeted, and the capital projects are in progress. A listing of the unexpended balances appears on pages 132 and 133.

**Proprietary funds:** The Commissioners of St. Mary's County's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. At the end of year, the Wicomico Golf Course Fund reflected unrestricted net position of (\$926,692). The Recreation Activities Fund reflected unrestricted net position of \$547,256, and the unrestricted net position of the Solid Waste and Recycling Fund amounted to \$(11,662). On a combined basis, there was a \$313,834 decrease in unrestricted net position over the prior year.



# COMMISSIONERS OF ST. MARY'S COUNTY

## Management's Discussion and Analysis June 30, 2020

### General Fund Budgetary Highlights

In addressing the budget to actual variances, this section focuses generally on comparisons to the original approved budget. The "other supplementary information" on pages 128 through 133 reflects the original and final budgets as well as the actual results in more detail. Supplemental appropriation of \$19,800,000 for County and Health Department CARES grants, and \$3 million supplemental appropriation for CARES using FY2019 unassigned fund balance reflects the variance in grant revenue and public safety expenditures. FY2020 actual results reflect actual revenues that are about \$9.6 million more than the original budget; this is largely attributable to the \$6 million increase in the local income tax revenue. Property Taxes had a positive variance of \$1,037,772 and other local taxes had a negative variance of \$428,587. The FY2020 budget for income tax revenue is based upon an annual growth rate of 4.0% applied to tax year 2017 results based on returns filed. The FY2020 Budget included an income tax rate increase from 3% to 3.17% of net taxable income. As the information on pages 128 and 129 shows, there are a variety of smaller offsetting variances; these were considered when developing the revenue budget for FY2021. The County will continue to monitor closely the developments in property and income taxes, as these are such a significant component of funding. Given the economy, it is likely that the rate of growth in property taxes will be steady at approximately 2% annually. As for income taxes, the County will continue to budget based on its specific taxable income statistics, as provided by the State, rather than the State's distributions, which are based on State-wide cash flow.

Expense variances fall into several categories. During FY2020 there were several temporary vacancies within the county departments and elected officials that resulted in turn-over and vacancy savings of almost \$4.6 million, of which over \$2 million is from the Sheriff's Office. Savings also come from fuel, insurance and other contract services of about \$900,000, combined. Estimates for subsequent budgets will be reviewed considering these recurring positive variances.

While the County's financial situation is strong and sustainable, the County continues to take a very conservative approach to revenue estimates, given the continued concern of the federal and state budgets, and the general economy – continuing to focus on efficiency measures, both as a part of budget adoption, and throughout the operational year. The county continues to monitor expenditures and realigns savings to reserves to use on non-recurring costs – such as severe weather. Savings are not re-aligned to spend on recurring costs that carry future funding commitments. Instead, the savings can accrue to fund balance to fund future non-recurring costs, if needed. This reflects the County's disciplined approach to budgeting, including adherence to budgeted activities, judicious review of supplemental budget requests, use of an encumbrance-based approach, continued focus on efficiency and effectiveness, and prudent fiscal management at all levels. As part of the annual budget process, the County approves a multi-year operating budget and ensures that operating impacts from capital improvement projects are included.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Management's Discussion and Analysis June 30, 2020

### General Fund Budgetary Highlights (continued)

Recurring expenses must be supported by recurring revenues in order to be sustainable. The County builds a budget based on sustainable levels of revenues, and uses any excess generated in one year to fund non-recurring items in subsequent budget years. As indicated previously, the County has retained significant fund balance to position it to be able to address the uncertain future caused by the economy, especially as it relates to State and Federal funding. As a part of each annual budget process, the County Commissioners review the prior year unassigned fund balance and decides if it needs should be used for non-recurring expenditures. It also retains a significant reserve balance not identified for such purposes. Higher reserves at this time will enable us to soften the impact of further cuts or cost shifts, allowing some additional time to implement longer term cost reduction measures, as might be appropriate. With the Commissioners Fund Balance policy, it reinforces using fund balance for non-recurring expenses and it also stipulates that County Reserves, which includes the 6% Bond Rating Reserve, Rainy Day Fund and Unassigned fund balance, should be at or above 15% of general fund revenue. FY2020 ratio is 20%.

With the low property tax rate and an income tax rate that is less than the maximum allowed by the State, the County also has maintained ample capacity for revenue enhancement should future needs arise, and the circumstances warrant it.

### Capital Asset and Debt Administration

- Capital assets:** The Commissioners of St. Mary's County investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$378 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure and land development rights. The net increase in the County's investment in capital assets for the fiscal year ended June 30, 2020 was \$32,475,470. It should be noted that the capital asset balances include the County's infrastructure (i.e., roads), as the County has fully implemented the requirements of the Governmental Accounting Standards Board (GASB) Statement 34.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 43,844,649	\$ 43,840,222	\$ 1,078,666	\$ 1,078,666	\$ 44,923,315	\$ 44,918,888
Buildings and Improvements	145,381,214	120,324,009	4,334,174	4,382,984	149,715,388	124,706,993
Facilities Under Construction	19,223,482	27,143,320	-	-	19,223,482	27,143,320
Solid Waste Facilities	-	-	13,824,043	13,220,472	13,824,043	13,220,472
Infrastructure	317,403,198	290,562,306	-	-	317,403,198	290,562,306
Vehicles	20,281,337	20,576,897	3,165,772	3,218,668	23,447,109	23,795,565
Equipment	39,378,079	36,929,789	1,226,398	1,215,140	40,604,477	38,144,929
Accumulated depreciation	(224,872,789)	(210,929,207)	(5,785,772)	(5,556,285)	(230,658,561)	(216,485,492)
<b>Total</b>	<b>\$ 360,639,170</b>	<b>\$ 328,447,336</b>	<b>\$ 17,843,281</b>	<b>\$ 17,559,645</b>	<b>\$ 378,482,451</b>	<b>\$ 346,006,981</b>

# COMMISSIONERS OF ST. MARY’S COUNTY

## Management’s Discussion and Analysis June 30, 2020

### Capital Asset and Debt Administration (continued)

Major capital asset events during the current fiscal year included the following:

- Approximately \$18.7 million in road costs were capitalized, including \$9.4 million in roads developed /constructed by third parties.
- Building & Infrastructure increased by over \$25 million, principally for the completion of the Leonardtown Library & Garvey Senior Center.
- Construction in progress totals \$19.2 million – Capital Improvements project capitalized in subsequent years.

Additional information on the County’s capital assets can be found in Note 3 of this report.

**Long-term debt:** At June 30, 2020, the Commissioners of St. Mary’s County had the following debt, and other similar obligations outstanding, as set forth in the table below. The full faith and credit and unlimited taxing power of the Commissioners of St. Mary’s County are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the General Obligation Bonds.

<u>Primary Government</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Amounts due within one year</u>
General Obligation Bonds (GOB) - County	\$ 112,484,000	\$ 92,424,000	\$ 8,673,000
State Loans	1,104,015	1,227,454	123,440
Exempt Financing (Equipment & Vehicles)	3,571,608	3,473,101	1,357,958
	<u>\$ 117,159,623</u>	<u>\$ 97,124,555</u>	<u>\$ 10,154,398</u>
<u>Business-Type Activities</u>			
Exempt Financing (Equipment)	<u>\$ 585,300</u>	<u>\$ 206,066</u>	<u>\$ 167,435</u>

The Commissioners of St. Mary’s County’s additions to debt included \$30 million of General Obligation Bonds – closed in May 2020 and \$2.65 million equipment financing – closed in October 2019.

As of June 30, 2020, the County had an AA+ rating from Fitch Ratings, an “AA+” from S & P Global Ratings and an “Aa1” rating from Moody’s Investors Service, Inc. which were confirmed by rating agencies in April 2020. Rating reviews issued by the agencies have typically cited the County’s low debt burden with rapid amortization, careful management of the capital program, healthy reserves, budget flexibility, a stable economy, and prudent fiscal policies. The County’s debt policy, adopted by the Board, provides that the ratio of debt to assessed value not exceed 2.15%, to include the debt of St. Mary’s Metropolitan Commission, and debt service expense as a percent of current general fund revenue does not exceed 10%.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Management's Discussion and Analysis June 30, 2020

#### Capital Asset and Debt Administration (continued)

The County is well within these parameters, and monitors capital budgets and 5-year plans to ensure it remains within the limitations.

Additional information on the Commissioners of St. Mary's County's long-term debt can be found in Note 6 of this report.

#### Economic Factors and Next Year's Budgets and Rates

- The total general fund FY2021 expenditure budget is \$253.2 million; this budget includes the use of unassigned fund balance, \$4.9 million for non-recurring expenditures capital improvement expenditures, committed in fund balance. The property tax income is based on information provided by the State as to estimated taxable assessed value of \$13.1 billion, a 2.3% increase over the prior year's estimate of \$12.8 billion. The impact of triennial assessments shows a minimal increase in the full value are somewhat mitigated by the County's cap of 3%. Assessments continue to reflect slow growth, but steady; this resulted in revenue estimate at 2.3% over the prior year. Initial billings for FY2021 are comparable to the estimates. The real property tax rate remains at .8478 per \$100 of assessed value, which is higher than constant yield tax rate by .0119. The personal property tax rate, which is 2.5 times the real property tax rate, is \$2.1195. The income taxes were budgeted at \$107.9 million, continues the 3.17% of net taxable income using 3.5% growth in local tax returns. This represents a revenue increase of 6.6% over the FY2020 budget and reflects both the estimated County specific tax returns as well as \$5.8 million estimated for interest and penalties as well as the share of State-wide unallocated taxes that will be distributed to the County by the State. Continual monitoring of the property tax and income tax revenue, which represents approximately 88% of the total revenues, will be a major part of the FY2022 budget development, any indications of reduction will be offset by reduced expenditures.
- During the FY2021 Budget final stages, on March 5, 2020, the Governor of the State declared a state of emergency in response to the evolving outbreak of the COVID-19, a respiratory disease caused by a new strain of coronavirus. Subsequently, through a series of executive orders, the Governor closed all non-essential businesses in the State and directed all State residents to stay in their homes except to conduct essential activities. The Commissioners of St. Mary's County declared a Local State of Emergency on April 7, 2020. The County assessed the potential impact of the COVID-19 outbreak on the FY2020 Budget, including the loss of potential revenues. At the April 21, 2020 meeting, the Commissioners took action to (1) approve a \$3 million supplemental appropriation from the County's fund balance to pay costs related to emergency expenses associated with COVID-19 and (2) implement a hiring freeze for all non-public safety positions and restrict all non-COVID-19 operational expenditures for the remainder of FY2020.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Management's Discussion and Analysis June 30, 2020

#### Economic Factors and Next Year's Budgets and Rates (continued)

- With the approval of the FY2021 Budget, revenues related to tourism and income tax were reduced based on the uncertainty of how long the impact of COVID-19 by approximately \$1.8 million and expenses were reduced to absorb this impact. As we go through FY2021 we continue to watch revenues and expenditures and be conservative until more information is known.
- Although the general economy of the State and United States effects the County, the activities and operations of the Patuxent Naval Air Base in St. Mary's County has a stabilizing effect on the local economy. Operations at the base, which is the busiest flight center in the world, continues to grow. Approximately 21,500 workers support the base.
- Tech Port – a County technology incubator, is operational to assist start-up companies. The facility, located in the St. Mary's County Airport Innovation District, is 6,000 square feet and is adjacent to the University of Maryland UAS Test Site and near the University System of Maryland at Southern Maryland higher education center with a new Academic and Research Building dedicated to autonomy under construction.
- The population growth continues and was last estimated at 113,510 and is estimated to grow to 129,200 by 2025.
- The County ranks near the top in the State for growth in the labor force, average weekly wages, and median household income. We consistently post unemployment rates that are well below State averages. These factors indicate a stable economy.
- Tourism and Hospitality Industry continues to be an important component of the local economy. The County's accommodations tax continues to be strong. The County established a new non-profit, Visit St. Mary's MD, in FY2020 to perform tourism functions for the County, with future funding tied to the accommodations tax.

Each budget cycle includes reviews of both the operating and capital spending plans for sustainability and affordability. The County's debt policy is conservative and is a significant consideration in budget deliberations. The Board intends to continue its use of multi-year outlooks and sustainability reviews as a part of the budget process, accompanied by interim reviews of selected revenues and expenditures. It is expected that cost-saving measures will continue, and that savings will be used to reduce future costs. These reviews are not focused simply on the operating budget but include the review of capital projects that can often have significant operational impacts beyond the debt service needed to repay any related borrowings.

## **COMMISSIONERS OF ST. MARY'S COUNTY**

### **Management's Discussion and Analysis June 30, 2020**

#### **Economic Factors and Next Year's Budgets and Rates (continued)**

With conservative financial practices, continued focus on cost-saving measures during regular financial reviews, and tight expenditure controls, the County retains the flexibility and capacity to manage through these challenging times. The County's property tax rate continues to be among the lowest in the State, thus retaining tax flexibility and capacity for the future. However, it is the goal to manage our way through these volatile times through a variety of measures, a balanced approach that considers the needs and priorities of our citizens. The continued focus will be to assure that adequate and sustainable resources are identified to address prioritized needs – both capital and operating – now and for the future.

#### **Requests for Information**

This financial report is designed to provide a general overview of St. Mary's County Government's finances for all those with an interest in the Government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, Commissioners of St. Mary's County, 41770 Baldrige Street, P.O. Box 653, Leonardtown, Maryland 20650, or via email at [Finance@stmarysmd.com](mailto:Finance@stmarysmd.com).

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Net Position  
As of June 30, 2020

	Primary Government			Component Units			Total
	Governmental activities	Business-type activities	Total	Public Schools	Library	Metropolitan Commission	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 113,603,414	\$ 10,000	\$ 113,613,414	\$ 31,218,823	\$ 704,382	\$ 36,281,070	\$ 181,817,689
Internal balances	(1,111,663)	1,111,663	-	-	-	-	-
Restricted cash and investments	7,848,586	35,209	7,883,795	-	97,595	-	7,981,390
Taxes receivable	2,089,516	-	2,089,516	-	-	-	2,089,516
Income tax reserve, funds held by the state	29,754,950	-	29,754,950	-	-	-	29,754,950
Due from other governments	-	-	-	17,331,036	-	-	17,331,036
Special assessments receivable	17,368	-	17,368	-	-	-	17,368
Notes receivable, Fire and Rescue loans	689,112	-	689,112	-	-	-	689,112
Accounts receivable	18,833,769	65,481	18,899,250	20,496	-	27,642,879	46,562,625
Inventory	1,304,877	22,923	1,327,800	254,802	-	151,558	1,734,160
Other	383,557	11,347	394,904	9,441	-	1,048,862	1,453,207
Fire and rescue loans, net of short term portion	3,609,098	-	3,609,098	-	-	-	3,609,098
Capital assets	585,511,959	23,629,053	609,141,012	434,236,999	5,529,208	252,163,608	1,301,070,827
Accumulated depreciation	(224,872,789)	(5,785,772)	(230,658,561)	(179,512,013)	(4,971,017)	(82,302,029)	(497,443,620)
Capital assets, net of accumulated depreciation	360,639,170	17,843,281	378,482,451	254,724,986	558,191	169,861,579	803,627,207
<b>TOTAL ASSETS</b>	<b>537,661,754</b>	<b>19,099,904</b>	<b>556,761,658</b>	<b>303,559,584</b>	<b>1,360,168</b>	<b>234,985,948</b>	<b>1,096,667,358</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension	10,632,887	-	10,632,887	2,046,501	-	699,564	13,378,952
OPEB	-	-	-	77,607,559	1,633,772	395,898	79,637,229
Bond refunding	-	-	-	-	-	326,796	326,796
<b>Total assets and deferred outflows of resources</b>	<b>\$ 548,294,641</b>	<b>\$ 19,099,904</b>	<b>\$ 567,394,545</b>	<b>\$ 383,213,644</b>	<b>\$ 2,993,940</b>	<b>\$ 236,408,206</b>	<b>\$ 1,190,010,335</b>

The accompanying notes are an integral part of this financial statement.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Statement of Net Position As of June 30, 2020

	Primary Government			Component Units			
	Governmental activities	Business-type activities	Total	Public Schools	Library	Metropolitan Commission	Total
<b>LIABILITIES</b>							
Accounts payable	\$ 14,867,018	\$ 490,283	\$ 15,357,301	\$ 5,684,545	\$ 237,031	\$ 419,078	\$ 21,697,955
Compensation related liabilities	5,106,047	315,550	5,421,597	17,885,816	70,404	-	23,377,817
Unearned revenue	12,346,250	274,718	12,620,968	7,033,985	-	22,213	19,677,166
Other liabilities	10,997,582	-	10,997,582	23,980	-	1,494,767	12,516,329
Non-current liabilities:							
Due within one year	10,189,535	167,435	10,356,970	981,875	5,600	8,090,922	19,435,367
Due in more than one year	117,263,856	567,170	117,831,026	5,600,310	119,390	90,465,577	214,016,303
Net pension liability	85,420,753	-	85,420,753	13,253,801	-	4,896,302	103,570,856
Net OPEB liability	6,181,171	-	6,181,171	418,344,770	3,047,327	2,782,575	430,355,843
<b>TOTAL LIABILITIES</b>	<u>262,372,212</u>	<u>1,815,156</u>	<u>264,187,368</u>	<u>468,809,082</u>	<u>3,479,752</u>	<u>108,171,434</u>	<u>844,647,636</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension	8,295,027	-	8,295,027	1,331,010	-	445,642	10,071,679
OPEB	13,174,103	-	13,174,103	23,557,527	162,520	605,472	37,499,622
Total liabilities and deferred inflows of resources	<u>283,841,342</u>	<u>1,815,156</u>	<u>285,656,498</u>	<u>493,697,619</u>	<u>3,642,272</u>	<u>109,222,548</u>	<u>892,218,937</u>
<b>NET POSITION</b>							
Net investment in capital assets	243,479,547	17,675,846	261,155,393	253,569,146	558,191	98,293,022	613,575,752
Restricted for:							
Capital asset purchases	38,316,266	-	38,316,266	-	-	-	38,316,266
Capital projects	-	-	-	91,948	-	-	91,948
Other purposes	-	-	-	-	97,595	17,233,876	17,331,471
Unrestricted	(17,342,514)	(391,098)	(17,733,612)	(364,145,069)	(1,304,118)	11,658,760	(371,524,039)
<b>TOTAL NET POSITION</b>	<u>\$ 264,453,299</u>	<u>\$ 17,284,748</u>	<u>\$ 281,738,047</u>	<u>\$ (110,483,975)</u>	<u>\$ (648,332)</u>	<u>\$ 127,185,658</u>	<u>\$ 297,791,398</u>

The accompanying notes are an integral part of this financial statement.





# COMMISSIONERS OF ST. MARY'S COUNTY

## Balance Sheet – Governmental Funds As of June 30, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 113,603,414	\$ -	\$ -	\$ 113,603,414
Due from other funds	-	44,318,518	1,219,000	45,537,518
Restricted cash and investments	7,848,586	-	-	7,848,586
Taxes receivable	2,038,749	-	50,767	2,089,516
Income tax reserve, funds held by the state	29,754,950	-	-	29,754,950
Special tax assessments receivable	-	-	22	22
Notes receivable, Fire and Rescue loans	-	-	689,112	689,112
Accounts receivable	15,174,321	4,254,366	-	19,428,687
Inventory	1,304,877	-	-	1,304,877
Other	382,521	-	-	382,521
Note receivable, fire and rescue loans, (net of current portion)	-	-	3,609,098	3,609,098
Special tax assessments receivable, (net of current portion)	-	-	17,346	17,346
<b>TOTAL ASSETS</b>	<b>\$ 170,107,418</b>	<b>\$ 48,572,884</b>	<b>\$ 5,585,345</b>	<b>\$ 224,265,647</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 3,312,783	\$ 11,543,677	\$ 10,558	\$ 14,867,018
Compensation-related liabilities	5,092,984	-	13,063	5,106,047
Unearned revenue	8,022,773	-	4,323,477	12,346,250
Other liabilities	10,997,582	-	-	10,997,582
Due to other funds	47,243,063	-	-	47,243,063
<b>TOTAL LIABILITIES</b>	<b>74,669,185</b>	<b>11,543,677</b>	<b>4,347,098</b>	<b>90,559,960</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable income tax distribution	29,754,950	-	-	29,754,950
<b>FUND BALANCES</b>				
Nonspendable	2,002,056	-	-	2,002,056
Restricted	301,231	38,015,035	-	38,316,266
Committed	24,301,718	-	1,238,247	25,539,965
Assigned	5,593,102	-	-	5,593,102
Unassigned	33,485,176	(985,828)	-	32,499,348
<b>TOTAL FUND BALANCES</b>	<b>65,683,283</b>	<b>37,029,207</b>	<b>1,238,247</b>	<b>103,950,737</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 170,107,418</b>	<b>\$ 48,572,884</b>	<b>\$ 5,585,345</b>	<b>\$ 224,265,647</b>

The accompanying notes are an integral part of this financial statement.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position As of June 30, 2020

Fund balance of governmental funds	\$ 103,950,737
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net	360,639,170
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the fund financial statements	
	29,754,950
Deferred outflow and inflow of resources related net deferred pension activity are not financial resources and therefore are not reported in the funds	
	(10,836,243)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(117,159,623)
Compensated absences	(6,833,768)
Landfill post-closure costs	(3,460,000)
Net pension liability	(85,420,753)
Net OPEB liability	(6,181,171)
Net position of governmental activities	<u>\$ 264,453,299</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2020

	General Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
<b>REVENUE</b>				
Property taxes	\$ 113,230,333	\$ -	\$ -	\$ 113,230,333
Income taxes	107,335,235	-	-	107,335,235
Energy taxes	977,270	-	-	977,270
Recordation taxes	6,160,565	-	-	6,160,565
Transfer taxes	-	6,919,156	800,000	7,719,156
Agricultural/development taxes	-	642,230	-	642,230
Impact fees	-	2,304,392	-	2,304,392
Other local taxes	2,228,578	-	-	2,228,578
Highway user revenues	1,552,854	-	-	1,552,854
Licenses and permits	700,176	-	-	700,176
Intergovernmental	10,948,940	14,440,694	-	25,389,634
Charges for services	3,067,568	-	-	3,067,568
Fines and forfeitures	17,909	-	-	17,909
Special assessments	-	-	71,894	71,894
Other revenues	1,678,911	749,233	2,512,858	4,941,002
<b>Total Revenue</b>	<u>247,898,339</u>	<u>25,055,705</u>	<u>3,384,752</u>	<u>276,338,796</u>
<b>EXPENDITURES</b>				
General government	25,840,297	33,113,886	-	58,954,183
Public safety	51,374,526	8,694	2,813,514	54,196,734
Public works	9,507,202	7,904,892	-	17,412,094
Health	3,656,714	-	-	3,656,714
Social services	3,975,321	-	-	3,975,321
Primary and secondary education	108,833,498	6,832,368	-	115,665,866
Post-secondary education	4,807,300	-	-	4,807,300
Parks, recreation and culture	4,067,325	5,921,051	-	9,988,376
Libraries	2,964,146	-	-	2,964,146
Conservation of natural resources	361,975	4,740,149	-	5,102,124
Economic development and opportunity	2,551,733	-	-	2,551,733
Debt service - principal and interest	13,059,682	139,379	170,413	13,369,474
Intergovernmental	43,487	-	-	43,487
Other	3,828,053	-	-	3,828,053
<b>Total Expenditures</b>	<u>234,871,259</u>	<u>58,660,419</u>	<u>2,983,927</u>	<u>296,515,605</u>
<b>Excess (Deficiency) Of Revenue Over Expenditures</b>	<u>13,027,080</u>	<u>(33,604,714)</u>	<u>400,825</u>	<u>(20,176,809)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bonds	-	32,212,395	-	32,212,395
Fire & rescue loan repayments	-	-	840,353	840,353
Loans to fire and rescues	-	-	(1,750,000)	(1,750,000)
Capital projects - general fund pay-go	(12,989,427)	12,989,427	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(12,989,427)</u>	<u>45,201,822</u>	<u>(909,647)</u>	<u>31,302,748</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>37,653</u>	<u>11,597,108</u>	<u>(508,822)</u>	<u>11,125,939</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>65,645,630</u>	<u>25,432,099</u>	<u>1,747,069</u>	<u>92,824,798</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 65,683,283</u>	<u>\$ 37,029,207</u>	<u>\$ 1,238,247</u>	<u>\$ 103,950,737</u>

The accompanying notes are an integral part of this financial statement.

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2020**

Net changes in fund balances in governmental funds \$ 11,125,939

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay capitalized	\$ 47,363,907	
Depreciation and loss on disposal	<u>(15,172,073)</u>	32,191,834

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond, capital lease and installment purchase principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.

Net pension liability and net OPEB liability and related deferred outflows and inflows	\$ 3,361,825	
Compensated absences and pension liability	(1,338,137)	
Landfill post closure cost	195,000	
Issuance of debt	(32,041,500)	
Payments of debt principal	<u>12,006,432</u>	(17,816,380)

Revenue and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide or use current financial resources. This is the net difference of revenues and expenditures recognized between the governmental funds and statement of activities. 10,404,469

Change in net position of governmental activities \$ 35,905,862

# COMMISSIONERS OF ST. MARY'S COUNTY

## Statement of Net Position - Proprietary Funds As of June 30, 2020

	Business-Type Activities			Total
	Recreation Activity Fund	Wicomico	Solid Waste / Recycling	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ -	\$ 10,000	\$ -	\$ 10,000
Due from other funds	947,890	-	837,954	1,785,844
Restricted cash from investments	-	8,357	26,852	35,209
Accounts receivable	4,520	-	60,961	65,481
Inventory	-	22,923	-	22,923
Other assets	-	11,347	-	11,347
Total current assets	952,410	52,627	925,767	1,930,804
<b>Noncurrent Assets</b>				
Capital assets	313,302	6,536,446	16,779,305	23,629,053
Accumulated depreciation	(243,595)	(3,119,695)	(2,422,482)	(5,785,772)
Capital assets, net	69,707	3,416,751	14,356,823	17,843,281
Total Assets	1,022,117	3,469,378	15,282,590	19,774,085
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	144,469	53,508	292,306	490,283
Compensation-related liabilities	54,666	88,791	172,093	315,550
Due to other funds	-	79,263	-	79,263
Unearned revenue	206,019	68,699	-	274,718
Total current liabilities	405,154	290,261	464,399	1,159,814
<b>Noncurrent Liabilities</b>				
Due within one year:				
Financing agreements	-	7,660	159,775	167,435
Due in more than one year:				
Financing agreements	-	26,690	391,175	417,865
Advance from general fund	-	594,918	-	594,918
Compensated absences	-	67,450	81,855	149,305
Total noncurrent liabilities	-	696,718	632,805	1,329,523
<b>Total Liabilities</b>	405,154	986,979	1,097,204	2,489,337
<b>NET POSITION</b>				
Net investment in capital assets	69,707	3,409,091	14,197,048	17,675,846
Unrestricted	547,256	(926,692)	(11,662)	(391,098)
Total Net Position	\$ 616,963	\$ 2,482,399	\$ 14,185,386	\$ 17,284,748

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds  
For the Year Ended June 30, 2020

	Business-Type Activities			Total
	Recreation Activity Fund	Wicomico	Solid Waste / Recycling	
<b>OPERATING REVENUE</b>				
Charges for services	\$ 2,107,407	\$ 1,079,743	\$ 586,821	\$ 3,773,971
Environmental/solid waste fees	-	-	4,173,148	4,173,148
<b>TOTAL OPERATING REVENUE</b>	<b>2,107,407</b>	<b>1,079,743</b>	<b>4,759,969</b>	<b>7,947,119</b>
<b>OPERATING EXPENSES</b>				
Personal services	1,483,723	702,862	1,131,382	3,317,967
Operating supplies	186,452	214,681	39,534	440,667
Professional services	193,088	36,866	1,792,053	2,022,007
Communications	9,830	2,747	193,042	205,619
Transportation	38,961	15,542	53,492	107,995
Rentals	142,000	54,254	52,666	248,920
Public utilities	190,109	60,353	21,312	271,774
Other operating costs	7,284	9,255	69,706	86,245
Tipping fees	-	-	1,340,588	1,340,588
Retiree health benefits (OPEB)	-	36,000	23,000	59,000
Equipment	29,714	13,179	(177,644)	(134,751)
Depreciation	18,704	110,671	195,928	325,303
<b>TOTAL OPERATING EXPENSES</b>	<b>2,299,865</b>	<b>1,256,410</b>	<b>4,735,059</b>	<b>8,291,334</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(192,458)</b>	<b>(176,667)</b>	<b>24,910</b>	<b>(344,215)</b>
<b>OTHER INCOME (EXPENSE)</b>				
Grants revenue	29,781	-	-	29,781
Other	-	-	600	600
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>29,781</b>	<b>-</b>	<b>600</b>	<b>30,381</b>
<b>NET CHANGES IN NET POSITION</b>	<b>(162,677)</b>	<b>(176,667)</b>	<b>25,510</b>	<b>(313,834)</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>779,640</b>	<b>2,659,066</b>	<b>14,159,876</b>	<b>17,598,582</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 616,963</b>	<b>\$ 2,482,399</b>	<b>\$ 14,185,386</b>	<b>\$ 17,284,748</b>

The accompanying notes are an integral part of this financial statement.

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Cash Flows – Proprietary Funds  
For the Year Ended June 30, 2020

	Recreation Activity		Solid Waste /	Total
	Fund	Wicomico	Recycling	
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 2,134,442	\$ 1,215,446	\$ 4,797,468	\$ 8,147,356
Payments to suppliers	(683,160)	(420,616)	(3,330,023)	(4,433,799)
Payments to employees	(1,530,915)	(762,442)	(1,234,952)	(3,528,309)
<b>Net Cash from Operating Activities</b>	<u>(79,633)</u>	<u>32,388</u>	<u>232,493</u>	<u>185,248</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Grants and other activity	29,781	-	600	30,381
Increase (decrease) in due to/from other funds	49,852	55,597	-	105,449
<b>Net Cash from Noncapital Financing Activities</b>	<u>79,633</u>	<u>55,597</u>	<u>600</u>	<u>135,830</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal paid on long term debt	-	-	(233,093)	(233,093)
Acquisition and construction of capital assets	-	(87,985)	-	(87,985)
<b>Net Cash from Capital and Related Financing Activities</b>	<u>-</u>	<u>(87,985)</u>	<u>(233,093)</u>	<u>(321,078)</u>
Net change in cash	-	-	-	-
Cash, Beginning of Year	-	18,357	26,852	45,209
<b>Cash, End of Year</b>	<u>\$ -</u>	<u>\$ 18,357</u>	<u>\$ 26,852</u>	<u>\$ 45,209</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ (192,458)	\$ (176,667)	\$ 24,910	\$ (344,215)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	18,704	110,671	195,928	325,303
Changes in assets and liabilities:				
Accounts receivable	173,651	152,188	37,499	363,338
Inventory	-	2,287	-	2,287
Accounts payable	114,278	(16,026)	54,726	152,978
Compensation-related liabilities	(47,192)	(31,373)	(90,902)	(169,467)
Unearned revenue	(146,616)	(16,485)	-	(163,101)
Compensated absences	-	7,793	10,332	18,125
<b>Net Cash from Operating Activities</b>	<u>\$ (79,633)</u>	<u>\$ 32,388</u>	<u>\$ 232,493</u>	<u>\$ 185,248</u>

The accompanying notes are an integral part of this financial statement.



**COMMISSIONERS OF ST. MARY’S COUNTY**

**Statement of Net Position – Fiduciary Funds  
As of June 30, 2020**

	<u>Sheriff’s Office Retirement Plan</u>	<u>Length of Service Awards Program</u>	<u>Retiree Benefit Trust of St. Mary’s County</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ -	\$ 3,038	\$ -	\$ 3,038
Investments	98,844,865	4,133,534	89,375,895	192,354,294
<b>NET POSITION</b>				
Held in trust for pension and OPEB	<u>\$ 98,844,865</u>	<u>\$ 4,136,572</u>	<u>\$ 89,375,895</u>	<u>\$ 192,357,332</u>

The accompanying notes are an integral part of this financial statement.

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Statement of Changes in Net Position - Fiduciary Funds  
For the Year Ended June 30, 2020**

	<u>Sheriff's Office Retirement Plan</u>	<u>Length of Service Awards Program</u>	<u>Retiree Benefit Trust of St. Mary's County</u>	<u>Total</u>
<b>ADDITIONS</b>				
Contributions- employer	\$ 6,071,020	\$ 2,097,163	\$ 3,706,715	\$ 11,874,898
Contributions- employee	1,180,796	-		1,180,796
Interest and dividends	-	97,301	-	97,301
Net realized and unrealized gains (losses)	<u>5,126,070</u>	<u>(93,051)</u>	<u>3,820,126</u>	<u>8,853,145</u>
Total additions	12,377,886	2,101,413	7,526,841	22,006,140
<b>DEDUCTIONS</b>				
Benefits	4,774,558	1,097,163	3,706,715	9,578,436
Administrative expenses	39,637	11,630	392,121	443,388
<b>TOTAL DEDUCTIONS</b>	<u>4,814,195</u>	<u>1,108,793</u>	<u>4,098,836</u>	<u>10,021,824</u>
<b>CHANGES IN NET POSITION</b>	7,563,691	992,620	3,428,005	11,984,316
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>91,281,174</u>	<u>3,143,952</u>	<u>85,947,890</u>	<u>180,373,016</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 98,844,865</u>	<u>\$ 4,136,572</u>	<u>\$ 89,375,895</u>	<u>\$ 192,357,332</u>

The accompanying notes are an integral part of this financial statement.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

St. Mary's County (the County), the first Maryland County, was established in 1637. The Board of County Commissioners is composed of five Commissioners elected for four-year terms. Four Commissioners represent specific election districts while the President of the Commissioners runs at large. All Commissioners are elected by the voters of the entire County. The County operates under a line-organizational method, with a County Administrator being responsible for the general administration of the County government. The Chief Financial Officer is responsible for financial reporting, debt management, investment management, procurement, and budgeting functions. The Treasurer is responsible for the collection of real and personal property taxes. The County provides the following services: public safety, highway and streets, health and social services, recreation, education, public improvements, planning and zoning, sewage and water treatment and general administrative services. Component units are also included as part of the Financial reporting entity.

The financial statements of the reporting entity include those of the Commissioners of St. Mary's County (the primary government) and its component units. As defined by GASB Statement Numbers 14, 39, and 61, component units are legally separate entities that are included in the County's reporting entity because of the significance of their operating or financial relationships with the County. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate
- the County Commissioners appoint a voting majority of the organization's board
- the County Commissioners have the ability to impose their will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- the organization is fiscally dependent on the County

Based on the application of these criteria, the three organizations identified on the following page are considered component units of the County. Their financial data is discretely presented in separate columns in the government-wide financial statements. All discretely presented component units have a June 30 year-end.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Reporting Entity (continued)

Except for the Board of Education of St. Mary's County, the governing bodies of all these component units are appointed by Commissioners of St. Mary's County.

St. Mary's County Public Schools – In Maryland, public schools are part of a statewide system of county school boards. The school boards' political boundaries conform to the county boundaries. The purpose of the Board of Education of St. Mary's County is to operate the local public-school system in accordance with State and community standards. The school system does not have the authority to levy any taxes or incur debt. Schools are funded with local, State and Federal monies. St. Mary's County has oversight responsibility for approval and partial funding of the school system's operating budget.

St. Mary's County Metropolitan Commission is responsible for providing water and wastewater facilities and services within the jurisdiction of St. Mary's County, Maryland.

St. Mary's County Library operates a main library in Leonardtown and branch libraries in Lexington Park and Charlotte Hall.

Financial statements of the individual component units can be obtained from their respective administrative offices.

St. Mary's County Public Schools  
23160 Moakley Street  
Leonardtown, Maryland 20650

St. Mary's County Metropolitan Commission  
23121 Camden Way  
California, Maryland 20619

St. Mary's County Library  
23630 Hayden Farm Lane  
Leonardtown, MD 20650

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Basis of Presentation**

The financial statements of the Commissioners of St. Mary's County, (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements include various agencies, department organizations and offices which are legally part of St. Mary's County (the Primary Government) and the County's Component Units.

The County's basic financial statements include government-wide financial statements (reporting on the County as a whole), fund financial statements (reporting the County's most significant funds), and fiduciary financial statements (reporting on the County's pension funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities are normally supported by taxes and intergovernmental revenues. The County's public safety, public transportation, health and social services, some parks and recreation activities, public works and general administrative services are classified as governmental activities. Business-type activities rely significantly on fees and charges for support. The County's Recreation and Park programs, the Wicomico Golf Course and Solid Waste and Recycling are classified as business-type activities.

#### **Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts – (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Government-Wide Financial Statements (continued)

The net position restricted for other purposes results from special revenue funds and the restrictions on their net position use. When both restricted and unrestricted resources are available for use, the County utilizes restricted resources to finance qualifying activities first, then unrestricted resources as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property tax, income tax, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenues (property tax, income tax, intergovernmental revenues, interest income, etc.) which are properly not included among program revenues. The County has an indirect cost allocation plan which it uses (when applicable and allowed) to charge costs to special revenue (grant) programs. Indirect costs are not normally charged to general government activities.

#### Fund Financial Statements

The County uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB 34 sets forth minimum criteria (percentage of the assets, deferred outflow of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. No major funds by category are summarized into a single column.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements, to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at a more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

#### Governmental Funds

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

1. General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund.
2. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes. The Special Revenue Funds of the County are non-major funds.
3. Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Capital Projects Fund is a major fund.
4. Debt Service Fund is a non-major fund used to account for servicing of long-term debt.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Proprietary Funds

The focus of proprietary fund measurement is based upon determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Proprietary (Enterprise) Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity, (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to cover similar costs.

#### Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. When these assets are held under the terms of a formal trust agreement either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent. The reporting focus for fiduciary funds is on net position and changes in net position and accounting principles used are similar to proprietary funds.

The County operates three pension trust funds. The plans account for the retirement benefits for the St. Mary's County Maryland Sheriff's Office Retirement Plan, and the Volunteer Fire Department and Rescue Squad, and the Retiree Health Benefit Plan. Since, by definition these assets are held for the benefit of a third party (pension participants and eligible retirees) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. All three are presented in the fiduciary fund financial statements.

#### Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The measurement focus identifies which transactions should be recorded.



# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Basis of Accounting (continued)

- a. Accrual Basis – Both governmental and business-type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.
- b. Modified Accrual Basis – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means knowing or able to reasonably estimate the amount. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year-end. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures (including capital outlay) are recorded when the related liability is incurred. However, debt service expenditures (principal and interest), as well as expenditures related to compensated absences and claims and judgments, are recorded only when due.
- c. Budget Basis of Accounting - Actual results of operations are presented in the Statement of Revenues, Expenditures, Encumbrances, and Other Financing Sources and Uses - Budget (Non-GAAP Basis) and Actual - General Fund, in order to provide a meaningful comparison of actual results with budget estimates. Under the budget basis, encumbrances are recorded as the equivalent of expenditures, as opposed to only a reservation of fund balance as on a GAAP basis.

#### Measurement Focus

In the government-wide financial statements, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item (b.) below.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Measurement Focus (continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. The fund financial statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary and fiduciary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

#### Accounting Policies

The more significant accounting policies established in the GAAP and used by the County are discussed below.

#### Budget and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted (GAAP) in the United States of America. All annual operating appropriations lapse at fiscal year-end. Project-length financial plans are adopted for the capital projects fund. The County follows these procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to April 1 of each year, the Commissioners of St. Mary's County shall have prepared a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. The budget is legally enacted through passage of an ordinance by June 1.
- d. All revisions that alter the expenditures of each fund must be approved by the Commissioners of St. Mary's County or the Chief Financial Officer.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Accounting Policies (continued)

- e. Formal budgetary integration is employed as a management control device during the year for the general fund, special assessment fund and enterprise funds.
- f. The budget for the general fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America, except that appropriations of fund balance are treated as other financing sources. Budget comparisons presented for the general fund in this report are on a non-GAAP basis. The capital projects funds' budgets are prepared on a project-length basis, and accordingly, annual budgetary comparisons are not presented in the financial statements. The enterprise funds' budgets are flexible annual operating budgets. Budgetary comparisons are not presented in the financial statements for the enterprise funds.
- g. The budgeted amounts are as adopted, including amendments, by the Commissioners of St. Mary's County.

#### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

#### Cash, Cash Equivalents, and Investments

Cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired. State statutes authorize investments in obligations of the United States government, federal government agency obligations and repurchase agreements. Investments are stated at cost.

The operating cash balances for all funds are commingled and shown in the governmental activities on the statement of net position and in the general fund on the governmental fund balance sheet.

Investments in the Pension Trust Fund of the Sheriff's Department Retirement Plan, the Length of Service Award Program and the Retiree Health Benefit Plan are carried at fair value as determined on June 30 of each year, based on appraisals or quotations by an independent investment counselor. These investments are offset by a restriction, which indicates that they do not constitute available spendable resources even though they are a component of net position. The trusts are governed by separate investment policies and allow investments in common stocks, equity funds, fixed income and alternative investments.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Long-term receivables

Noncurrent portions of long-term receivables are reported on the balance sheet in spite of their spending measurement focus. The long-term portion of receivables is offset by a non-spendable fund balance in the general fund, which indicates that they do not constitute available spendable resources since they are not a component of net current assets.

#### Annual, Personal, and Sick and Safe Leave Benefits

Full-time employees earn annual leave on the basis of years of full time service. Employees with 0 to 5 years of service earn eighty hours (80) per year up to a maximum of 200 hours per year on the employee's 20<sup>th</sup> year anniversary. Regular part-time employees earn annual leave on the basis of years of service and prorated on the number of hours actually worked, as a percentage of the normal work week of 40 hours. A maximum of 360 hours of annual leave may be carried into the new calendar year for full-time employees. Unused leave in excess of 360 hours as of December 31<sup>st</sup> will be converted to sick and safe leave. A maximum of 180 hours of annual leave may be carried into the new calendar year for regular part-time employees and unused leave in excess of 180 hours will be converted to sick and safe leave. An employee leaving County service shall receive a lump sum payment at their current rate of pay for any unused accumulated annual leave. Former County employees may be credited with prior years of full-time or regular part-time service if they are reinstated with the County within one (1) year. Retirees are not eligible for their previous rate of accrual.

Full-time employees are provided with twelve (12) hours of personal leave on January 1<sup>st</sup> of each year. Personal leave for regular part-time employee is prorated according to the number of hours scheduled to work on an annual basis.

All employees, including exempt employees, shall be entitled to earn compensatory time off for work performed in excess of the normal work period. The maximum compensatory leave accrual for non-exempt employees is 240 hours. If not prohibited by employment contract, the maximum compensatory leave accrual for exempt employees is 80 hours. If not prohibited by employment contract, the maximum compensatory leave accrual for law enforcement employees and correctional officers is 480 hours.

Full-time employees earn sick and safe leave at a rate of 4.62 hours per 2-week pay period to a maximum of 120 hours per year. Sick and safe leave for regular part-time employees is prorated according to the number of hours worked. Employees hired from another agency may transfer up to 400 hours of unused sick and safe leave within 30 days of their hire date and may be utilized by the new employee after the successful completion of probation. The transferred sick and safe leave balance may not be applied toward another agencies' pension and sick and safe leave for which payment was received is not eligible for transfer. An employee is not entitled to receive payment for unused sick and safe leave at separation or retirement. However, an employee may be eligible to receive service credit at retirement for unused sick and safe leave depending on the provisions of the retirement plan to which the employee contributes.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the County 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 revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

#### Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

With the implementation of GASB Statement No. 34, the County has recorded its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, etc.

The purpose of depreciation is to spread the cost of capital assets equitably among all uses over the lives of these assets. The amount charged to depreciation expense each year represents that year's prorata share of capital assets.

The method of depreciation being used for all governmental-type assets placed in service as a result of GASB Statement No. 34 is the straight-line half-year convention. Only assets greater than or equal to \$5,000 will be depreciated.

Property, plant and equipment of the primary government and the component units are depreciated using the straight-line method (half-year convention) over the following estimated useful lives:

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Capital Assets (continued)

##### Primary Government

Buildings and improvements	50 years
Computer equipment	5 years
Other equipment	5-10 years
Vehicles licensed	5-8 years
Off-road vehicles	5-10 years
Miscellaneous equipment	5-10 years
Infrastructure	10-50 years

##### Component units

###### St. Mary's County Public Schools

Buildings and improvements	20-50 years
Furniture and equipment	5-15 years

###### St. Mary's County Library

Leasehold improvements	50 years
Furnishings and equipment	5 years
Vehicles	5 years
Books	7 years

###### St. Mary's County Metropolitan Commission

Utility plants	18-50 years
Water plant systems	18-50 years
Equipment	3-10 years
Capitalized interest	50 years
Buildings	20-30 years

#### Inventory and Prepaid Expenditures

Inventory is valued at the lower of cost (first-in, first-out method) or market. Inventory in the general fund, special revenue funds and enterprise funds consists of expendable supplies held for consumption. Reported inventories and prepaid expenditures in the general fund are offset by a nonspendable fund balance, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities statement of net position, or proprietary fund type balance sheet. Bond premiums and discounts are deferred and amortized over the life of the bond.

#### Pension Accounting

Employee contributions are recognized in the Pension Trust Funds in the period the contributions are due. Employer contributions are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are funded from investment income. Any net pension obligation or asset is calculated on an actuarial basis consistent with the requirements of GASB Statement No 27 – Accounting for Pensions by State and Local Government Employers. Expenditures are recognized when are paid or are expected to be paid with current available resources. The net pension obligation (asset) is reported in the government-wide financial statements.

### 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

#### Primary Government

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term securities and certificates of deposit with an original maturity of three months or less.

Investments held by the County, including the pension and retiree health benefit funds, are stated at fair value. Fair value is based on quoted market prices at year end or best available estimate. All investments not required to be reported at fair value are stated at cost or amortized cost.

Article 95, Section 22 of the Annotated Code of Maryland states that local governments are authorized to invest in the instruments specified in the State Finance and Procurement Article, Section 6-222 of the Code. In addition, Article 95, Section 22 requires that local government deposits with financial institutions be fully collateralized and that the collateral be of types specified in the State Finance and Procurement Article, Section 6-202. The County is charged with the responsibility for selecting depositories and investing the idle funds as directed by the State and County Codes. The County is further restricted as to the types of deposits and investments in accordance with the County's investment policy.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 2. CASH AND SHORT-TERM INVESTMENTS (continued)

#### Primary Government (continued)

Depository institutions must be Maryland banks and must be approved for use by the County Commissioners.

#### Cash Deposits

As of June 30, 2020, the carrying amount of the County's deposits was \$115,969,117 (in addition, petty cash totaling \$12,700 at various County departments) and the collected bank balance was \$117,466,810. Of the collected bank balance, \$1,713,595 was covered by Federal Deposit Insurance Corporation (FDIC), and \$115,753,215 was covered by collateral held either in the pledging bank's trust department or by the pledging bank's agent.

#### Investments

Statutes authorize the County to invest in short-term United States government securities or repurchase agreements fully secured by the United States government if the funds are not needed for immediate disbursement. The stated maturities of the investments may not exceed 270 days. Statutes also authorize the County to invest in the Local Government Investment Pool established by state law. Investments are subject to approval of the County Commissioners as to the amount available for investment and the acceptable securities or financial institutions used. The fiduciary funds have separate formal investment policies which allow alternative investments at the discretion of the Trustees.

Money market account is not evidenced by securities.

Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. As permitted by GASB 79, the MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated "AAAM" by Standards and Poor's. The County is not subject to any limitations or restrictions on withdrawals of its investments in the MLGIP.

None of the County's investments are subject to concentration of credit risk, interest rate risk or foreign currency risk.



# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 2. CASH AND SHORT-TERM INVESTMENTS (continued)

#### Primary Government (continued)

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 2. CASH AND SHORT-TERM INVESTMENTS (continued)

The summary below identifies the fair market value levels of the investments of the primary government and fiduciary funds as of June 30, 2020.

#### Primary Government

	Level 1	Level 2	Level 3	Balance
<b><u>Investments at fair value level</u></b>				
Retiree Benefit Trust (OPEB):				
Money market funds	\$ 3,791,289	\$ -	\$ -	\$ 3,791,289
Common stock/equity funds	-	44,885,758	-	44,885,758
Bond funds	-	18,443,941	-	18,443,941
Venture/ltd. partnership/closely held	-	-	22,254,907	22,254,907
Length of Service Awards Trust (LOSAP):				
Money market funds	12,596	-	-	12,596
Bond funds	-	1,736,006	-	1,736,006
Equity funds	-	2,384,932	-	2,384,932
Pension Fund: Sheriff's Office Retirement Plan:				
Money market funds	2,313,004	-	-	2,313,004
Bond funds	-	15,711,548	-	15,711,548
Common stock	-	13,676,029	-	13,676,029
Venture/ltd. partnership/closely held	-	-	15,825,828	15,825,828
Equity funds	-	44,013,546	-	44,013,546
Real estate funds	-	7,304,910	-	7,304,910
Total investments at fair value	<u>\$ 6,116,889</u>	<u>\$ 148,156,670</u>	<u>\$ 38,080,735</u>	<u>\$ 192,354,294</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 2. CASH AND SHORT-TERM INVESTMENTS (continued)

#### PRIMARY GOVERNMENT (continued)

##### Investments (continued)

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

The County may terminate its membership in the Trust and withdrawal its allocated investment balance by providing written notification to the Trust six months prior to the intended withdrawal date.

#### Component Units

##### St. Mary's County Public Schools

###### Deposits

*Custodial credit risk:* Custodial credit risk for deposits is the risk that in the event of a bank failure, the School System's deposits may not be returned to it. Maryland State Law prescribes that local government units such as the School System must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2020, all of the School System's deposits, including the certificate of deposit, were either covered by federal depository insurance or were covered by collateral held by the School System's agent in the School System's name.

##### St. Mary's County Public Schools

###### Investments

Maryland State Law authorizes the School System to invest in obligations of the United States government, federal government obligations and repurchase agreements secured by direct government or agency obligations, the State's sponsored investment pool, or interest-bearing accounts in any bank. At June 30, 2020, short-term investments consist primarily of deposits in the MLGIP. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The School System has no policy on credit risk.

The carrying amount and market value of such investments were \$22,962,073, \$430,684, and \$584,492 for governmental activities, business-type activity, and fiduciary responsibilities, respectively.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 2. CASH AND SHORT-TERM INVESTMENTS (continued)

#### Component Units (continued)

##### Investment (continued)

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. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940, which is MLGIP's share price.

The School System is not subject to any limitations or restrictions on withdrawals of its investments in MLGIP.

##### St. Mary's County Library

##### Cash Deposits and Investments

Statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

As of June 30, 2020, the carrying amount of the Library's cash was \$246,754, and the bank balances totaled \$282,451. The Library's bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2020, there were no uninsured and uncollateralized bank balances.

Investments in the Maryland Local Government Investment Pool (MLGIP), an external investment pool, are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The separately issued financial statement of the MLGIP may be obtained by contacting the contractor.

##### St. Mary's County Library

	<u>Carrying Amount</u>	<u>Market Value</u>
Unrestricted:		
Investment in the Maryland Local Government Investment Pool	\$ 457,618	\$ 457,618
Restricted		
The Vanguard Group	\$ 97,595	\$ 97,595

None of the Library's deposits or investments are subject to concentration of credit risk, interest rate risk or foreign currency risk.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 2. CASH AND SHORT-TERM INVESTMENTS (continued)

#### Component Units (continued)

##### St. Mary's County Library (continued)

Statutes authorize the Library to invest in obligations of the United States government, federal government agency obligations, repurchase agreements secured by direct government or agency obligations, certificates of deposit, banks' acceptances, commercial paper, pooled investments and municipal bonds and municipal mutual funds.

##### St. Mary's County Metropolitan Commission

##### Deposits

The carrying amount of MetCom's deposits was \$36,281,070 as of June 30, 2020 and the bank balance was \$37,160,507. Of the bank balances, \$500,000 was covered by federal depository insurance as of June 30, 2020 with the remaining \$3,248,475, adequately covered by collateral.

Cash and cash equivalents consisted of the following:

Investment	\$ 9,813,060
Broker Deposits-CDRS	10,500,000
ICS	12,218,035
Cash	3,748,475
Petty cash	1,500
	<u>\$ 36,281,070</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 2. CASH AND SHORT-TERM INVESTMENTS (continued)

#### Component Units (continued)

##### St. Mary's County Metropolitan Commission

##### Investments

Investments in the MLGIP are not evidenced by securities. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. Separately issued financial statements may be obtained from the contractor: David Rommel, PNC Bank, One East Pratt Street, 5th Floor West, Baltimore, Maryland 21202. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated AAAM by Standard and Poor's. As of June 30, 2020, MetCom's investments, for both custodial and credit risk purposes, consisted solely of shares in the MLGIP. This investment is not deemed to have either risk. The Pool is managed as a Rule 2a-7 pool. Therefore, MetCom faces no interest rate risk. The cost and fair value of the MLGIP investments as of June 30, 2020 was \$9,813,060.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 3. CAPITAL ASSETS

#### Primary Government

A summary of changes in capital assets is as follows:

	Balance June 30, 2019	Additions	Transfers/ Disposals	Balance June 30, 2020
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 43,840,222	\$ 40,195	\$ (35,768)	\$ 43,844,649
Construction in progress	27,143,320	35,713,328	(43,633,166)	19,223,482
911 system & equipment	1,423,733	-	-	1,423,733
<b>Total capital assets not being depreciated</b>	<b>72,407,275</b>	<b>35,753,523</b>	<b>(43,668,934)</b>	<b>64,491,864</b>
<b>Capital assets being depreciated:</b>				
Buildings & improvements	120,324,009	25,057,205	-	145,381,214
Computer equipment	2,725,839	7,708	-	2,733,547
Other equipment	323,308	6,275	-	329,583
Vehicles - licensed	17,734,626	836,384	(1,187,261)	17,383,749
Off-road vehicles	2,842,271	55,317	-	2,897,588
Miscellaneous equipment	9,038,176	742,881	(40,230)	9,740,827
Roads	240,492,729	18,613,067	161,652	259,267,448
Curbing	946,791	-	-	946,791
Sidewalks	1,128,839	-	-	1,128,839
Guardrails	1,822,917	20,175	-	1,843,092
Airport infrastructure	4,919,224	3,905,364	-	8,824,588
Airport equipment	579,104	-	-	579,104
Baseball fields	802,670	-	-	802,670
Bridges	9,067,853	535,029	-	9,602,882
Parks & recreation	21,040,611	3,483,084	-	24,523,695
Marinas & docks	8,393,600	-	-	8,393,600
Irrigation systems	241,853	-	-	241,853
Signage	638,085	60,000	(162,652)	535,433
Parking lots	1,067,134	225,173	-	1,292,307
911 system & equipment	22,839,629	1,731,656	-	24,571,285
<b>Total capital assets being depreciated</b>	<b>466,969,268</b>	<b>55,279,318</b>	<b>(1,228,491)</b>	<b>521,020,095</b>
<b>Accumulated depreciation for:</b>				
Buildings & improvements	(52,017,723)	(2,821,729)	-	(54,839,452)
Computer equipment	(2,455,324)	(123,431)	-	(2,578,755)
Other equipment	(229,745)	(13,354)	-	(243,099)
Vehicles - licensed	(10,477,888)	(1,767,434)	1,067,379	(11,177,943)
Off-road vehicles	(1,782,262)	(122,006)	-	(1,904,268)
Miscellaneous equipment	(5,309,959)	(612,170)	17,894	(5,904,235)
Roads	(105,041,074)	(6,694,845)	-	(111,735,919)
Curbing	(808,594)	(10,692)	-	(819,286)
Sidewalks	(611,809)	(21,912)	-	(633,721)
Guardrails	(679,737)	(42,684)	-	(722,421)
Airport infrastructure	(4,702,669)	(221,695)	-	(4,924,364)
Airport equipment	(566,004)	(8,734)	-	(574,738)

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements  
June 30, 2020

3. CAPITAL ASSETS (continued)

	Balance June 30, 2019	Additions	Transfers/ Disposals	Balance June 30, 2020
<b>Accumulated depreciation for: (continued)</b>				
Baseball fields	(513,145)	(14,210)	-	(527,355)
Bridges	(3,462,788)	(187,852)	-	(3,650,640)
Parks & recreation	(6,943,553)	(840,557)	-	(7,784,110)
Marinas & docks	(6,006,470)	(280,419)	-	(6,286,889)
Irrigation systems	(154,010)	(5,788)	-	(159,798)
Signage	(452,067)	(9,476)	-	(461,543)
Parking lots	(644,570)	(72,826)	-	(717,396)
911 equipment	(8,069,816)	(1,157,041)	-	(9,226,857)
<b>Total accumulated depreciation</b>	<u>(210,929,207)</u>	<u>(15,028,855)</u>	<u>1,085,273</u>	<u>(224,872,789)</u>
<b>Total capital assets being depreciated, net</b>	<u>256,040,061</u>	<u>40,250,463</u>	<u>(143,218)</u>	<u>296,147,306</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 328,447,336</u>	<u>\$ 76,003,986</u>	<u>\$ (43,812,152)</u>	<u>\$ 360,639,170</u>
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,078,666	\$ -	\$ -	1,078,666
Solid waste facilities	<u>13,220,472</u>	<u>603,571</u>	-	<u>13,824,043</u>
<b>Total capital assets not being depreciated</b>	<u>14,299,138</u>	<u>603,571</u>	-	<u>14,902,709</u>
<b>Capital assets being depreciated:</b>				
Buildings & improvements	4,382,984	-	(48,810)	4,334,174
Computer equipment	57,188	-	-	57,188
Other equipment	39,359	-	-	39,359
Vehicles - licensed	2,070,653	-	(101,706)	1,968,947
Off-road vehicles	1,148,015	-	48,810	1,196,825
Miscellaneous equipment	608,607	11,258	-	619,865
Irrigation systems	<u>509,986</u>	<u>-</u>	<u>-</u>	<u>509,986</u>
<b>Total capital assets being depreciated</b>	<u>8,816,792</u>	<u>11,258</u>	<u>(101,706)</u>	<u>8,726,344</u>
<b>Accumulated depreciation for:</b>				
Buildings & improvements	(2,004,756)	(82,112)	10,460	(2,076,408)
Computer equipment	(57,188)	-	-	(57,188)
Other equipment	(39,359)	-	-	(39,359)
Vehicles - licensed	(1,543,682)	(143,004)	95,816	(1,590,870)
Off-road vehicles	(980,512)	(66,045)	(10,460)	(1,057,017)
Miscellaneous equipment	(518,335)	(17,448)	-	(535,783)
Irrigation systems	<u>(412,453)</u>	<u>(16,694)</u>	<u>-</u>	<u>(429,147)</u>
<b>Total accumulated depreciation</b>	<u>(5,556,285)</u>	<u>(325,303)</u>	<u>95,816</u>	<u>(5,785,772)</u>
<b>Total capital assets being depreciated, net</b>	<u>3,260,507</u>	<u>(314,045)</u>	<u>(5,890)</u>	<u>2,940,572</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 17,559,645</u>	<u>\$ 289,526</u>	<u>\$ (5,890)</u>	<u>\$ 17,843,281</u>



**COMMISSIONERS OF ST. MARY'S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**3. CAPITAL ASSETS (continued)**

General Government	\$ 1,653,984
Public Safety	3,315,813
Public Works	8,219,841
Social Services	308,073
Post-Secondary Education	42,285
Parks, Recreation, and Culture	1,291,914
Libraries	194,488
Economic Development and Opportunity	<u>2,457</u>
<b>Total Depreciation - Governmental Activities</b>	<b>\$ <u>15,028,855</u></b>
<b><u>Business-type activities</u></b>	
Recreation Activity Fund	\$ 18,704
Solid Waste/Recycling	195,928
Wicomico	<u>110,671</u>
<b>Total Depreciation - Business-Type Activities</b>	<b>\$ <u>325,303</u></b>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 3. CAPITAL ASSETS (continued)

#### Component units

#### St. Mary's County Public Schools

Capital asset activity for the year ended June 30, 2020 is as follows:

	<u>Balance, June 30, 2019</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance, June 30, 2020</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 3,742,759	\$ -	\$ (8,000)	\$ 3,734,759
Construction in progress	27,434,360	14,537,228	(24,371,355)	17,600,233
	<u>31,177,119</u>	<u>14,537,228</u>	<u>(24,379,355)</u>	<u>21,334,992</u>
Capital assets, being depreciated				
Building and improvements	376,096,431	24,674,215	(456,775)	400,313,871
Furniture and equipment	16,089,170	635,284	(6,043,215)	10,681,239
Total capital assets, being depreciated	392,185,601	25,309,499	(6,499,990)	410,995,110
Less: accumulated depreciation	(175,977,625)	(9,150,736)	7,151,874	(177,976,487)
<b>Net capital assets being depreciated</b>	<u>216,207,976</u>	<u>16,158,763</u>	<u>651,884</u>	<u>233,018,623</u>
<b>Governmental activities, capital assets, net</b>	<u>\$ 247,385,095</u>	<u>\$ 30,695,991</u>	<u>\$ (23,727,471)</u>	<u>\$ 254,353,615</u>
<b>Business-type activities</b>				
Capital assets, being depreciated				
Furniture and equipment	1,906,897	-	-	1,906,897
Less: accumulated depreciation	(1,456,295)	(79,231)	-	(1,535,526)
<b>Business-type activities capital assets, net</b>	<u>\$ 450,602</u>	<u>\$ (79,231)</u>	<u>\$ -</u>	<u>\$ 371,371</u>

Depreciation expense was charged in the Statement of Activities as follows:

<b>Governmental activities</b>	
Administration	\$ 25,536
Mid-level administration	49,429
Other instructional costs	129,950
Special education	5,609
Student personnel services	843
Student transportation services	129,614
Operation of plant	8,781,182
Maintenance of plant	28,573
Total governmental activities	<u>\$ 9,150,736</u>
<b>Business-type activities</b>	
Food service	<u>\$ 79,231</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 3. CAPITAL ASSETS (continued)

#### Component units

##### St. Mary's County Library

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
<b>Capital assets:</b>				
Furnishings and equipment	\$ 1,073,366	\$ 43,956	\$ 5,835	\$ 1,111,487
Leasehold improvements	87,735	-	-	87,735
Vehicles	34,944	-	-	34,944
Books	4,295,042	-	-	4,295,042
	<u>5,491,087</u>	<u>43,956</u>	<u>5,835</u>	<u>5,529,208</u>
<b>Accumulated depreciation</b>				
Furnishings and equipment	989,643	43,522	5,835	1,027,330
Leasehold improvements	15,793	1,754	-	17,547
Vehicles	34,944	-	-	34,944
Books	3,478,894	412,302	-	3,891,196
	<u>4,519,274</u>	<u>457,578</u>	<u>5,835</u>	<u>4,971,017</u>
<b>Net Capital assets</b>	<u>\$ 971,813</u>	<u>\$ (413,622)</u>	<u>\$ -</u>	<u>\$ 558,191</u>

Governmental activities depreciation expense of \$457,578 was charged to Library services.

##### St. Mary's County Metropolitan Commission

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
<b>Capital assets:</b>				
Utility plants	\$ 151,146,066	\$ 2,539,070	\$ -	\$ 153,685,136
Water plant systems	66,251,155	2,703,138	-	68,954,293
Equipment	9,061,829	903,675	80,000	9,885,504
Capitalized interest	818,201	-	-	818,201
Buildings	3,946,003	-	-	3,946,003
	<u>231,223,254</u>	<u>6,016,961</u>	<u>80,000</u>	<u>237,289,137</u>
<b>Not being depreciated:</b>				
Utility plant construction in process	5,390,688	5,176,985	2,167,659	8,400,014
Water plant construction in process	1,964,588	5,452,407	2,881,926	4,535,069
Land/land rights	1,937,103	-	-	1,937,103
	<u>240,515,633</u>	<u>16,646,352</u>	<u>5,129,585</u>	<u>252,161,323</u>
<b>Accumulated depreciation</b>				
Utility plants	49,814,780	4,009,030	-	53,823,810
Water plant systems	16,326,682	2,224,072	-	18,550,754
Equipment	7,096,955	200,146	80,000	7,217,101
Capitalized interest	400,918	16,364	-	417,282
Buildings	2,130,566	160,231	-	2,290,797
	<u>75,769,901</u>	<u>6,609,843</u>	<u>80,000</u>	<u>82,299,744</u>
<b>Net Capital assets</b>	<u>\$ 164,745,732</u>	<u>\$ 10,036,509</u>	<u>\$ 5,049,585</u>	<u>\$ 169,861,579</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 4. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied each July 1, and the taxpayer has the option to pay in full without interest by September 30 or elect a semiannual payment option. If a semiannual payment option is elected, the first payment is payable without interest by September 30 and the second payment, including a service charge, is payable without interest by December 31. Interest is charged for each month or fraction thereof the taxes remain unpaid beginning October 1 on accounts under the annual payment option or January 1 for accounts under the semiannual payment option. Maryland law grants the Treasurer of St. Mary's County the power to immediately advertise and sell any real property after the taxes are delinquent for a period of one year. Property taxes are levied at rates enacted by the Commissioners in the annual budget applied to the assessed value of the property as determined by the Maryland State Department of Assessments and Taxation, an agency of the government of the State of Maryland. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice, and then only after public hearings. The real property tax rate during the year ended June 30, 2020, was \$0.8426 per \$100 of assessed value based on the full valuation method. The Constant Yield tax rate for FY2020 was \$0.8426. The personal property tax rate during the year ended June 30, 2020 was \$2.1195 per \$100 of assessed value. The County Treasurer bills and collects all property taxes.

A 100% allowance for uncollectible receivables is established for prior year taxes receivable. County property tax receivable as of June 30, 2020, net of the allowance for uncollectible receivables of \$265,858, is \$1,578,278 (this amount does not include state and emergency services taxes receivable). On October 1, a 3% penalty is assessed, and interest begins accruing at a rate of 1% for each month that real and personal property taxes are delinquent (unless taxpayer has elected semiannual payment option as described above).

### 5. SPECIAL TAX ASSESSMENT AND UNEARNED REVENUE

#### Primary Government

The special assessment receivable is composed of various special assessments levied by the County for completed projects funded by the County. The cost of the completed projects is billed to taxpayers over periods from 10 to 25 years and reported as a special assessment receivable and unearned revenue. In accordance with the modified accrual method of accounting, in subsequent periods, when revenue recognition criteria are met or when the government has a legal claim to the resources, the liability for the unearned revenue is removed from the balance sheet and revenue is recognized. The non-current portion of the receivable is offset by a fund balance reserve account, which indicates that this does not constitute available resources since this is not a component of fund balance. The current portion of the special assessment receivable is considered available spendable resources.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 5. SPECIAL TAX ASSESSMENT AND UNEARNED REVENUE (continued)

#### Primary Government (continued)

As of June 30, 2020, the amount of delinquent special assessment receivables due from taxpayers was \$22.

#### Component Units

##### St. Mary's County Public Schools

##### Unearned revenue

##### General fund

Unearned revenue primarily consists of payments received under restricted programs in excess of the expenses / expenditures incurred to date under those programs as of June 30, 2020, of \$4,667,587.

##### Capital projects fund

Unearned revenue consists of prefunding in the amount of \$2,093,468 for construction projects at Spring Ridge Middle School and Safety and Security Initiatives.

##### Enterprise fund

Unearned revenue of \$272,930 represents student lunch ticket sales collected in advance which will be consumed by students in fiscal year 2021.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements  
June 30, 2020

6. LONG-TERM OBLIGATIONS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
General obligation bonds- County	\$ 92,424,000	\$30,000,000	\$ 9,940,000	\$ 112,484,000	\$ 8,673,000
State loans	1,227,454	-	123,439	1,104,015	123,440
Exempt financing	<u>3,473,101</u>	<u>2,041,500</u>	<u>1,942,993</u>	<u>3,571,608</u>	<u>1,357,958</u>
	<u>97,124,555</u>	<u>32,041,500</u>	<u>12,006,432</u>	<u>117,159,623</u>	<u>10,154,398</u>
Landfill post-closure costs	3,655,000	-	195,000	3,460,000	-
Compensated absences	<u>5,495,631</u>	<u>1,338,137</u>	<u>-</u>	<u>6,833,768</u>	<u>35,137</u>
Total	<u>\$ 106,275,186</u>	<u>\$33,379,637</u>	<u>\$12,201,432</u>	<u>\$ 127,453,391</u>	<u>\$10,189,535</u>
<i>Business-type activities</i>					
Exempt financing	\$ 206,066	\$ 608,500	\$ 229,266	\$ 585,300	\$ 167,435
Compensated absences	<u>131,180</u>	<u>18,125</u>	<u>-</u>	<u>149,305</u>	<u>-</u>
Total	<u>\$ 337,246</u>	<u>\$ 626,625</u>	<u>\$ 229,266</u>	<u>\$ 734,605</u>	<u>\$ 167,435</u>

For governmental activities, compensated absences are generally liquidated by the governmental fund to which the liability relates. For all other governmental activity debt, the general fund typically liquidates the liability.

General Obligation Bonds

The County issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds have been issued for both general government and proprietary activities. These bonds, therefore, are reported in the proprietary funds if they are expected to be repaid from proprietary revenue. In addition, General Obligation Bonds have been issued to refund both General Obligation and Revenue Bonds. General Obligation Bonds are direct obligations of the County and pledge the full faith and credit of the government.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 6. LONG-TERM OBLIGATIONS (continued)

#### Primary Government (continued)

#### Governmental Activities (continued)

#### General Obligation Bonds (continued)

On November 17, 2009, the County issued General Obligation Bonds of \$13,055,000 Series A Tax-Exempt Bonds, \$16,945,000 Series B Build America Bonds, and a \$15,645,000 Series C Refunding Bond. The Bonds will mature on July 15, in 20 annual serial installments, beginning in the year 2010 and ending in the year 2030. Interest on the Bonds is payable semiannually on each January 15 and July 15 to maturity with an average interest rate of 3.09%.

The Series B, Build America Bonds, are taxable with a bi-annual credit of 35% of the interest from the Internal Revenue Service.

The Series C Refunding Bond of \$15,645,000 is an advanced refunding on the 2001 General Obligation Bond, on principal payments of \$15,085,000. The last payment for the un-refunded portion of the 2001 General Obligation Bond was in 2012.

On November 8, 2011, the 2002 Refunding Bonds and the 2003 Public Facilities and Refunding Bonds were refunded in the 2011 General Obligation Refunding Bonds for \$34,357,000. The 2002 Refunding Bonds will mature on October 1, in 8 installments, beginning in 2013 and ending in 2019. The 2003 Refunding Bonds will mature on November 1, in 12 installments, beginning in 2013 and ending in 2023. Both the 2002 and 2003 Refunding Bonds carry interest rates ranging from 2.25-2.41%.

On April 10, 2014, the 2005 General Obligation Bonds were refunded with an advance refunding for \$9,934,000. The 2014 Direct Bank Loan Refunding will mature on March 1, in 10 installments, beginning in 2016 and ending in 2025. The Refunding Bonds carry an interest rate of 2.32%. The County refunded these bonds to reduce its total debt service payments and to obtain an economic gain of \$626,595.

On July 26, 2016, the County issued General Obligation Bonds of \$25,000,000 Consolidated Public Improvement Bonds. The Consolidated Public Improvement Bonds will mature on August 1, in 20 annual serial installments, beginning in the year 2017 and ending with the year 2036. Interest on the Bonds is payable semiannually on each February 1 and August 1 to maturity with an average interest rate of 2.25%.

On October 24, 2017, the 2009 Series B, Build America Bonds were refunded in the 2017 General Obligation Bonds, Series 2017 for \$15,475,000. The 2017 General Obligation Bonds will mature on July 15, in 10 installments, beginning in 2020 and ending in 2029.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 6. LONG-TERM OBLIGATIONS (continued)

#### Primary Government (continued)

#### Governmental Activities (continued)

#### General Obligation Bonds (continued)

Interest on the Bonds is payable semiannually on each January 15 and July 15 to maturity with an average interest rate of 1.89%.

On September 18, 2018, the County issued General Obligation Bonds of \$30,000,000. The Consolidated Public Improvement Bonds will mature on September 15, in 20 installments, beginning in the year 2019 and ending in 2038. Interest on the Bonds is payable semiannually on each March 15 and September 15 to maturity with a true interest rate of 3.17%.

On April 28, 2020, the County issued General Obligation Bonds of \$30,000,000. The Consolidated Public Improvement Bonds will mature on May 1, in 20 installments, beginning in the year 2021 and ending in 2040. Interest on the Bonds is payable semiannually on each May 1 and November 1 to maturity with a true interest rate of 2.216%.

#### 2018 Exempt Financing Equipment Lease

On October 27, 2017, Commissioners of St. Mary's County entered into an agreement with TD Equipment Finance, Inc. to borrow \$4,200,000 for the purchase of vehicles and other replacement equipment. The lease bears interest at a rate of 1.78% per annum, payable annually through 2022. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the primary government portion of the 2018 exempt financing equipment lease as of June 30, 2020, based on the total final lease amount of \$3,200,000 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 798,025	\$ 28,672	\$ 826,697
2022	812,089	14,461	826,550
	<u>\$ 1,610,114</u>	<u>\$ 43,133</u>	<u>\$ 1,653,247</u>



**COMMISSIONERS OF ST. MARY’S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**6. LONG-TERM OBLIGATIONS (continued)**

**Primary Government (continued)**

Governmental Activities (continued)

2018 Exempt Financing Equipment Lease –Taxable

On October 27, 2017, Commissioners of St. Mary’s County entered into an agreement with TD Equipment Finance, Inc. to borrow \$800,000 for the purchase for Fire and Rescue agencies. The taxable lease bears interest at a rate of 2.66% per annum, payable annually through 2022. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. The annual requirements to amortize the 2018 exempt financing taxable equipment lease as of June 30, 2020, based on the total final lease amount of \$800,000 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 161,898	\$ 8,728	\$ 170,626
2022	166,205	4,421	170,626
	<u>\$ 328,103</u>	<u>\$ 13,149</u>	<u>\$ 341,252</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 6. LONG-TERM OBLIGATIONS (continued)

#### Primary Government (continued)

#### Governmental Activities (continued)

#### 2020 Exempt Financing Equipment Lease

On October 11, 2019, Commissioners of St. Mary's County entered into an agreement with Banc of America Public Capital Corp. to borrow \$2,650,000 for the purchase of vehicles and other replacement equipment. The lease bears interest at a rate of 1.7077% per annum, payable annually through 2024. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the primary government portion of the 2020 exempt financing equipment lease as of June 30, 2020, based on the total final lease amount of \$2,650,000 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 398,035	\$ 27,893	\$ 425,928
2022	404,832	21,096	425,928
2023	411,746	14,183	425,929
2024	418,777	7,151	425,928
	<u>\$ 1,633,390</u>	<u>\$ 70,323</u>	<u>\$ 1,703,713</u>

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**6. LONG-TERM OBLIGATIONS (continued)**

**Primary Government (continued)**

Governmental Activities (continued)

2020 Exempt Financing Equipment Lease (continued)

Long-term obligations at June 30, 2020 consist of the following:

Description	Due	Rate	Amount
MD Water quality loans and other state loans:			
Holly Point Shores	2008-2032	None	\$ 120,342
Murray Road Revetment	2004-2028	None	29,056
Piney Point Lighthouse	2009-2026	None	201,822
Villas on Waters Edge	2009-2032	None	261,552
Kingston Creek II	2010-2037	None	179,239
North Patuxent Beach Road	2009-2025	None	141,515
Thomas Road	2016-2030	None	97,680
Gibson Road	2017-2031	None	72,809
Total state loans			<u>1,104,015</u>
General obligation bonds			
2009 Refunding Bonds, Series C	2010-2022	2-5%	3,650,000
2011 Refunding Bonds	2012-2024	2.25-2.41%	6,424,000
2014 Refunding Bonds	2016-2025	2.32%	5,485,000
2016 Consolidated Public Improvement Bonds	2017-2037	2.25%	22,400,000
2017 Refunding	2020-2029	1.89%	15,475,000
2018 Consolidated Public Improvement Bonds	2019-2038	3.17%	29,050,000
2020 Consolidated Public Improvement Bond	2021-2040	2.21%	30,000,000
Total general obligation bonds			<u>112,484,000</u>
Long term obligations as of June 30, 2019 consist of the following			
Total state loans and bonds			113,588,015
Accrued landfill closure and post closure costs			3,460,000
Exempt financing			3,571,608
Accumulated unpaid annual leave			6,833,768
Total			<u>\$ 127,453,391</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 6. LONG-TERM OBLIGATIONS (continued)

#### Primary Government (continued)

#### Business-Type Activities

##### 2018 Exempt Financing Equipment Lease

The annual requirements to amortize the business-type activities portion of the 2018 exempt financing equipment lease as of June 30, 2020, based on the total final lease amount of \$3,200,000 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 48,795	\$ 1,718	\$ 50,513
2022	49,647	866	50,513
	<u>\$ 98,442</u>	<u>\$ 2,584</u>	<u>\$ 101,026</u>

##### 2020 Exempt Financing Equipment Lease

The annual requirements to amortize the business-type activities portion of the 2020 exempt financing equipment lease as of June 30, 2020, based on the total final lease amount of \$2,650,000 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 118,640	\$ 8,314	\$ 126,954
2022	120,666	6,288	126,954
2023	122,727	4,227	126,954
2024	124,825	2,132	126,957
	<u>\$ 486,858</u>	<u>\$ 20,961</u>	<u>\$ 507,819</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 6. LONG-TERM OBLIGATIONS (continued)

#### Primary Government (continued)

#### Special Assessment Debt

Special assessment fund debt payable as of June 30, 2020 is composed of the following loans payable to the Maryland Department of Natural Resources:

Holly Point Shore Erosion Control, originally payable in twenty-five annual installments of \$10,029 without interest, guaranteed by the full faith and credit of the County.	\$120,338
Villas on Waters Edge Shore Erosion, payable in twenty annual installments of \$21,796, without interest, guaranteed by the full faith and credit of the County	261,552
Kingston Creek Waterway #2, payable in twenty-five annual installments of \$10,544, without interest, guaranteed by the full faith and credit of the County	<u>179,239</u>
	<u>\$561,129</u>

St. Mary's County Government has agreed that the above amounts borrowed shall be reimbursed and that these obligations shall be supported by the full faith and credit of the County.

The annual requirements to amortize all debt outstanding as of June 30, 2020 including interest of \$32,372,787 except for the accrued landfill closure and post-closure costs, accumulated unpaid leave benefits, and exempt financing, are as follows:

For the year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 8,796,440	\$ 3,806,932	\$ 12,603,372
2022	9,070,440	3,543,829	12,614,269
2023	7,470,440	3,249,089	10,719,529
2024	7,729,440	2,965,951	10,695,391
2025	6,289,440	2,706,488	8,995,928
2026-2030	28,703,873	9,922,863	38,626,736
2031-2035	24,636,869	4,809,822	29,446,691
2036-2040	20,891,073	1,367,813	22,258,886
Total	<u>\$ 113,588,015</u>	<u>\$ 32,372,787</u>	<u>\$ 145,960,802</u>

A summary of the totals above by debt type is as follows:

	General Obligation Bonds	State Loans	Special Assessment Fund	Total
Principal	\$ 112,484,000	\$ 542,882	\$ 561,133	\$ 113,588,015
Interest	<u>32,372,787</u>	-	-	<u>32,372,787</u>
	<u>\$ 144,856,787</u>	<u>\$ 542,882</u>	<u>\$ 561,133</u>	<u>\$ 145,960,802</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements  
June 30, 2020

6. LONG-TERM OBLIGATIONS (continued)

Component Units

St. Mary's County Public Schools

Long-term debt at June 30, 2020, consists of equipment financing obligations, accumulated compensated absences payable, net OPEB obligation, and net pension liability. The following is a summary of changes in the School System's long-term liabilities for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
Equipment financing agreements	\$ 1,193,838	\$ 350,951	\$ 388,949	\$ 1,155,840	\$ 394,173
Compensated absences	4,863,771	353,858	-	5,217,629	572,870
Net OPEB liability	348,695,444	69,649,326	-	418,344,770	-
Net pension liability	12,920,066	333,735	-	13,253,801	-
	<u>\$ 367,673,119</u>	<u>\$ 70,687,870</u>	<u>\$ 388,949</u>	<u>\$ 437,972,040</u>	<u>\$ 967,043</u>
<i>Business-type activities</i>					
Compensated absences	<u>\$ 186,342</u>	<u>\$ 22,374</u>	<u>\$ -</u>	<u>\$ 208,716</u>	<u>\$ 14,832</u>

The compensated absences liability attributable to the governmental activities will be liquidated solely by the General Fund.

The School System entered into various lease-purchase agreements to acquire certain office equipment and various student, teacher and administrative computers. These agreements have varying terms consisting of combined monthly payments of \$41,486 at interest rates ranging from 1.99% to 4.00%, expiring through 2024. All items purchased under the lease-purchase agreements are pledged as collateral under the agreements. Principal and interest payments for lease-purchase agreements are recorded as expenditures of the General Fund when due. Principal payments are reported as reductions of long-term obligations in the government-wide financial statements.

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**6. LONG-TERM OBLIGATIONS (continued)**

**Component Units**

St. Mary's County Public Schools

The future minimum lease payments and the new present value of the minimum lease payments as of June 30, 2020, under these equipment financing agreements are as follows:

<u>Years ending June 30,</u>	
2021	\$ 394,173
2022	394,173
2023	392,717
2024	45,982
	<u>1,227,045</u>
Less: amount representing interest	<u>(71,205)</u>
Present value of minimum lease payments	<u>\$1,155,840</u>

St. Mary's County Library

Long-term debt consists of accrued compensated absences. The following is a summary of the changes in long-term debt for the year ended June 30, 2020:

<u>Balance June 30, 2019</u>	<u>Increase</u>	<u>Balance June 30, 2020</u>	<u>Amount due within one year</u>
\$ 115,683	\$ 9,307	\$ 124,990	\$ 5,600

St. Mary's County Metropolitan Commission

Long-term bonds payable as of June 30, 2020 are as follows:

<u>Bond Payable Description</u>	<u>Due</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
Twenty-seventh issue	2011-2030	0.75 - 4.31%	\$ 7,294,800	\$ 1,799,747
Thirtieth issue	2012-2029	2.96 - 3.4%	819,245	147,683
Thirty-first issue	2013-2032	0.61 - 3.42%	5,681,300	1,296,995
Thirty-sixth issue	2014-2033	4.31%	11,519,300	4,212,791
Thirty-eighth issue	2015-2034	3.51%	16,678,500	5,194,185
Thirty-ninth issue	2015-2021	1.31%	53,000	694
Fortieth issue	2015-2027	2.08%	4,699,000	399,402
Forty-eighth Issue	2019-2049	3.39%	7,081,500	5,517,383
Forty-ninth Issue	2019-2029	1.82%	266,500	58,534
			<u>54,093,145</u>	<u>18,627,414</u>
Less: current portion			<u>3,607,339</u>	<u>2,008,286</u>
			<u>\$ 50,485,806</u>	<u>\$ 16,619,128</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 6. LONG-TERM OBLIGATIONS (continued)

#### Component Units (continued)

##### St. Mary's County Metropolitan Commission (continued)

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2020 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021 (current)	\$ 3,607,339	\$ 2,008,286	\$ 5,615,625
2022	3,652,393	1,912,397	5,564,790
2023	3,757,971	1,807,283	5,565,254
2024	3,865,125	1,691,401	5,556,526
2025	3,991,447	1,571,387	5,562,834
2026-2029	19,734,370	5,768,733	25,503,103
2030-2034	11,076,000	2,103,650	13,179,650
2035-2039	1,300,500	833,868	2,134,368
2040-2044	1,592,500	812,227	2,404,727
2045-2049	1,515,500	118,182	1,633,682
Total	<u>\$ 54,093,145</u>	<u>\$ 18,627,414</u>	<u>\$ 72,720,559</u>

##### Twenty-third issue

On November 14, 2007, the Commission issued \$10,889,100 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2017, MetCom had drawn only \$10,101,170 of the proceeds.

The bonds mature on May 1, in 20 annual installments, beginning in 2008 and ending in 2027. Interest rates on the bonds range from 3.5% to 4.25%. Interest was payable on May 1, 2008 and semiannually thereafter on each November 1 and May 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2017. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

On August 6, 2015 MetCom refinanced \$5,914,800 of this debt with TD bank.

##### Twenty-seventh issue

On August 25, 2010, the Commission issued \$12,613,963 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2020, the unspent proceeds were \$1,133,375. The bonds mature on May 1, in 20 annual installments, beginning in 2011 and ending in 2030. Interest rates on the bonds range from .75%-4.31%. Interest was payable on November 1, 2010 and semiannually thereafter on each November 1 and May 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2020. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.



# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 6. LONG-TERM OBLIGATIONS (continued)

#### Component Units (continued)

##### St. Mary's County Metropolitan Commission (continued)

##### Thirtieth issue

On March 15, 2012, MetCom issued refunding bonds in the principal amount of \$1,448,492. The bonds mature on May 1, in 18 annual installments, beginning in 2012 and ending in 2029. Interest was payable May 1, 2012 and semiannually thereafter on each May 1 and November 1 until maturity.

The bonds may be prepaid at the following premiums:

<u>Period</u>	<u>Price</u>
May 1, 2020 through April 30, 2021	102%
May 1, 2021 through April 30, 2022	101%
On or after May 1, 2022	100%

The bonds were issued to refund all the outstanding maturities of Financing Bond Issue number fourteen, issued in conjunction with the Maryland Community Development Administration (CDA). These bonds were issued with an interest rate of 2.96% that may be increased up to 3.4% in the event of a decrease in the marginal maximum corporate income tax rate. The refunded bonds had a true interest cost ranging from 4.5% to 5.0%. These bonds were issued to take advantage of a favorable interest rate environment.

MetCom refunded these bonds to reduce its total debt service payments by \$249,357 and to obtain an economic gain of \$197,055.

##### Thirty-first issue

On December 19, 2012, the Commission issued \$8,719,514 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA).

The bonds mature on May 1, in 20 annual installments, beginning in 2013 and ending in 2032. Interest rates on the bonds range from .61%-3.42%. Interest was payable on May 1, 2013 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2022. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 6. LONG-TERM OBLIGATIONS (continued)

#### Component Units (continued)

##### St. Mary's County Metropolitan Commission (continued)

##### Thirty-sixth issue

On October 2, 2013, the Commission issued \$15,948,168 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2020, there was no unspent proceeds. As of June 30, 2020, the unspent proceeds was \$6,031,653.

The bonds mature on May 1, in 20 annual installments, beginning in 2014 and ending in 2033. The average interest yield on these bonds is 4.31%. Interest was payable on May 1, 2014 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2023. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

##### Thirty-eighth issue

On August 28, 2014, the Commission issued \$22,075,230 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2020, the unspent proceeds was \$10,000,188.

The bonds mature on May 1, in 20 annual installments, beginning in 2015 and ending in 2034. The average interest yield on these bonds is 3.51%. Interest was payable on May 1, 2015 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2024. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

##### Thirty-ninth issue

On August 6, 2015, MetCom issued Refinancing Bonds Series 2015A in the principal amount of \$2,157,000. These bonds were issued with a true interest cost of 1.31% to refund certain maturities of MetCom's Refunding Bonds of 2003, the Seventeenth Issue, with a coupon rate ranging from 2.75% to 4.4% and certain maturities of MetCom's 2006 Series A Bonds, the Twenty-first Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from 3.65% to 4.275% and for the cost to refinance the loans.

These bonds were issued to take advantage of a favorable interest rate environment. Funds in the amount of \$449,973 were deposited with an escrow agent to provide for all future debt service payments of the refinanced bonds. Funds in the amount of \$1,680,395 were used to complete the defeasance of MetCom's Refunding Bonds of 2003. The remaining proceeds were used for prepayment fees and bond issuance costs.

MetCom refunded these bonds at a premium to reduce its total debt service payments by \$87,229 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$102,135.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 6. LONG-TERM OBLIGATIONS (continued)

#### Component Units (continued)

##### St. Mary's County Metropolitan Commission (continued)

##### Fortieth issue

On August 6, 2015, MetCom issued Refinancing Bonds Series 2015B in the principal amount of \$5,619,000. These bonds were issued with a true interest cost of 2.08% to refund certain maturities of MetCom's 2007 Series B Bonds, the Twenty-third Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from 3.5% to 4.25% and for the cost to refinance the loans.

These bonds were issued to take advantage of a favorable interest rate environment. Funds in the amount of \$6,310,569 were deposited with an escrow agent to provide for all future debt service payments of the refinanced bonds. The remaining proceeds were used for prepayment fees and bond issuance costs.

MetCom refunded these bonds at a premium to reduce its total debt service payments by \$537,674 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$431,337.

##### Forty-eighth Issue

On November 21, 2019, the Commission issued \$7,152,371 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA).

The bonds mature on April 1, 2049, in 30 annual installments, beginning in 2020 and ending in 2049. These bonds were issued with a true interest cost of 2.08%.

##### Forty-ninth Issue

On November 21, 2019, the Commission issued \$279,594 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA).

The bonds mature on April 1, 2029, in 10 annual installments, beginning in 2020 and ending in 2029. These bonds were issued with a true interest cost of 2.08%.

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**6. LONG-TERM OBLIGATIONS (continued)**

**Component Units (continued)**

St. Mary's County Metropolitan Commission

Notes, leases, and loans payable

Notes, leases and loans payable as of June 30, 2020 are as follows:

<u>Bond Payable Description</u>	<u>Due</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Undrawn</u>
MD Water Quality Loan #16	2023	0.012	\$ 44,552	\$ 3,843	\$ -
MD Water Quality Loan #18	2025	0.011	1,276,397	105,082	-
MD Water Quality Loan #19	2024	1.10%	222,592	17,288	-
MD Water Quality Loan #20	2024	1.10%	69,544	5,425	-
MD Water Quality Loan #22	2027	1.10%	374,496	24,406	-
MD Water Quality Loan #25	2029	1.00%	94,645	9,783	-
MD Water Quality Loan #26	2030	1.00%	305,753	33,120	-
MD Water Quality Loan #28	2030	2.20%	258,633	38,076	-
MD Water Quality Loan #32	2034	1.80%	3,652,448	690,814	-
MD Water Quality Loan #33	2033	1.70%	282,201	49,565	-
MD Water Quality Loan #34	2035	2.10%	16,602,786	3,843,524	-
MD Water Quality Loan #35	2035	2.10%	4,150,697	1,654,294	-
MD Water Quality Loan #37	2034	2.00%	1,827,833	358,393	-
Leonardtown #41	2037	1.80%	1,320,079	286,717	-
MD Water Quality Loan #42	2038	1.50%	2,886,504	514,887	-
MD Water Quality Loan #43	2038	1.50%	1,964,363	353,750	-
MD Water Quality Loan #44	2039	1.60%	4,053,202	931,958	-
MD Water Quality Loan #45	2039	1.70%	1,204,121	602,251	201,976
MD Water Quality Loan #46	2039	1.70%	1,151,754	452,982	-
MD Water Quality Loan #47	2049	1.70%	874,131	454,873	-
			42,616,731	10,431,031	\$ 201,976
Less: current portion			2,636,959	935,447	
			\$ 39,979,772	\$ 9,495,584	

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**6. LONG-TERM OBLIGATIONS (continued)**

**Component Units (continued)**

St. Mary's County Metropolitan Commission (continued)

Notes, leases, and loans payable (continued)

The annual requirements to amortize principal and interest payments on all notes, leases and loans outstanding as of June 30, 2020, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021 (Current)	\$ 2,636,959	\$ 935,447	\$ 3,572,406
2022	2,585,546	887,214	3,472,760
2023	2,618,599	838,302	3,456,901
2024	2,662,613	798,288	3,460,901
2025	2,455,528	679,639	3,135,167
2026-2030	10,488,360	2,592,109	13,080,469
2031-2035	12,511,500	2,090,565	14,602,065
2036-2040	6,379,432	1,541,353	7,920,785
2041-2045	139,097	34,057	173,154
2046-2049	139,097	34,057	173,154
<b>Total</b>	<b>\$ 42,616,731</b>	<b>\$ 10,431,031</b>	<b>\$ 53,047,762</b>

As of June 30, 2020, MetCom has twenty loans from the Maryland Water Quality Financing Administration. Proceeds from loan number sixteen for \$567,680 was used to upgrade the Leonardtown wastewater treatment plant. Loan number eighteen for \$4,712,200 was used to upgrade the Marley-Taylor WRF. Loan number nineteen for \$976,700 was used to replace the Lexington Park Wastewater Pumping Station. Loan number twenty for \$1,466,576 was for water meter installations. Loan number twenty-two for \$1,136,984 was used for the Andover Road/Estates sewer projects and for arsenic remediation wells. Loan number twenty-five for \$191,593 was used for the Hollywood Water Extension to provide arsenic remediation. Loan number twenty-six for \$582,547 was used for Patuxent Park Sewer Line Repair and the Marlay-Taylor Methane Powered CoGeneration Project. Loan number twenty-eight for \$443,927 was used for the St. Clements Shore Well. Loan number thirty-two in the amount of \$4,874,202 is for the Radio Read Meter Project. As of June 30, 2020, and 2019, MetCom had drawn \$4,421,361 of the proceeds. Loan number thirty-three in the amount of \$394,000 is for the Shangri La Drive/South Essex Drive Sewer Rehabilitation. Loan number thirty-four in the amount of \$21,082,400 is for the Marlay-Taylor Wastewater Reclamation Facility Enhanced Nutrient Removal, ENR, project. Loan number thirty-five in the amount of \$5,270,600 is also for Marlay-Taylor Wastewater Reclamation Facility ENR project. This loan will be paid for by Navy charges and is therefore taxable. As of June 30, 2020, MetCom has drawn \$26,200,310 of the proceeds on loans thirty-four and thirty-five.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 6. LONG-TERM OBLIGATIONS (continued)

#### Component Units (continued)

#### St. Mary's County Metropolitan Commission (continued)

#### Notes, leases, and loans payable (continued)

Loan number thirty-seven in the amount of \$2,420,291 is for the Route 235 and Route 712 Interceptor Rehabilitation. Loan number forty-one in the amount of \$1,705,500 is for MetCom's share of Leonardtown's MDE loan for the ENR project. Loan number forty-one is a shared project with the Town of Leonardtown for the Leonardtown Wastewater Treatment Plan ENR Upgrade. Of the total proceeds in the amount of \$7,500,000, MetCom is contributing 22.74% in debt service. Loan number forty-two in the amount of \$3,368,474 is for the St. Clement's Shores Water Line Extension. Loan number forty-three in the amount of \$2,491,768, is for the Piney Point Water. Loan number forty-four in the amount of \$5,292,504, is for the Great Mills Wastewater Pumping Station. Loan number forty-five in the amount of \$2,052,427, is for Phase I of the Town Creek Water line replacement project. Loan number forty-six in the amount of \$1,543,828, is for Phase 4 of the Patuxent Park Water Line Replacement Project. Loan number forty-seven in the amount of \$1,550,260, is for Phase 4 of the Patuxent Park Sewer Line Replacement Project. Both projects funded by loan forty-six and forty-seven are joint projects with St. Mary's County Government.

#### Changes in long-term debt

The changes in long-term debt payable for the year ended June 30, 2020 were as follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>	<u>Amounts due within one year</u>
Bonds payable	\$ 50,156,053	\$ 7,431,964	\$ 3,494,873	\$ 54,093,144	\$ 3,607,339
Notes, leases, and loans payable	42,141,561	3,531,632	3,056,462	42,616,731	2,636,959
Total long-term debt	<u>\$ 92,297,614</u>	<u>\$ 10,963,596</u>	<u>\$ 6,551,335</u>	<u>\$ 96,709,875</u>	<u>\$ 6,244,298</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 7. FUND BALANCES

A summary of the nonspendable, restricted, committed, assigned and unassigned fund balances as of June 30, 2020 are as follows:

	General Fund	Special Revenue Funds		Debt Service	Capital Projects Fund
		Fire & Rescue Revolving	Emergency Support	Fund Special Assessments	
<b>Nonspendable</b>					
Inventory	\$ 1,304,879	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	102,259				
Interfund advance (Wicomico)	594,918	-	-	-	-
<b>Total nonspendable</b>	<u>2,002,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Restricted</b>					
Domestic Violence Programs	-	-	-	-	-
County matching funds for approved grants	301,231	-	-	-	-
Funding sources specified for capital projects					
Land preservation	-	-	-	-	1,786,581
Various capital projects - transfer tax	-	-	-	-	16,451,694
County pay-go	-	-	-	-	9,859,510
Roads- impact fees	-	-	-	-	652,768
Roads- mitigation	-	-	-	-	171,410
Parks- impact fees	-	-	-	-	418,629
Parks- mitigation	-	-	-	-	753
Schools-impact fees	-	-	-	-	8,639,565
Schools-mitigation	-	-	-	-	34,125
<b>Total restricted</b>	<u>301,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,015,035</u>
<b>Committed</b>					
Bond rating reserve	14,715,000	-	-	-	-
Rainy day fund	1,625,000	-	-	-	-
Operating Budget, non-recurring items	7,961,718				
Other, net, including grants	-	289,431	460,183	488,633	-
<b>Total committed</b>	<u>24,301,718</u>	<u>289,431</u>	<u>460,183</u>	<u>488,633</u>	<u>-</u>
Assigned	5,593,102	-	-	-	-
Unassigned	33,485,176	-	-	-	(985,828)
<b>Total fund balances</b>	<u>\$ 65,683,283</u>	<u>\$ 289,431</u>	<u>\$ 460,183</u>	<u>\$ 488,633</u>	<u>\$ 37,029,207</u>

St. Mary's County spends funds in the following order: committed, then assigned, then unassigned.

The Board of County Commissioners (Board) is the highest level of decision-making authority, and committed funds are established by resolution, legislation, ordinance, and/or contractual action through the budget process. Those committed amounts cannot be used for any other purpose without Board action.

The authority for assigning fund balance is delegated to the Finance Department by the Board to carry out their approved plan.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 7. FUND BALANCES (continued)

The non-spendable fund balance includes:

Inventory - The amount of inventory at June 30, 2020, carried as an asset.

The restricted fund balance includes:

- Domestic violence programs - The amount of marriage license fees committed for domestic violence programs, by resolution.
- County matching funds for approved grants – The amount of county funding that is committed as a match to grants that were budgeted in FY2020, but for which the period extends beyond June 30, 2020. These funds will be needed to meet the obligations of the grant.
- Revenues appropriated for capital projects - The amount of revenue collected to date, which has been obligated through the budget process for specific capital projects and will be used for future capital project expenses.

The committed fund balance includes:

- Bond Rating Reserve – set by ordinance, at a minimum of 6% of the next year's revenues
- Bond Rainy Day Fund – established by the Commissioners for unanticipated events.

The debt service fund assigned fund balance includes:

- Retirement of long-term obligations - The amount of future revenue (collections) of Special Assessments that is legally restricted to expenditures for specified purposes. This future revenue will be used for the retirement of long-term obligations.

The general fund assigned fund balance is composed of:

Encumbrances	\$4,660,597
Miscellaneous revolving fund	<u>932,505</u>
	<u>\$5,593,102</u>

When unassigned fund balance is used, it is used for one-time, non-recurring expenses. In May 2020, as part of the approval of the fiscal year 2021 budget, the Board approved to use fiscal year 2019 unassigned fund balance for operating non-recurring \$281,718 and CIP Pay-Go of \$4,680,000. Additionally, on April 21, 2020, the board approved \$3,000,000 supplemental appropriation for Covid-19 related expenses. \$22,384,581 remains unused of the fiscal year 2019 unassigned fund balance; to help avoid sudden disruption or elimination



## COMMISSIONERS OF ST. MARY'S COUNTY

### Notes to the Financial Statements

June 30, 2020

#### 7. FUND BALANCES (continued)

of services, by allowing time for a plan to be developed to address such changes, revenue shortfalls, or cost shifts. And, given the still uncertain economy and the federal budget situation and its impact on the County's largest employment sector, it can help the County to weather negative revenue results for a limited period.

Each subsequent budget will include evaluation of the fund balance levels and assumptions upon which the plan was developed to determine whether it needs to be revised.

#### 8. RETIREMENT PLANS

##### Maryland State Retirement and Pension System

##### *Summary of Significant Accounting Policies*

*Pensions.* Virtually all employees of the County (other than those covered by the Sheriff's Office Retirement Plan) are members of the Maryland State Retirement and Pension System (the System). The System is considered a single multiple employer cost sharing plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### **General Information about the Pension Plan**

*Plan Description.* Certain employees of the County are provided with pensions through the System—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of the System to the MSRPS Board of Trustees.

MSRPS issues a publicly available financial report that can be obtained at [www.sra.state.md.us/Agency/Downloads/CAFR/](http://www.sra.state.md.us/Agency/Downloads/CAFR/).

*Benefits Provided.* A member of the System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Notes to the Financial Statements

June 30, 2020

#### 8. RETIREMENT PLANS (continued)

##### Maryland State Retirement and Pension System (continued)

*Early Service Retirement.* A member of the System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for the System member is 30%.

*Disability and Death Benefits.* Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's average final compensation (AFC). A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

*Contributions. (ERS)* The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 6% of their annual pay. The County's contractually required contribution rate for the System for the year ended June 30, 2020, was approximately \$2.1 million, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the System from the County were approximately \$2.1 million for the year ended June 30, 2020.

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

As of June 30, 2020, the County reported a liability of approximately \$21.9 million for its proportionate share of the System's net pension liability. The System's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the System's net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2020, the County's proportion for the System was 0.1 percent, which was substantially the same as its proportion measured as of June 30, 2019.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 8. RETIREMENT PLANS (continued)

#### Maryland State Retirement and Pension System (continued)

For the year ended June 30, 2020, the County recognized pension expense for the System of \$2,787,396 million. As of June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>
Contributions subsequent to year end	\$ 2,074,428	\$ -
Changes in assumptions	948,016	-
Difference between projected and actual investment earnings	573,487	-
Difference between actual and expected experience	-	1,239,388
Total	<u>\$ 3,595,931</u>	<u>\$ 1,239,388</u>

\$2.1 million reported as deferred outflows of resources related to the System resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the System pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the System will be recognized in pension expense as follows:

<u>Year End June 30,</u>	<u>Amount</u>
2020	\$ 702,451
2021	62,770
2022	(464,521)
2023	(18,585)
Total	<u>\$ 282,115</u>

*Information included in the MSRPS financial statements.* Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at [www.sra.state.md.us/Agency/Downloads/CAFR/](http://www.sra.state.md.us/Agency/Downloads/CAFR/).

*Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate.* The County's proportionate share of the System net pension liability calculated using the discount rate of 7.40 percent is \$21,900,552. Additionally, the County's proportionate share of the System net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.40 percent) is \$31,690,098, or 1-percentage-point higher (8.40 percent) is \$13,731,646.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 8. RETIREMENT PLANS (continued)

#### Sheriff's office retirement plan

The membership data related to the St. Mary's County Sheriff's Office Retirement Plan at July 1, 2020 was as follows:

Retirees and beneficiaries currently receiving benefits	116
Terminated plan members entitled to but not yet receiving benefits	17
Terminated plan members who are not vested, but owed a refund	41
Active plan members	190

The St. Mary's County Sheriff's Office Retirement Plan is a defined benefit plan which provides a monthly benefit at normal retirement age, early retirement age, or due to a disability. Participants contribute 8% of pay to the Plan. The County contribution varies each year. Participants are vested after five (5) years of eligibility service.

#### Years of Credited Service may be obtained under the Plan by:

- Employment with the Sheriff's Office
- Transferring credit and contributions from another governmental employer's defined pension plan in the State of Maryland
- Requesting credit for pre-employment Military service
- Leaves of absence due to Line-of-Duty Injury or Illness

#### Normal Retirement

Age 62 or after earning 25 years of eligibility service; whichever happens first. The amount of the annual normal retirement benefit is an amount equal to the lesser of (a) 80% of the Participant's average compensation, plus credit for unused sick leave, or (b) 2.5% of the Participant's average compensation multiplied by Years of Credited Service credited or earned on and after July 1, 2008, plus 2.0% of the Participant's average compensation multiplied by Years of Credited Service earned prior to July 1, 2008. For purposes of calculating the amount of the normal retirement benefit, participants will receive credit for one month of Credited Service for each 22 days of unused sick leave.

#### Early Retirement

After completing 20 years of eligibility service. Benefits are calculated in the same way as the normal retirement benefit. However, benefits are reduced by 0.50% for each month the payment begins prior to the participant reaching his/her normal retirement date.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 8. RETIREMENT PLANS (continued)

#### Sheriff's office retirement plan (continued)

##### Late Retirement

A participant who continues to work past his/her normal retirement date is eligible to receive the benefit to which the Participant would have been entitled to receive if he or she had retired at his or her normal retirement date but adjusted by including any additional years of credited service which have accrued since his or her normal retirement date, subject to a maximum benefit of 80% of the participant's average compensation.

##### Final average earnings

"Final Average Earnings" is the average compensation received during three consecutive years of service, out of the ten calendar years prior to termination, which produces the highest average.

##### Disability Retirement

The Plan provides for Line-of-Duty and Ordinary disability benefits. A Line-of-Duty benefit may be payable if a participant terminates employment due to a job-related injury which is compensable under workers' compensation. For disability applications received on or after October 1, 2000, Line-of-Duty disability benefits are categorized as "catastrophic" and "non-catastrophic". The annual benefit payable for a catastrophic disability is 66 2/3% of a participant's average pay, plus a benefit that is the equivalent of the employee contributions the participant made to the plan. The annual benefit for a non-catastrophic disability is 50% of a participant's average pay, plus a benefit that is the equivalent of the employee contributions the participant made to the plan.

An Ordinary disability benefit may be payable if a participant becomes disabled after completing five (5) years of eligibility service. The benefit is equal to 1.6%, multiplied by the participant's average compensation at the time of disability, then multiplied by years of credited service the participant is projected to have earned up to the date the participant would have reached his/her normal retirement date.

##### Death Benefits

If a participant dies prior to his or her Benefit Commencement Date, the participant's spouse, surviving children, or designated beneficiary may be entitled to receive death benefits as outline in the Plan document.

##### Deferred Vested Benefit

If a participant who terminates employment and has completed five years of credited service is eligible to receive a deferred vested benefit beginning at age 62.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 8. RETIREMENT PLANS (continued)

#### Sheriff's office retirement plan (continued)

The amount of the participant's deferred vested pension benefit is determined in the same manner as the normal retirement pension based on final average earnings and credited service at the participant's termination of employment.

#### Withdrawal of Employee Contributions

A participant who terminates employment is eligible to receive the return of his/her accumulated contribution including interest. A vested participant who withdraws his/her employee contributions shall forfeit any rights to any future benefit payments. Interest on employee contribution for non-vested participants will cease following the 12-month anniversary of a participant's terminate date.

#### Deferred Retirement Option Program (DROP)

The Deferred Retirement Option Program (DROP) is a program that allows for receipt of normal retirement for members of the Sheriff's Office Retirement Plan while remaining employer for an additional three (3) to five (5) years. Participants who have earned at least 25 years of credited service, but no more than 27 years of credited service, are eligible to enter DROP.

#### DROP Benefit

During participation in DROP, a participant's account is credited with:

- An amount equal to the participant's monthly retirement benefit under the Plan, calculated as of the date the participant enters DROP;
- Interest monthly at a minimum annual rate of 3.5%;
- The participant's biweekly SORP employee contributions while in DROP calculated at the same percentage of salary as any other SORP participant;
- Any cost-of-living adjustments (COLAs) that would have been payable when eligible if a participant had retired and begun receiving retirement benefits instead of participating in DROP.

#### Salary Increases during DROP Period

A DROP participant remains an active employee while in DROP and is eligible for promotions and pay increases subject to the personnel manual and budgeted appropriations. DROP participation is not a guarantee of employment.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 8. RETIREMENT PLANS (continued)

#### Sheriff's office retirement plan (continued)

#### Termination of Employment at End of DROP

Election to participate in DROP will include a binding letter of resignation of employment with the St. Mary's County Sheriff's Office as of the last day of the elected DROP participation period.

#### Termination of Employment before End of DROP

If a participant's employment with the St. Mary's County Sheriff's Office ends before the end of the DROP period elected, whether voluntarily or involuntarily, and the participant has not completed at least three (3) full years of DROP participation, the DROP participant's monthly retirement benefit will be calculated as if he/she had never elected to participate in DROP, but will be paid in the form of payment the participant elected when he/she elected to participate in DROP. The participant's DROP account will be reduced to zero.

#### Disability during DROP Period

If a participant terminates employment as a result of total and permanent disability (as defined in the SORP), the participant may apply for a disability benefit. If the participant's application for a disability benefit is approved, the participant will be eligible to elect either: 1) a retirement benefit determined as if he/she had never elected to participate in DROP with no payment of a DROP account, or 2) the retirement benefit determined when the participant entered DROP plus the participant's DROP account.

#### DROP End Date

The DROP is scheduled to end on June 30, 2026. At that time, the SORP Board of Trustees will conduct an actuarial study to assess the effectiveness of the DROP. The Board of County Commissioners may elect to reinstate the DROP after that date

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**8. RETIREMENT PLANS (continued)**

Sheriff's office retirement plan (continued)

Net pension liability of the county

The components of the net pension liability of the Sheriff's plan at June 30, 2020, were as follows:

Total pension liability	\$ 142,561,796
Plan fiduciary net position	98,844,866
County's net pension liability	<u>\$ 43,716,930</u>

Plan fiduciary net position as a percentage of the total pension liability	<u>69.33%</u>
--	---------------

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2019 rolled forward to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	Rates vary by participant service
Investment rate of return	7.25%, net of invest expense, including inflation
Mortality	RP-2014 Combined Healthy tables with Blue Collar adjustment and generational projection by Scale MP-2016

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2020 actuarial valuation report.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the plan's net position liability, calculated using a single discount rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one (1) percentage point lower or one (1) percentage point higher.

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Sheriff's Plan net pension liability	<u>\$ 64,993,006</u>	<u>\$ 43,716,930</u>	<u>\$ 26,592,850</u>



**COMMISSIONERS OF ST. MARY’S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**8. RETIREMENT PLANS (continued)**

Sheriff’s office retirement plan (continued)

Asset allocation

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

<u>Asset Class</u>	<u>Allocation</u>
Domestic equity	38.2%
International equity	20.5%
Fixed income	22.4%
Hedge funds	8.7%
Private equity	2.4%
Real assets	2.6%
Cash equivalents	5.2%
Total	<u>100%</u>

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**8. RETIREMENT PLANS (continued)**

Sheriff's office retirement plan (continued)

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

As of June 30, 2020, the Sheriff's office retirement plan reported a net pension liability of \$43,716,730. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2020.

For the year ended June 30, 2020, the Sheriff's office retirement plan recognized pension expense of \$7,524,771 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 4,087,217	\$ -
Net difference between projected and actual earnings on pension plan investments	2,469,158	-
Difference between actual and expected experience	<u>268,191</u>	<u>5,403,429</u>
Total	<u>\$ 6,824,566</u>	<u>\$ 5,403,429</u>

The deferred outflows and deferred inflows will be amortized in the following fiscal years as follows:

Years ended June 30,	Amount
2021	\$ 539,264
2022	586,795
2023	571,324
2024	(276,246)
2025	-

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 8. RETIREMENT PLANS (continued)

#### Sheriff's office retirement plan (continued)

##### Discount rate

The current discount rate on the Sheriff's Office plan is 7.25%.

##### Recommended contribution level

Participants are required to make mandatory contributions to the plan equal to 8% of base earnings. Employee contributions are credited with interest at the rate of 4% per annum. The County pays the entire remaining cost of the plan.

The County is required to contribute at an actuarially determined rate, currently 39.9% of covered payroll. Contribution requirements of plan members and the county are established and may be amended by the Commissioners. The amount of the Sheriff's Department's current year covered payroll is \$15,216,000. The following employer contributions were made during the fiscal year ended June 30, 2020:

	<u>Contributions</u>	<u>% of Covered Payroll</u>
Actuarially determined	\$ 6,071,000	39.90%

#### Volunteer fire departments, rescue squads and advanced life support unit

##### Plan Description

A length of service program (LOSAP) for qualified active volunteer members of the St. Mary's County Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit was established effective July 1, 1980. An "active member" is defined as a person who accumulated a minimum of fifty (50) points per calendar year in accordance with a point system. This program is funded and administered by the Commissioners of St. Mary's County.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 8. RETIREMENT PLANS (continued)

#### Volunteer fire departments, rescue squads and advanced life support unit (continued)

##### Eligibility and benefits

a. Any person who has served as a member of any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit is eligible to receive benefits provided that:

- 1) The person is certified in accordance with the point system to have served as an active volunteer subsequent to December 31, 1979.
- 2) Any person who discontinued active volunteer service prior to July 1, 1980, may receive credit for the service after being certified in accordance with the point system.

b. Beginning July 1, 1994, active volunteer fire and rescue squads and advanced life support unit personnel may select from two Length of Service program benefit options. Selection of a benefit option by the individual is irrevocable. The options, with rates reflected effective July 1, 2006, are:

- 1) Any person who has reached the age of sixty (60) and who has completed a minimum of twenty (20) years of certified active volunteer service with any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit, or combination thereof, shall receive two hundred dollars (\$200) per month, for life. Payments will begin in the month following eligibility.

An additional payment of eight dollars (\$8) per month shall be added to the benefit for each full year of volunteer service in excess of twenty (20) years.

- 2) Any person who has reached the age of fifty-five (55) and who has completed a minimum of twenty (20) years of certified volunteer service with any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit or combination thereof, shall receive one hundred fifty dollars (\$150) per month for life.

An additional payment of eight dollars (\$8) per month shall be added to the benefit for each full year of volunteer service in excess of twenty (20) years.

In the event that any active volunteer becomes disabled during the course of his or her service while actively engaged in providing such services and in the event that the disability prevents the volunteer from pursuing his or her normal occupation and in the event that the disability is of a permanent nature as certified by the Maryland Workmen's Compensation Commission or other competent medical authority as designated by the Commissioners of St. Mary's County, then the volunteer is entitled to receive the minimum benefits prescribed above and any such benefits as he or she may be entitled to regardless of his or her age or length of service.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 8. RETIREMENT PLANS (continued)

#### Volunteer fire departments, rescue squads and advanced life support unit (continued)

These benefits will begin on the first day of the month following the establishment of the permanency of his or her disability.

- c. In the event that any qualified volunteer shall die while receiving benefits, then his or her surviving spouse is entitled to benefits equal to fifty percent (50%) of the volunteer's benefits. These benefits terminate upon death or remarriage of the spouse.
- d. In the event that a qualified volunteer dies prior to receiving any benefits under this section, his or her surviving spouse is entitled to benefits equal to fifty percent (50%) of the volunteer's earned benefits. These benefits terminate upon death or remarriage of the spouse.
- e. In the event that an active volunteer dies in the line of duty, a burial benefit up to two thousand five hundred dollars (\$2,500) is payable.
- f. In the event that any active volunteer (herein defined as one who has at least two (2) years of qualifying service in the five (5) preceding years) attains the age of seventy (70) years and fails to achieve the required twenty (20) years of service, then the volunteer is entitled to a monthly benefit of the number of years of credited service completed, multiplied by eight dollars (\$8).

#### Point system

In order to qualify for benefits, points are credited to each volunteer as follows:

- 1) One (1) point is credited for each hour of attendance in a recognized training course, provided that not more than twenty (20) points may be credited for all training courses attended per year.
- 2) One (1) point is credited for each company or county drill that is a minimum of two (2) hours in duration attended in its entirety, provided that not more than twenty-five (25) points may be credited for all drills attended per year.
- 3) One (1) point is credited for each official company or county meeting pertaining to St. Mary's County fire services or rescue services attended, provided that not more than fifteen (15) points may be credited for all meetings attended per year.
- 4) One (1) point is credited for each call to which a volunteer responds, provided that not more than forty (40) points may be credited for all calls responded to per year.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 8. RETIREMENT PLANS (continued)

#### Volunteer fire departments, rescue squads and advanced life support unit (continued)

5) Twenty-five (25) points are credited for completion of a one-year term as an appointed or elected officer in any of the fire or rescue service organizations of St. Mary's County, provided that not more than one (1) office shall be counted in any calendar year.

6) One-half (1/2) of a point is credited for each hour of acceptable collateral duties, such as but not limited to apparatus and building maintenance, official standby and fire prevention, provided that not more than twenty-five (25) points may be credited for all collateral duties performed per year.

7) A volunteer member who serves or has served full-time military service in the armed forces of the United States receives credit at the rate of five (5) points for each month served, provided that not more than fifty (50) points can be credited for any calendar year. A maximum of four (4) years of creditable service may be acquired in this manner. The volunteer member must have been an active member for one (1) year prior to enlistment. The volunteer member must be reinstated within six (6) months after discharge.

This length of service program is funded by the County Commissioners by annual appropriations. The total contribution for the fiscal year ended June 30, 2020 was approximately \$2.1million.

The Commissioners assign the authority to establish and amend the benefit provisions of the plan.

#### Net pension liability of the county

The components of the net pension liability of the LOSAP plan at June 30, 2020, were as follows:

Total pension liability	\$ 23,939,843
Plan fiduciary net position	<u>4,136,572</u>
County's net pension liability	<u>\$ 19,803,271</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>17.28%</u>

**COMMISSIONERS OF ST. MARY’S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**8. RETIREMENT PLANS (continued)**

Volunteer fire departments, rescue squads and advanced life support unit (continued)

Net pension liability of the county

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2019 rolled forward to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	Not applicable
Investment rate of return	6.0%, compounded annually, net of investment expense
Mortality	RP-2014 Mortality Table with Blue Collar adjustment set forward 1 year and generational projection by Scale MP-2017

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2020 actuarial valuation report.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the plan’s net position liability, calculated using a single discount rate of 7.25%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is one (1) percentage point lower or one (1) percentage point higher.

	<u>1% Decrease</u> 5.00%	<u>Current Discount</u> Rate 6.00%	<u>1% Increase</u> 7.00%
LOSAP Plan net pension liability	<u>\$ 23,472,933</u>	<u>\$ 19,803,271</u>	<u>\$ 16,876,316</u>

Asset allocation

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

**COMMISSIONERS OF ST. MARY’S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**8. RETIREMENT PLANS (continued)**

Volunteer fire departments, rescue squads and advanced life support unit (continued)

Asset allocation (continued)

<u>Asset Class</u>	<u>Allocation</u>
Domestic equity	38.2%
International equity	20.5%
Fixed income	22.4%
Hedge funds	8.7%
Private equity	2.4%
Real assets	2.6%
Cash equivalents	5.2%
Total	<u>100%</u>

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

As of June 30, 2020, the LOSAP plan reported a net pension liability of \$19,830,271. The net pension liability was measured as of July 1, 2019, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2020.

For the year ended June 30, 2020, the LOSAP plan recognized pension expense of \$1,552,312 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>
Difference between expected and actual experience	\$ -	\$ 1,523,517
Changes in assumptions	-	128,693
Net difference between projected and actual earnings on pension plan investments	<u>212,390</u>	<u>-</u>
Total	<u>\$ 212,390</u>	<u>\$ 1,652,210</u>



# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 8. RETIREMENT PLANS (continued)

#### Volunteer fire departments, rescue squads and advanced life support unit (continued)

The deferred outflows and deferred inflows will be amortized in the following fiscal years as follows:

Years ended June 30,	
2021	\$ (180,554)
2022	(180,552)
2023	(199,462)
2024	(200,578)
2025	(243,382)
Thereafter	(435,292)

#### Discount rate

The current discount rate on the LOSAP plan is 6.00%.

#### COMPONENT UNITS

The component units are covered under the same State retirement plan as the County.

#### St. Mary's County Public Schools

Contribution rates for employer and other non-employer contributing entities (including the State of Maryland) are established by annual actuarial valuations using the individual entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability. The School System made

## COMMISSIONERS OF ST. MARY'S COUNTY

### Notes to the Financial Statements

June 30, 2020

#### 8. RETIREMENT PLANS (continued)

##### St. Mary's County Public Schools (continued)

required contributions totaling \$6,517,606 or 4.48% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling \$13,499,592 or 9.28% of current covered payroll for fiscal year 2020. The contributions made by the State of Maryland on behalf of the School System were recognized as both revenue and expenditures in the General Fund as required by the GASB Codification.

As of June 30, 2020, the School System reported a liability of \$13,253,801 or 0.069% of the total liability of \$20,625,610,000.

##### St. Mary's County Library

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2020, the Library's total payroll and payroll for covered employees was \$2,399,165. No contributions were made by the Library for the year ended June 30, 2020.

For fiscal year 2020, the State contributed \$371,084 to the State Retirement and Pension System on behalf of the Library. In accordance with GASB Statement No. 24, the State's contribution amount has been shown as State aid revenue and pension expenditure. The State's contribution amounted to approximately 15% of covered payroll.

##### St. Mary's Metropolitan Commission

###### Retirement and pension plan

MetCom's contribution to the System was \$529,249 for year ended June 30, 2020.

As of June 30, 2020, MetCom reported a liability of \$4,896,302 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MetCom's proportion of the net pension liability was based on MetCom's share of contributions to the pension plan relative to the contribution of all participating employers. As of June 30, 2020, MetCom's proportion was .024%.

##### Nationwide Retirement Solutions

On March 18, 2004, MetCom adopted a Section 457 plan. Under the terms of the plan, employees may contribute up to 100% of their salary, up to the contribution limits, to the plan. No employer contributions are made to this plan.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 9. INTERFUND BALANCES

Individual fund interfund receivable and payable balances are composed of the following as of June 30, 2020:

<u>Primary Government</u>	<u>Due From</u>	<u>Due to</u>
<u>General Fund</u>		
Fire & Rescue Revolving Loan Fund	\$ -	\$ 289,431
Special Assessments	-	496,532
Emergency Services Support Fund	-	433,037
Capital Projects Fund	-	44,318,518
Enterprise Fund	674,181	1,785,844
<u>Special Revenue Funds</u>		
<u>General Fund</u>	722,468	-
<u>Special Assessments</u>		
<u>General Fund</u>	496,532	-
<u>Capital Projects Fund</u>		
<u>General Fund</u>	44,318,518	-
<u>Enterprise Fund</u>		
<u>General Fund</u>	<u>1,785,844</u>	<u>674,181</u>
 Total due from/due to	 <u>\$47,997,543</u>	 <u>\$47,997,543</u>

### 10. COMMITMENTS AND CONTINGENCIES

#### Primary government

There are several pending lawsuits in which the County is involved. The County attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

The County participates in a number of federally assisted grant programs, principal of which are the Departments of Education, Health and Human Services and Health and Mental Hygiene grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 10. COMMITMENTS AND CONTINGENCIES (continued)

#### Component units

##### St. Mary's County Public Schools

#### Legal proceedings

In the normal course of operations, the School System is subject to lawsuits and claims. In the opinion of management, the disposition of such lawsuits and claims will not have a material effect on the School System's financial position or results of operations.

#### School construction

As of June 30, 2020, the School System had entered into various school construction commitments which are not reflected in the statement of net position or balance sheet - governmental funds. They will be funded by the State of Maryland or County bond issues, totaling approximately \$16,026,431.

#### Grant program

The School System participates in a number of state and federally assisted grant programs which are subject to financial and compliance audits by the granters or their representatives. Such federal programs were audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for the current year. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School System expects such amounts, if any, to be immaterial.

#### Health insurance

The School System is under a modified retrospective billing arrangement with a commercial insurance carrier to provide group health coverage. Under this arrangement, the insurance carrier assesses an initial charge paid by the School System through monthly premiums. At the end of the coverage period, there is a settlement of the difference between the billed premium and the actual claims and expenses. A deficiency in the billed premium represents the callable margin, which is owed by the School System, up to a maximum of 5%. If the actual claims and expenses are less than the billed premium, the School System would be entitled to a refund. For the year ended June 30, 2020, management anticipates a refund in the amount of \$7,151,793.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Notes to the Financial Statements

June 30, 2020

#### 10. COMMITMENTS AND CONTINGENCIES (continued)

##### St. Mary's County Library

##### Grant audit

The Library receives federal funds, which are passed through the State of Maryland to the Library for specific purposes. The grants are subject to review and audit by the Maryland State Department of Education. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the granting agency. In the opinion of the Library's management, such disallowances, if any, will not be significant.

##### Support

The Library receives a substantial amount of its support from intergovernmental sources. A significant reduction in the level of this support, were this to occur, might have an effect on the Library's programs and activities.

#### 11. OTHER POST EMPLOYMENT BENEFITS

##### PRIMARY GOVERNMENT

##### Plan description

The County provides health, prescription and vision care insurance benefits to eligible retirees and their eligible dependents and life insurance for retirees only. Eligible persons include employees, former employees, or beneficiaries who are receiving pensions, and meet the eligibility requirements of the Maryland State Retirement and Pension System and the St. Mary's County Sheriff's Department Retirement Plan. The County pays a percentage of premiums based on years of service. For employees retiring prior to July 1, 2010, the percentage ranges from 26.6% with five years of service to 85% with 16 or more years of service. The percentages for employees retiring on or after July 1, 2010, range from 21.25% with 10 years of service to 85% with 25 years of service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by the Board of County Commissioners.

The OPEB plan is administered through the single- employer Retiree Benefit Trust of St. Mary's County, Maryland as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The Trust's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable. The Trust assets are invested in stocks, real estate, and limited partnership equities included in the investment policy statement.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 11. OTHER POST EMPLOYMENT BENEFITS (continued)

#### PRIMARY GOVERNMENT (continued)

As of June 30, 2020, membership consisted of:

Retirees and beneficiaries currently receiving benefits	496
Active plan members	719

The Trustees determine how much is contributed to the OPEB Trust as part of the budget process. The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the actuarially determined contribution of the employer (ADC), an amount actuarially determined in accordance with the parameters of the GASB codification. The ADC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period of thirty years. The current ADC is \$3,252,000. The County contributed the pay-go amount of \$3,706,715 to the OPEB Trust during the year ended June 30, 2020.

#### Investments

The County's investment authority is established in the Investment Policy for the Retiree Benefit Trust of St. Mary's County, Maryland. The investment allocation of the Trust, per the policy is as follows:

	<u>Lower Limit</u>	<u>Strategic Allocation</u>	<u>Upper Limit</u>
Domestic Large Cap Equities	12%	22%	32%
Domestic Small/Mid Cap Equities	5%	9%	14%
Real Estate Equities	4%	8%	12%
International Equities	7%	10%	13%
Emerging Market Equities	0%	5%	7%
Domestic Fixed Income	16%	22%	36%
TIPS	0%	5%	7%
High Yield Fixed Income	0%	5%	7%
Real Estate Alternatives	0%	6%	6%
Private Equity	0%	12%	12%
Cash Equivalents	0%	0%	10%

For the year ended June 30, 2020, the annual money weighted rate of return of the OPEB Trust was 4.4%.

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**11. OTHER POST EMPLOYMENT BENEFITS (continued)**

PRIMARY GOVERNMENT (continued)

The components of the net OPEB liability of the County as of June 30, 2020, were as follows:

Total OPEB liability	\$ 95,557,066
Plan fiduciary net position	<u>89,375,895</u>
County's net OPEB liability	<u>\$ 6,181,171</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>93.53%</u>

Actuarial assumptions:

The total OPEB liability as determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.30%
Salary increases	3.50%
Investment rate of return	6.00%
Healthcare cost trend rate	5.8% trending to 4.0% (pre-Medicare) and 3.9% (post-Medicare)
Discount Rate	7.08%

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**11. OTHER POST EMPLOYMENT BENEFITS (continued)**

PRIMARY GOVERNMENT (continued)

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	<u>1% Decrease 6.08%</u>	<u>Current Discount Rate 7.08%</u>	<u>1% Increase 8.08%</u>
Net OPEB liability	<u>\$ 21,927,540</u>	<u>\$ 6,181,171</u>	<u>\$ (6,234,561)</u>
	<u>1% Decrease 3.00%</u>	<u>Medical Trend 4.00%</u>	<u>1% Increase 5.00%</u>
Net OPEB liability	<u>\$ (8,737,900)</u>	<u>\$ 6,181,171</u>	<u>\$ 25,374,874</u>

For the year ended June 30, 2020, the County recognized OPEB expense of approximately \$(610,427). As of June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 9,048,753
Net difference between projected and actual earnings on pension plan investments	-	965,438
Net difference between actual and expected experience	<u>-</u>	<u>3,159,912</u>
Total	<u>\$ -</u>	<u>\$ 13,174,103</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

<u>Years ended June 30,</u>	<u>Amount</u>
2021	\$ (3,764,130)
2022	(3,023,776)
2023	(2,365,032)
2024	(1,983,734)
2025	(775,461)
Thereafter	(1,261,970)



# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. OTHER POST EMPLOYMENT BENEFITS (continued)

#### COMPONENT UNITS

##### St. Mary's County Library

##### Plan description

The Library provides health, prescription and vision care insurance benefits to eligible retirees, retirees' family members and the family members of deceased employees. Eligible persons include employees with a minimum of five years of eligible Library service entering an immediate retirement, family members of retirees and family members of deceased employees. The Library pays a percentage of premiums based on the date of hire and number of years of service. For employees retiring prior to July 1, 2010, or hired before July 1, 1991, regardless of retirement date, the percentage ranges from 26.6% with five years of service to 85% with 16 or more years of service. The percentages for employees retiring on or after July 1, 2010, range from 21.25% with 10 years of service to 85% with 25 years of service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by The Library Board of Trustees.

The Library's OPEB plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County Library as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The Trust's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable. The Trust assets are invested with the Maryland Association of Counties (MACo) OPEB Trust. The OPEB Trust does not issue a stand-alone financial report.

As of June 30, 2020, membership consisted of:

Retirees and beneficiaries currently receiving benefits	8
Active plan members	25

##### Investments

The Library's investment authority is established in the Retiree Benefit Trust of St. Mary's County Library. For the year ended June 30, 2020, the annual money weighted rate of return of the OPEB Trust was 1.2%.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. OTHER POST EMPLOYMENT BENEFITS (continued)

#### St. Mary's County Library (continued)

The components of the net OPEB liability of the Library as of June 30, 2020, were as follows:

Total OPEB liability	\$	4,105,014
Plan fiduciary net position		<u>1,057,687</u>
County's net OPEB liability	\$	<u>3,047,327</u>

Plan fiduciary net position as a percentage of the total OPEB liability		<u>25.77%</u>
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#### Actuarial assumptions:

The total OPEB liability as determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.20%
Investment rate of return	6.00%
Healthcare cost trend rate	3.9% trending to 3.8%
Discount Rate	2.78%

The long-term nominal expected rate of return on OPEB plan investments of 6% was determined using a building block method where return expectations are established for each asset class. The building block approach uses the current underlying fundamentals, not historical returns. Spread and the risk-free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity. These return expectations are weighted based on asset/target amounts.

The discount rate used to measure the total OPEB liability was 2.78% as of June 30, 2020. The projection of cash flow used to determine the discount rate assumed that the Library's contributions will be made at rates equal to current contributions levels.

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**11. OTHER POST EMPLOYMENT BENEFITS (continued)**

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net OPEB liability	<u>\$ 1,616,161</u>	<u>\$ 3,047,327</u>	<u>\$ 812,505</u>
	1% Decrease 3.00%	Medical Trend 4.00%	1% Increase 5.00%
Net OPEB liability	<u>\$ 2,204,291</u>	<u>\$ 3,047,327</u>	<u>\$ 4,212,583</u>

For the year ended June 30, 2020, the Library recognized OPEB expense of \$330,174. As of June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 1,190,583	\$ 54,457
Net difference between projected and actual earnings on pension plan investments	17,935	-
Net difference between actual and expected experience	<u>425,254</u>	<u>108,063</u>
Total	<u>\$ 1,633,772</u>	<u>\$ 162,520</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 11. OTHER POST EMPLOYMENT BENEFITS (continued)

#### St. Mary's County Library (continued)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

<u>Years ended June 30,</u>	<u>Amount</u>
2021	\$ 196,544
2022	203,804
2023	206,539
2024	207,496
2025	199,117
Thereafter	457,752

#### St. Mary's Metropolitan Commission

##### Plan description

MetCom provides health, prescription, dental and vision care insurance benefits to eligible retirees, eligible retirees' family members and the family members of deceased employees as a single-employer plan. Eligible persons include employees with a minimum of ten years of eligible MetCom service entering an immediate retirement, family members of eligible retirees and family members of deceased employees. MetCom pays a percentage of premiums based on the date of hire and number of years of service. For employees hired prior to May 10, 2007, the percentage ranges from 53.13% with ten years of service to 85% with 16 or more years of service. The percentages for employees hired on or after May 10, 2007, range from 21.25% with 15 years of service to 85% with 30 years of service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by MetCom's Board of Commissioners.

MetCom's OPEB plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County Metropolitan Commission as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The Trust's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable. The Trust assets are invested with the Maryland Local Government Investment Pool and the Maryland Association of Counties (MACo) OPEB Trust. The OPEB Trust does not issue a stand-alone financial report.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. OTHER POST EMPLOYMENT BENEFITS (continued)

#### St. Mary's Metropolitan Commission (continued)

As of June 30, 2020, membership consisted of:

Retirees and beneficiaries currently receiving benefits	27
Active plan members	73
Total	<u>100</u>

#### Investments

MetCom's investment authority is established in the Retiree Benefit Trust of St. Mary's County Metropolitan Commission. For the year ended June 30, 2020, the annual money weighted rate of return of the OPEB Trust was 1.55%.

The components of the net OPEB liability of MetCom as of June 30, 2020, were as follows:

	<u>2020</u>
Total OPEB liability	\$ 9,553,856
Plan fiduciary net position	<u>6,771,281</u>
Net OPEB liability	<u>\$ 2,782,575</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>70.87%</u>

#### Actuarial assumptions:

The total OPEB liability as determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.20%
Salary increases	3.00%
Investment rate of return	6.50%
Healthcare cost trend rate	The Ultimate trending is 4.90% (pre-Medicare) and 3.80% (post-Medicare)
Discount Rate	6.68%

The long-term nominal expected rate of return on OPEB plan investments of 6.68% was determined using a building block method where return expectations are established for each asset class. The building block approach uses the current underlying fundamentals, not historical returns. Spread and the risk-free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity. These return expectations are weighted based on asset/target amounts.

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**11. OTHER POST EMPLOYMENT BENEFITS (continued)**

St. Mary's Metropolitan Commission (continued)

The discount rate used to measure the total OPEB liability was 6.68% as of June 30, 2020. The projection of cash flow used to determine the discount rate assumed that the Library's contributions will be made at rates equal to current contributions levels.

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	1% Decrease 3.0%	Medical Trend 4.00%	1% Increase 5.00%
Net OPEB Liability	\$1,116,094	\$ 2,782,575	\$4,967,452

	1% Decrease 5.68%	Discount Rate 6.68%	1% Increase 7.68%
Net OPEB Liability	\$4,622,529	\$ 2,782,575	\$1,349,706

For the year ended June 30, 2020, the County recognized OPEB expense of \$418,844. As of June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between expected and actual experience	\$ 71,342	\$ -
Changes of assumptions	-	605,472
Net Difference between projected and actual earnings on OPEB plan Investments	324,556	-
Employer contribution Subsequent to measurement date	-	-
	<u>\$ 395,898</u>	<u>\$ 605,472</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 24,735
2022	32,668
2023	16,040
2024	2,577
2025	(62,130)
Thereafter	(223,464)
<b>Total</b>	<u>\$ (209,574)</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 11. OTHER POST EMPLOYMENT BENEFITS (continued)

#### St. Mary's County Public Schools

The School System provides post-employment health care and life insurance benefits (OPEB Plan) to employees, former employees, or beneficiaries who meet retirement eligibility requirements of the pension plans. Effective July 1, 2007, by terms of a negotiated contract with employee associations, the School System partially supports the group insurance plan for retired employees who have been employed by the School System for ten or more years. These negotiated agreements provide that the School System will contribute from 45% to 65% of a retirees' group health insurance premium for years of experience ranging from 10 years to 30 or more years, respectively. In addition, the School System pays 100% of life insurance premiums based upon 50% of final salary coverage.

As of June 30, 2020, the date of the last actuarial valuation, approximately 885 retirees were receiving benefits, and 1,634 active employees are potentially eligible to receive future benefits.

The School System contributes the pay as you go portion, along with an annually budgeted prefunding amount of the annual determined contribution (ADC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Codification. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ADC rate is 10.79% of annual covered payroll. The School System contributed \$8,952,732, for the year ended June 30, 2020, consisting of contributions towards current healthcare and life insurance premiums accounted for in the general fund with \$757,542 in additional contributions in the current year to prefund future benefits to the retirement benefit trust fund.

The components of the School Systems net OPEB liability as June 30, 2020 are as follows:

Total OPEB liability	\$ 470,277,103
Plan fiduciary net position	<u>51,932,333</u>
County's net OPEB liability	<u>\$ 418,344,770</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>11.04%</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2020

### 11. OTHER POST EMPLOYMENT BENEFITS (continued)

#### St. Mary's County Public Schools (continued)

##### Actuarial assumptions:

The total OPEB liability as determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.40%
Investment rate of return	7.00%
Salary increase	3.50%
Healthcare cost trend rate	4.70%
Discount Rate	2.45%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return, expected returns, net of investment expense and inflation are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the MABE Trust as of June 30, 2020, was 2.45%.

*Discount rate.* The discount rate used to measure the total OPEB liability was 2.45 percent. The projection of cash flow used to determine the discount rate assumed that the School System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

##### *Sensitivity of the net OPEB liability to changes in the discount rate.*

The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using rates that are 1% higher and 1% lower:



**COMMISSIONERS OF ST. MARY'S COUNTY**

**Notes to the Financial Statements  
June 30, 2020**

**11. OTHER POST EMPLOYMENT BENEFITS (continued)**

St. Mary's County Public Schools (continued)

	1% Decrease 1.45%	Current Discount Rate 3.13%	1% Increase 4.13%
Net OPEB liability	<u>\$ 532,346,633</u>	<u>\$ 418,344,770</u>	<u>\$ 332,261,959</u>
	1% Decrease 3.0%	Medical Trend 4.00%	1% Increase 5.0%
Net OPEB liability	<u>\$ 325,990,101</u>	<u>\$ 418,344,770</u>	<u>\$ 546,411,859</u>

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2020, the Board recognized OPEB expense of \$30,261,564. As of June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 75,112,544	\$ 1,705,959
Net difference between projected and actual earnings on pension plan investments	1,551,549	-
Net difference between actual and expected experience	<u>943,466</u>	<u>21,851,568</u>
Total	<u>\$ 77,607,559</u>	<u>\$ 23,557,527</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to OPEB will be recognized in OPEB expense as follows:

Years ended June 30,	
2021	\$ 6,987,296
2022	6,987,296
2023	7,018,431
2024	7,033,714
2025	6,618,797
Thereafter	19,404,498

Detailed OPEB plan information for the School System is available in their current year audited financial statements.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Notes to the Financial Statements

June 30, 2020

#### 12. LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and federal laws and regulations require the Commissioners of St. Mary's County to place a final cover on landfill sites when the site stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Commissioners of St. Mary's County report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,460,000 reported as landfill closure and post-closure care liability at June 30, 2020, represents the cumulative amount reported to date. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Estimated closure and post-closure costs were taken from a 1990 Cost Analysis, for cell numbers three and five, and from current contract commitments for closure for cell numbers one, two and four. A 3% inflation factor was assumed. Post-closure costs are budgeted and paid annually.

#### 13. RISK MANAGEMENT

The County 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 related disasters. The County is a member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML) and the Maryland Association of Counties. The LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability and property coverage.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessment. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members.

Annual premiums are assessed for the various policy coverages. The agreement for the formation of LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year.

#### 14. SELF-INSURANCE

The County self-insures its worker's compensation costs and liabilities. The County establishes funding of claim liabilities as they occur. This funding level includes provisions for legal, medical and lost wages expenses which are all classified as incremental claim adjustment expenses.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Notes to the Financial Statements

June 30, 2020

#### 14. SELF-INSURANCE (continued)

Unpaid claims in the self-insurance funds include liabilities for unpaid claims based upon individual case estimates for claims reported at June 30, 2020. The unpaid claims also include liabilities for incurred but not reported (IBNR) claims as of June 30, 2020.

#### 15. SUBSEQUENT EVENTS

On November 17, 2020 the Commissioners accepted and executed resolution 2020-48 to enter into a lease purchase agreement with Banc of America Public Capital Corp. for the Financing, acquisition and installation of vehicles and equipment approved in the fiscal year 2021 budget. On December 1, 2020, the County secured a financing lease totaling \$1,300,000 with in interest rate of .9796% to be repaid in five annual payments beginning April 2021.

The County evaluated the subsequent events and transactions through December 2, 2020, the date these financial statements were available for issue and have determined that no material subsequent events have occurred, other than noted above, that would affect the information presented in the accompanying basic financial statements or require additional disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Schedule of Revenues, Expenditures, Encumbrances, and Other Financing Sources and Uses Budget (Non-GAAP) Basis and Actual – General Fund**

**For the year ended June 30, 2020**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Favorable (Unfavorable) Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 112,192,561	\$ 112,192,561	\$ 113,230,333	\$ 1,037,772
Income taxes	101,272,567	101,272,567	107,335,235	6,062,668
Other Local taxes	9,795,000	9,795,000	9,366,413	(428,587)
Highway user revenues	1,918,422	1,918,422	1,552,854	(365,568)
Licenses and permits	592,120	592,120	700,176	108,056
Charges for services	3,406,146	3,405,146	3,067,568	(337,578)
Fines and forfeitures	31,000	31,000	17,909	(13,091)
State/Federal Grants	8,289,668	28,090,224	10,948,940	(17,141,284)
Other revenue	734,580	735,024	1,595,469	860,445
<b>TOTAL GENERAL FUND REVENUES</b>	<b>238,232,064</b>	<b>258,032,064</b>	<b>247,814,897</b>	<b>(10,217,167)</b>
<b>EXPENDITURES</b>				
General government	27,677,473	27,824,607	26,297,633	1,526,974
Public safety	51,232,181	74,838,495	53,874,829	20,963,666
Public works	10,765,050	10,757,725	10,673,376	84,349
Health	3,427,231	3,779,846	3,656,714	123,132
Social services	4,023,288	4,297,413	3,855,931	441,482
Primary and secondary education	108,604,416	109,004,416	108,833,498	170,918
Post-secondary education	4,807,300	4,807,300	4,807,300	-
Parks, recreation and culture	4,408,260	4,463,612	4,215,886	247,726
Libraries	2,964,146	2,965,707	2,964,146	1,561
Conservation of natural resources	356,924	340,257	329,627	10,630
Economic development and opportunity	2,399,088	2,326,418	2,551,733	(225,315)
Debt service	13,645,203	13,645,203	13,059,682	585,521
Inter-governmental	43,487	43,487	43,487	-
Other	3,370,000	3,370,000	3,744,611	(374,611)
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>237,724,047</b>	<b>262,464,486</b>	<b>238,908,453</b>	<b>23,556,033</b>
<b>OTHER FINANCING SOURCES AND USES</b>				
Fund balance	14,881,410	18,183,357	-	(18,183,357)
Reserves - grants (expenditures)	-	-	-	-
Reserves - emergency appropriations	(500,000)	(325,840)	-	325,840
Reserves - bond rating	(400,000)	(400,000)	(421,076)	(21,076)
General fund transfer/pay-go - capital projects	(12,989,427)	(12,989,427)	(12,989,427)	-
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>(508,017)</b>	<b>4,432,422</b>	<b>(13,410,503)</b>	<b>(17,842,925)</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>				
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (4,504,059)</b>	<b>\$ (4,504,059)</b>
<b>Reconciliation to GAAP Basis Financial Statements</b>				
Effect of encumbrances			<u>4,541,712</u>	
			<u>\$ 37,653</u>	

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Schedule Schedule of County's Proportionate Share of the Net Pension Liability of the Maryland State Retirement and Pension System  
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the System net pension liability (asset)	0.10%	0.10%	0.10%	0.10%	0.05%	0.09%
County's proportionate share of the System net pension liability (asset)	<u>\$ 21,900,552</u>	<u>\$ 21,827,060</u>	<u>\$ 21,380,865</u>	<u>\$ 23,903,575</u>	<u>\$ 21,747,150</u>	<u>\$ 16,643,117</u>
Total	<u>\$ 21,900,552</u>	<u>\$ 21,827,060</u>	<u>\$ 21,380,865</u>	<u>\$ 23,903,575</u>	<u>\$ 21,747,150</u>	<u>\$ 16,643,117</u>
County's covered-employee payroll	\$ 28,524,972	\$ 25,859,493	\$ 24,077,933	\$ 23,960,863	\$ 22,117,812	\$ 20,945,112
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.78%	84.41%	88.80%	99.76%	98.32%	79.46%
Plan fiduciary net position as a percentage of the total pension liability	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

Note- This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Schedule of Contributions and Related Ratios of the Net Pension Liability of the Maryland State Retirement and Pension System  
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,074,428	\$ 2,180,432	\$ 2,050,819	\$ 2,012,485	\$ 1,973,642	\$ 2,205,647
Contributions in relation to the contractually required contribution	<u>(2,074,428)</u>	<u>(2,180,432)</u>	<u>(2,050,819)</u>	<u>(2,012,485)</u>	<u>(1,973,642)</u>	<u>(2,205,647)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 28,524,972	\$ 25,859,493	\$ 24,077,933	\$ 23,960,863	\$ 22,117,812	\$ 20,945,112
Contributions as a percentage of covered-employee payroll	7.27%	8.43%	8.52%	8.40%	8.92%	10.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Schedule of Changes in Net Pension Liability and Related Ratios – Sheriff's Office Retirement Plan  
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:							
Service cost	\$ 3,944	\$ 3,829	\$ 4,129	\$ 3,979	\$ 3,826	\$ 3,687	\$ 3,475
Interest	9,532	9,180	8,576	7,867	7,317	6,564	6,286
Differences between expected and actual experience	-	(8,105)	-	626	-	-	-
Changes of assumptions	-	4,551	-	1,308	-	3,445	-
Benefit payments, including refunds of member contributions	<u>(4,775)</u>	<u>(4,430)</u>	<u>(4,324)</u>	<u>(3,672)</u>	<u>(3,436)</u>	<u>(3,193)</u>	<u>(2,862)</u>
Net change in total pension liability	8,701	5,025	8,381	10,108	7,707	10,503	6,899
Total pension liability – beginning	<u>133,861</u>	<u>128,836</u>	<u>120,455</u>	<u>110,347</u>	<u>102,640</u>	<u>92,137</u>	<u>85,238</u>
Total pension liability – ending (a)	<u>\$ 142,562</u>	<u>\$ 133,861</u>	<u>\$ 128,836</u>	<u>\$ 120,455</u>	<u>\$ 110,347</u>	<u>\$ 102,640</u>	<u>\$ 92,137</u>
Plan fiduciary net position:							
Contributions – employer	\$ 6,071	\$ 5,644	\$ 5,147	\$ 5,149	\$ 4,816	\$ 5,197	\$ 5,605
Contributions – member	1,181	1,103	1,055	1,085	1,011	945	1,082
Net investment income	5,126	3,434	5,661	7,724	(1,803)	(465)	8,480
Benefit payments, including refunds of member contributions	(4,775)	(4,430)	(4,324)	(3,672)	(3,436)	(3,193)	(2,862)
Administrative expense	(40)	(162)	(114)	(93)	(122)	(79)	(78)
Net change in plan fiduciary net position	7,564	5,589	7,425	10,193	466	2,405	12,227
Plan fiduciary net position – beginning	<u>91,281</u>	<u>85,693</u>	<u>78,268</u>	<u>68,075</u>	<u>67,609</u>	<u>65,204</u>	<u>52,977</u>
Plan fiduciary net position – ending (b)	<u>\$ 98,845</u>	<u>\$ 91,281</u>	<u>\$ 85,693</u>	<u>\$ 78,268</u>	<u>\$ 68,075</u>	<u>\$ 67,609</u>	<u>\$ 65,204</u>
County's Net Pension Liability – ending (a) – (b)	<u>\$ 43,717</u>	<u>\$ 42,580</u>	<u>\$ 43,143</u>	<u>\$ 42,187</u>	<u>\$ 42,272</u>	<u>\$ 35,031</u>	<u>\$ 26,933</u>
Plan fiduciary net position as a percentage of the total pension liability	69.33%	68.19%	66.51%	64.98%	61.69%	65.87%	70.77%
Covered employee payroll	\$ 15,216	\$ 14,216	\$ 12,965	\$ 13,981	\$ 12,740	\$ 12,774	\$ 13,537
County's net pension liability as a percentage of covered employee payroll	287.31%	299.52%	332.77%	301.75%	331.81%	274.24%	198.96%

**Notes to schedule:**

Information prior to 2014 is not available



**COMMISSIONERS OF ST. MARY’S COUNTY**

**Schedule of Contributions – Sheriff’s Office Retirement Plan  
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 6,071	\$ 5,644	\$ 5,147	\$ 5,149	\$ 4,816	\$ 5,197	\$ 5,144
Contributions related to the actuarially determined contribution	<u>6,071</u>	<u>5,644</u>	<u>5,147</u>	<u>5,149</u>	<u>4,816</u>	<u>5,197</u>	<u>5,605</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (461)</u>
Covered employee payroll	\$ 15,216	\$ 14,216	\$ 12,965	\$ 13,981	\$ 12,740	\$ 12,774	\$ 13,537
Contributions as a percentage of covered employee payroll	39.90%	39.70%	39.70%	36.83%	37.80%	40.68%	41.41%

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the two years immediately following the fiscal year. Actuarial valuations are performed every other year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll over all years of service
Remaining amortization period	18 years (closed)
Asset valuation method	5-year smoothed market
Inflation	3.0 percent compounded annually
Salary increases	Rates vary by participant service
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2014 Combined Healthy tables with Blue Collar adjustment and generational projection by Scale MP-2016

**COMMISSIONERS OF ST. MARY’S COUNTY**

**Schedule of Changes in Net Pension Liability and Related Ratios – Length of Service Program  
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability:			
Service cost	\$ 482	\$ 608	\$ 608
Interest	1,457	1,400	1,355
Differences between expected and actual experience	(1,741)	-	-
Changes of assumptions	-	-	(206)
Benefit payments, including refunds of member contributions	(1,097)	(1,015)	(964)
Net change in total pension liability	(899)	993	793
Total pension liability – beginning	<u>24,839</u>	<u>23,846</u>	<u>23,053</u>
Total pension liability – ending (a)	<u>\$ 23,940</u>	<u>\$ 24,839</u>	<u>\$ 23,846</u>
Plan fiduciary net position:			
Contributions – employer	\$ 2,097	\$ 1,815	\$ 1,566
Contributions – member	-	-	-
Net investment income	4	151	19
Benefit payments, including refunds of member contributions	(1,097)	(1,015)	(964)
Administrative expense	(12)	(22)	(9)
Net change in plan fiduciary net position	992	929	612
Plan fiduciary net position – beginning	<u>3,144</u>	<u>2,215</u>	<u>1,603</u>
Plan fiduciary net position – ending (b)	<u>\$ 4,137</u>	<u>\$ 3,144</u>	<u>\$ 2,215</u>
County’s Net Pension Liability – ending (a) – (b)	<u>\$ 19,803</u>	<u>\$ 21,695</u>	<u>\$ 21,631</u>
Plan fiduciary net position as a percentage of the total pension liability	17.28%	12.66%	9.29%
Covered employee payroll	n/a	n/a	n/a
County’s net pension liability as a percentage of covered employee payroll	n/a	n/a	n/a

**Notes to schedule:**

Information prior to 2018 is not available

**COMMISSIONERS OF ST. MARY’S COUNTY**

**Schedule of Contributions – Length of Service Program  
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 2,576	\$ 2,576	\$ 2,325
Contributions related to the actuarially determined contribution	<u>2,097</u>	<u>1,815</u>	<u>1,566</u>
Contribution deficiency (excess)	<u>479</u>	<u>761</u>	<u>759</u>
Covered employee payroll	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	n/a	n/a	n/a

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1). Actuarial valuations are performed every other year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Traditional Unit Credit
Amortization method	Level payments over closed periods
Remaining amortization period	20 years (closed)
Asset valuation method	Market value
Inflation	2.75 percent
Salary increases	Not applicable
Investment rate of return	6.0 percent, compounded annually
Retirement age	Normal retirement age
Mortality	RP-2014 Mortality Table with Blue Collar adjustment set forward 1 year with generational projection by Scale MP-2017

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Schedule of Changes in Net OPEB Liability and Related Ratios  
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:				
Service cost	\$ 2,162	\$ 2,083	\$ 2,268	\$ 2,233
Interest	6,671	6,311	6,624	6,250
Differences between expected and actual experience	265	212	(5,530)	183
Changes of assumptions	(5,904)	-	(6,080)	(1,199)
Benefit payments, including refunds of member contributions	<u>(3,707)</u>	<u>(3,391)</u>	<u>(3,134)</u>	<u>(3,009)</u>
Net change in total OPEB liability	(513)	5,215	(5,852)	4,458
Total OPEB liability – beginning	<u>96,070</u>	<u>90,855</u>	<u>96,707</u>	<u>92,249</u>
Total OPEB liability – ending (a)	<u>\$ 95,557</u>	<u>\$ 96,070</u>	<u>\$ 90,855</u>	<u>\$ 96,707</u>
Plan fiduciary net position:				
Contributions – employer	\$ 3,707	\$ 3,391	\$ 3,134	\$ 3,009
Contributions – member	-	-	-	-
Net investment income	3,820	6,804	8,360	8,203
Benefit payments, including refunds of member contributions	(3,707)	(3,391)	(3,134)	(3,009)
Administrative expense	<u>(392)</u>	<u>(575)</u>	<u>(396)</u>	<u>(51)</u>
Net change in plan fiduciary net position	3,428	6,229	7,964	8,152
Plan fiduciary net position – beginning	<u>85,947</u>	<u>79,718</u>	<u>71,754</u>	<u>63,602</u>
Plan fiduciary net position – ending (b)	<u>\$ 89,375</u>	<u>\$ 85,947</u>	<u>\$ 79,718</u>	<u>\$ 71,754</u>
County's Net OPEB Liability – ending (a) – (b)	<u>\$ 6,182</u>	<u>\$ 10,123</u>	<u>\$ 11,137</u>	<u>\$ 24,953</u>
Plan fiduciary net position as a percentage of the total OPEB liability	93.53%	89.46%	87.74%	74.20%
Covered employee payroll	43,741	40,075	39,830	39,756
County's net OPEB liability as a percentage of covered employee payroll	14.13%	25.26%	27.96%	62.77%

**Notes to schedule:**

Information prior to 2017 is not available

**COMMISSIONERS OF ST. MARY’S COUNTY**

**Schedule of Contributions - OPEB**

**June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 3,252	\$ 6,097	\$ 5,879	\$ 5,217
Contributions related to the actuarially determined contribution	<u>3,707</u>	<u>3,391</u>	<u>3,134</u>	<u>3,009</u>
Contribution deficiency (excess)	<u>(455)</u>	<u>2,706</u>	<u>2,745</u>	<u>2,208</u>
Covered employee payroll	43,741	40,075	39,830	39,756
Contributions as a percentage of covered employee payroll	8.47%	8.46%	7.87%	7.57%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Project unit cost
Amortization method	Level percentage of payroll
Remaining amortization period	20 years
Asset valuation method	Market values
Inflation	2.30 percent
Salary increases	3.50 percent
Investment rate of return	6.00 percent
Healthcare cost trend rate	The ultimate trend is 4.0% (pre-medicare) and 3.9% (post-medicare)

**COMBINING AND INDIVIDUAL FUND STATEMENTS**

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Combining Balance Sheet – Non-Major Governmental Funds  
As of June 30, 2020**

	<u>Special Assessments</u>	<u>Fire and Rescue Revolving Loan Fund</u>	<u>Emergency Services Support Fund</u>	<u>Total Non-Major Funds</u>
<b>ASSETS</b>				
Due from other funds	\$ 496,532	\$ 289,431	\$ 433,037	\$ 1,219,000
Special tax assessments receivable, current portion	22	-	-	22
Note receivable, fire and rescue loans, current portion	-	689,112	-	689,112
Emergency support services taxes receivable	-	-	50,767	50,767
Special tax assessments receivable, (net of current portion)	17,346	-	-	17,346
Note receivable, fire and rescue loans, (net of current portion)	-	3,609,098	-	3,609,098
<b>TOTAL ASSETS</b>	<u>\$ 513,900</u>	<u>\$ 4,587,641</u>	<u>\$ 483,804</u>	<u>\$ 5,585,345</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 10,558	\$ 10,558
Unearned revenue	25,267	4,298,210	-	4,323,477
Other liabilities	-	-	-	-
Compensation-related liabilities	-	-	13,063	13,063
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>25,267</u>	<u>4,298,210</u>	<u>23,621</u>	<u>4,347,098</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Committed	488,633	289,431	460,183	1,238,247
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>488,633</u>	<u>289,431</u>	<u>460,183</u>	<u>1,238,247</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 513,900</u>	<u>\$ 4,587,641</u>	<u>\$ 483,804</u>	<u>\$ 5,585,345</u>

**COMMISSIONERS OF ST. MARY'S COUNTY**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major  
Governmental Funds  
As of June 30, 2020**

	<u>Special Assessments</u>	<u>Fire and Rescue Revolving Loan Fund</u>	<u>Emergency Services Support Fund</u>	<u>Total Non-Major Funds</u>
<b>REVENUE</b>				
Special Assessments	\$ 71,894	\$ -	\$ -	\$ 71,894
Emergency services support tax	-	-	2,212,836	2,212,836
Transfer tax	-	800,000	-	800,000
Other	-	-	300,022	300,022
<b>TOTAL REVENUE</b>	<u>71,894</u>	<u>800,000</u>	<u>2,512,858</u>	<u>3,384,752</u>
<b>EXPENDITURES</b>				
Debt service:				
Debt service	42,369	-	128,044	170,413
Public safety:				
LOSAP, pension, and OPEB	-	-	1,297,997	1,297,997
Fire & rescue operating allocations	-	-	682,120	682,120
Advanced life support	-	-	799,534	799,534
Emergency services committee	-	-	33,863	33,863
Emergency management	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>42,369</u>	<u>-</u>	<u>2,941,558</u>	<u>2,983,927</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	29,525	800,000	(428,700)	400,825
<b>OTHER FINANCING SOURCES AND USES</b>				
Fire and rescue loan repayments	-	840,353	-	840,353
Loans to fire and rescue	-	(1,750,000)	-	(1,750,000)
Capital projects fund transfer	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(909,647)</u>	<u>-</u>	<u>(909,647)</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>29,525</u>	<u>(109,647)</u>	<u>(428,700)</u>	<u>(508,822)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>459,108</u>	<u>399,078</u>	<u>888,883</u>	<u>1,747,069</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 488,633</u>	<u>\$ 289,431</u>	<u>\$ 460,183</u>	<u>\$ 1,238,247</u>



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**OTHER SUPPLEMENTAL INFORMATION**

# COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

## Schedule of Revenues and Other Financings Sources-Budget and Actual General Fund For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
<b>PROPERTY TAXES</b>				
Real property taxes	\$ 105,770,764	\$ 105,770,764	\$ 106,124,411	\$ 353,647
Payments in lieu of taxes	318,948	318,948	402,586	83,638
Personal property	189,549	189,549	469,703	280,154
Public utilities	3,122,876	3,122,876	2,618,750	(504,126)
Ordinary business corporations	3,601,424	3,601,424	3,994,778	393,354
Additions and abatements	(500,000)	(500,000)	142,333	642,333
Penalties and interest	850,000	850,000	944,623	94,623
State homeowners credit (circuit breaker)	950,000	950,000	871,235	(78,765)
Homeowners tax credit (county)	(950,000)	(950,000)	(871,235)	78,765
Other tax credits	(1,161,000)	(1,161,000)	(1,466,851)	(305,851)
<b>Total property taxes</b>	<b>112,192,561</b>	<b>112,192,561</b>	<b>113,230,333</b>	<b>1,037,772</b>
<b>Income Tax</b>				
Local income tax	<b>101,272,567</b>	<b>101,272,567</b>	<b>107,335,235</b>	<b>6,062,668</b>
<b>Other Local Taxes</b>				
Recordation taxes	6,200,000	6,200,000	6,160,565	(39,435)
Energy taxes	1,000,000	1,000,000	977,270	(22,730)
Public accommodations tax	1,110,000	1,110,000	828,150	(281,850)
Trailer park tax	305,000	305,000	320,245	15,245
CATV franchise fees	1,040,000	1,040,000	976,469	(63,531)
Admissions and amusement	140,000	140,000	103,714	(36,286)
<b>Total other local taxes</b>	<b>9,795,000</b>	<b>9,795,000</b>	<b>9,366,413</b>	<b>(428,587)</b>
State-shared taxes - highway users	1,918,422	1,918,422	1,552,854	(365,568)
<b>TOTAL TAXES</b>	<b>225,178,550</b>	<b>225,178,550</b>	<b>231,484,835</b>	<b>6,306,285</b>
<b>LICENSES AND PERMITS</b>				
Business	296,700	296,700	467,771	171,071
Marriage/animal licenses	6,500	6,500	5,868	(632)
Traders Licence	170,000	170,000	144,761	(25,239)
Other	118,920	118,920	81,776	(37,144)
<b>TOTAL LICENSES AND PERMITS</b>	<b>592,120</b>	<b>592,120</b>	<b>700,176</b>	<b>108,056</b>
<b>INTER-GOVERNMENTAL</b>				
General government	1,052,184	1,267,382	4,032,320	2,764,938
Public safety	2,755,868	23,391,186	3,425,381	(19,965,805)
Public works	1,657,336	1,654,292	1,612,360	(41,932)
Social services	825,562	1,236,736	1,059,538	(177,198)
Health	473,718	478,660	377,688	(100,972)
Parks, recreation and culture	25,000	32,300	27,247	(5,053)
Economic development & opportunity	-	-	414,406	414,406
Appropriation	1,500,000	29,668	-	(29,668)
<b>TOTAL INTER-GOVERNMENTAL</b>	<b>8,289,668</b>	<b>28,090,224</b>	<b>10,948,940</b>	<b>(17,141,284)</b>

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Revenues and Other Financings Sources-Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
<b>CHARGES FOR SERVICES</b>				
General government	\$ 1,194,302	\$ 1,203,302	\$ 967,516	\$ (235,786)
Public safety	1,200,602	1,190,602	1,422,170	231,568
Public works	549,450	549,450	300,205	(249,245)
Social services	129,533	129,533	61,061	(68,472)
Parks, recreation and culture	332,259	332,259	316,616	(15,643)
				-
<b>TOTAL CHARGES FOR SERVICES</b>	<b>3,406,146</b>	<b>3,405,146</b>	<b>3,067,568</b>	<b>(337,578)</b>
<b>FINES AND FORFEITURES</b>				
General government	21,000	21,000	13,325	(7,675)
Public safety	10,000	10,000	4,584	(5,416)
<b>TOTAL FINES AND FORFEITURES</b>	<b>31,000</b>	<b>31,000</b>	<b>17,909</b>	<b>(13,091)</b>
<b>OTHER REVENUES</b>				
<b>General Government</b>				
Interest	600,000	600,000	1,401,409	801,409
Disposal of fixed assets	60,000	60,444	140,034	79,590
Grant reserve	-	-	-	-
Contributions and donations	74,580	74,580	54,026	(20,554)
<b>TOTAL OTHER REVENUES</b>	<b>734,580</b>	<b>735,024</b>	<b>1,595,469</b>	<b>860,445</b>
<b>TOTAL, BEFORE PASS-THROUGH PROCEEDS</b>	<b>238,232,064</b>	<b>258,032,064</b>	<b>247,814,897</b>	<b>(10,217,167)</b>
<b>Pass-through proceeds</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>OTHER FINANCING SOURCES</b>				
Appropriation of fund balance	14,881,410	18,183,357	-	(18,183,357)
<b>TOTAL REVENUES INCLUDING PASS-THROUGHS</b>	<b>\$ 253,113,474</b>	<b>\$ 276,215,421</b>	<b>\$ 247,814,897</b>	<b>\$ (28,400,524)</b>

# COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

## Schedule of Expenditures - Budget and Actual General Fund For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
<b>GENERAL GOVERNMENT</b>				
<b>Legislative/county commissioners</b>				
Legislative/county commissioners	\$ 487,866	\$ 530,181	\$ 502,173	\$ 28,008
County administrator	428,737	425,321	389,296	36,025
Public information	356,347	362,847	346,535	16,312
County attorney	1,032,253	978,749	913,697	65,052
<b>Legislative/county commissioners</b>	<b>2,305,203</b>	<b>2,297,098</b>	<b>2,151,701</b>	<b>145,397</b>
<b>Department of finance</b>				
Administration/budget	718,949	745,283	720,909	24,374
Accounting	749,464	745,720	725,360	20,360
Auditing	50,000	50,000	38,500	11,500
Procurement	359,413	365,732	352,657	13,075
<b>Department of finance</b>	<b>1,877,826</b>	<b>1,906,735</b>	<b>1,837,426</b>	<b>69,309</b>
<b>Department of emergency services &amp; technology</b>				
Technology	3,797,097	4,030,812	3,985,044	45,768
<b>Department of human resources</b>				
Human resources	967,980	971,711	929,509	42,202
Risk management	769,327	778,969	715,653	63,316
Commission for the Disabled	2,300	2,300	1,100	1,200
Grants	-	13,192	17,832	(4,640)
<b>Department of human resources</b>	<b>1,739,607</b>	<b>1,766,172</b>	<b>1,664,094</b>	<b>102,078</b>
<b>Department of public works &amp; transportation</b>				
Development review	328,079	315,079	269,373	45,706
MS4 Program	367,029	331,029	312,766	18,263
Mailroom/messenger services	122,925	122,925	119,042	3,883
Vehicle maintenance shop	1,637,106	1,628,490	1,570,113	58,377
Building Services	3,989,380	3,830,080	3,655,872	174,208
<b>Department of public works &amp; transportation</b>	<b>6,444,519</b>	<b>6,227,603</b>	<b>5,927,166</b>	<b>300,437</b>
<b>Department of land use &amp; growth management</b>				
Administration	873,654	821,618	765,684	55,934
Board of electrical examiners	14,300	14,300	13,057	1,243
Comprehensive planning	389,784	336,434	287,839	48,595
Development services	406,431	367,534	327,791	39,743
Inspections & compliance	459,563	446,563	396,704	49,859
Permit services	361,403	312,803	264,673	48,130
Zoning administration	299,743	275,743	236,056	39,687
Building code appeals board	2,900	2,900	7	2,893
Commission on the environment	2,825	2,825	26	2,799
Plumbing & gas board	1,850	1,850	-	1,850
Planning commission	26,826	26,826	24,039	2,787
Boards and commissions	20,080	20,080	17,490	2,590
Historical preservation	3,580	8,580	658	7,922
Grants	2,000	22,000	18,710	3,290
<b>Department of land use &amp; growth management</b>	<b>2,864,939</b>	<b>2,660,056</b>	<b>2,352,734</b>	<b>307,322</b>
<b>Circuit court</b>				
Administration	1,123,024	1,129,874	988,340	141,534
Law library	41,600	42,340	28,136	14,204
Grants	736,296	970,067	1,065,047	(94,980)
Orphan's court	59,379	59,379	62,602	(3,223)
<b>Circuit court</b>	<b>1,960,299</b>	<b>2,201,660</b>	<b>2,144,125</b>	<b>57,535</b>
<b>Office of the state's attorney</b>				
Judicial	3,420,961	3,560,421	3,334,033	226,388
Grants	802,739	719,546	643,311	76,235
<b>Office of the state's attorney</b>	<b>4,223,700</b>	<b>4,279,967</b>	<b>3,977,344</b>	<b>302,623</b>
<b>County treasurer</b>	<b>497,393</b>	<b>497,393</b>	<b>476,474</b>	<b>20,919</b>
<b>Alcohol beverage board</b>	<b>\$ 355,343</b>	<b>\$ 338,493</b>	<b>\$ 310,590</b>	<b>\$ 27,903</b>
<b>Supervisors of elections</b>	<b>1,171,320</b>	<b>1,178,391</b>	<b>1,017,742</b>	<b>160,649</b>
<b>Ethics commission</b>	<b>833</b>	<b>833</b>	<b>613</b>	<b>220</b>
<b>SDAT - Leonardtown Office</b>	<b>439,394</b>	<b>439,394</b>	<b>452,580</b>	<b>(13,186)</b>
<b>Total general government</b>	<b>\$ 27,677,473</b>	<b>\$ 27,824,607</b>	<b>\$ 26,297,633</b>	<b>\$ 1,526,974</b>

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Expenditures - Budget and Actual General Fund  
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		Variance
<b>PUBLIC SAFETY</b>				
<b>Department of Emergency Services</b>				
Emergency management	599,035	560,490	433,536	126,954
Animal control	1,002,246	1,043,483	938,670	104,813
Emergency communications center	3,481,462	3,366,524	2,975,663	390,861
Emergency radio communications	1,296,729	1,379,825	1,252,056	127,769
Grants	1,008,496	24,037,520	6,952,496	17,085,024
<b>Department of Emergency Services</b>	<b>7,387,968</b>	<b>30,387,842</b>	<b>12,552,421</b>	<b>17,835,421</b>
<b>Office of the sheriff</b>				
Law enforcement	28,587,490	28,611,300	26,961,209	1,650,091
Corrections	12,877,814	12,842,361	11,966,518	875,843
Training	377,877	399,720	292,543	107,177
Canine	33,400	33,400	31,443	1,957
Court security	929,057	929,057	872,162	56,895
Grants	1,038,575	1,634,815	1,198,533	436,282
<b>Office of the sheriff</b>	<b>43,844,213</b>	<b>44,450,653</b>	<b>41,322,408</b>	<b>3,128,245</b>
<b>Total public safety</b>	<b>\$ 51,232,181</b>	<b>\$ 74,838,495</b>	<b>\$ 53,874,829</b>	<b>\$ 20,963,666</b>
<b>PUBLIC WORKS</b>				
<b>Department of PW and transportation</b>				
Administration	378,305	377,877	367,579	10,298
Engineering services	925,168	934,043	914,945	19,098
Construction & inspections	761,047	811,887	863,875	(51,988)
County highways	5,175,196	5,106,532	4,780,139	326,393
Recycling	-	-	-	-
St Mary's county airport	148,212	149,657	136,765	12,892
St. Mary's transit system	3,377,122	3,377,729	3,610,073	(232,344)
<b>Department of PW and transportation</b>	<b>10,765,050</b>	<b>10,757,725</b>	<b>10,673,376</b>	<b>261,522</b>
<b>Total public works</b>	<b>\$ 10,765,050</b>	<b>\$ 10,757,725</b>	<b>\$ 10,673,376</b>	<b>\$ 261,522</b>
<b>HEALTH</b>				
<b>Operating allocation</b>				
Mental Health Authority of St. Mary's	-	-	-	-
Health department	2,488,633	2,490,127	2,489,827	300
<b>Operating allocation</b>	<b>2,488,633</b>	<b>2,490,127</b>	<b>2,489,827</b>	<b>300</b>
<b>Human services</b>				
Human services	606,880	787,677	787,677	-
Grants	331,718	502,042	379,210	122,832
<b>Human services</b>	<b>938,598</b>	<b>1,289,719</b>	<b>1,166,887</b>	<b>122,832</b>
<b>Total health</b>	<b>\$ 3,427,231</b>	<b>\$ 3,779,846</b>	<b>\$ 3,656,714</b>	<b>\$ 123,132</b>
<b>SOCIAL SERVICES</b>				
<b>Department on aging</b>				
Department on aging	\$ -	\$ -	\$ -	\$ -
SMILE/Medical Adult Daycare Subsidies	-	-	-	-
Aging Administration	2,158,318	2,084,278	1,907,621	176,657
Human Services-Admin Grants	143,102	127,720	86,329	41,391
Grants	1,100,635	1,462,772	1,239,165	223,607
Non Profit Allocation	-	-	-	-
<b>Department on aging</b>	<b>3,402,055</b>	<b>3,674,770</b>	<b>3,233,115</b>	<b>441,655</b>
<b>Department of social services</b>	<b>461,633</b>	<b>463,043</b>	<b>463,216</b>	<b>(173)</b>

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Expenditures - Budget and Actual General Fund  
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
<b>Operating allocation</b>				
Hospice of St. Mary's	\$ -	\$ -	\$ -	\$ -
The ARC of Southern Maryland, Inc.	-	-	-	-
The Center for Family Advocacy	-	-	-	-
The Center for Life Enrichment	-	-	-	-
Greenwell Foundation	-	-	-	-
St. Mary's Caring, Inc.	-	-	-	-
Three Oaks Center	-	-	-	-
Alternatives for Youth/Families, Inc.	-	-	-	-
Tri-County Community Action (SMTCCAC, Inc.)	16,000	16,000	16,000	-
Tri-County Youth Services Bureau	143,600	143,600	143,600	-
Unified Commission for Afro-Americans	-	-	-	-
Walden/Sierra	-	-	-	-
<b>Operating allocation</b>	<b>159,600</b>	<b>159,600</b>	<b>159,600</b>	<b>-</b>
<b>Total social services</b>	<b>\$ 4,023,288</b>	<b>\$ 4,297,413</b>	<b>\$ 3,855,931</b>	<b>\$ 441,482</b>
<b>PRIMARY AND SECONDARY EDUCATION</b>				
<b>Board of Education</b>	<b>106,242,921</b>	<b>106,642,921</b>	<b>106,642,921</b>	<b>-</b>
<b>Non-public school bus transportation</b>	<b>2,361,495</b>	<b>2,361,495</b>	<b>2,190,577</b>	<b>170,918</b>
<b>Operating allocation</b>				
<b>Non Profit Allocation</b>				
<b>Total primary and secondary education</b>	<b>\$ 108,604,416</b>	<b>\$ 109,004,416</b>	<b>\$ 108,833,498</b>	<b>\$ 170,918</b>
<b>POST-SECONDARY EDUCATION</b>				
<b>College of Southern Maryland - general operations</b>	<b>4,767,300</b>	<b>4,767,300</b>	<b>4,767,300</b>	<b>-</b>
<b>Operating allocation</b>				
Southern Md. Higher Education Center	40,000	40,000	40,000	-
Non Profit Allocation	-	-	-	-
<b>Total post-secondary education</b>	<b>\$ 4,807,300</b>	<b>\$ 4,807,300</b>	<b>\$ 4,807,300</b>	<b>\$ -</b>
<b>PARKS, RECREATION AND CULTURE</b>				
<b>Department of recreation and parks</b>				
Administration	1,236,103	1,240,403	1,211,429	28,974
Parks maintenance	2,405,232	2,362,983	2,190,462	172,521
Museum division	606,725	608,697	576,545	32,152
Chancellor's Run Reg. Park	-	84,029	78,704	5,325
Non Profit Agency - Miscellaneous	135,200	135,200	131,200	4,000
Grants	25,000	32,300	27,546	4,754
<b>Department of recreation and parks</b>	<b>4,408,260</b>	<b>4,463,612</b>	<b>4,215,886</b>	<b>247,726</b>
<b>Total parks, recreation and culture</b>	<b>\$ 4,408,260</b>	<b>\$ 4,463,612</b>	<b>\$ 4,215,886</b>	<b>\$ 247,726</b>
<b>LIBRARIES</b>				
<b>County funding - general operations</b>	<b>\$ 2,964,146</b>	<b>\$ 2,965,707</b>	<b>\$ 2,964,146</b>	<b>\$ 1,561</b>
<b>CONSERVATION OF NATURAL RESOURCES</b>				
University of MD Extension-St. Mary's	264,061	247,394	244,433	2,961
Soil Conservation District	77,063	77,063	69,394	7,669
<b>Conservation of natural resources</b>	<b>341,124</b>	<b>324,457</b>	<b>313,827</b>	<b>10,630</b>
<b>Allocation of agriculture and seafood (Division of DED)</b>				
<b>Operating allocation</b>				
SMC Forest Conservation District Board	2,500	2,500	2,500	-
Southern Md. Resource Conservation/Dev.	13,300	13,300	13,300	-
Non-Profit Allocation	-	-	-	-
<b>Operating allocation</b>	<b>15,800</b>	<b>15,800</b>	<b>15,800</b>	<b>-</b>
<b>Total conservation of natural resources</b>	<b>\$ 356,924</b>	<b>\$ 340,257</b>	<b>\$ 329,627</b>	<b>\$ 10,630</b>

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Expenditures - Budget and Actual General Fund  
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
<b>ECONOMIC DEVELOPMENT AND OPPORTUNITY</b>				
<b>Department of economic development</b>				
Administration/office of the director	\$ 438,881	\$ 368,831	\$ 330,128	\$ 38,703
Tourism development	430,937	430,937	430,937	-
Agriculture & seafood development	368,479	371,129	358,799	12,330
Business development	466,327	442,687	326,359	116,328
Non-Profit Allocation	89,455	98,505	98,505	-
Grants	-	-	416,524	(416,524)
<b>Department of economic development</b>	<b>1,794,079</b>	<b>1,712,089</b>	<b>1,961,252</b>	<b>(249,163)</b>
<b>Office of Community Services</b>				
Office of community services	501,959	511,279	495,673	15,606
Human relations commission	1,850	1,850	-	1,850
Commission for the disabled-HR	-	-	-	-
Commission for women	7,000	7,000	608	6,392
	<b>510,809</b>	<b>520,129</b>	<b>496,281</b>	<b>23,848</b>
<b>Operating allocation</b>				
Chamber of Commerce	-	-	-	-
Minority Business Alliance	-	-	-	-
Tri-County Council	94,200	94,200	94,200	-
<b>Operating allocation</b>	<b>94,200</b>	<b>94,200</b>	<b>94,200</b>	<b>-</b>
<b>Total economic development and opportunity</b>	<b>\$ 2,399,088</b>	<b>\$ 2,326,418</b>	<b>\$ 2,551,733</b>	<b>\$ (225,315)</b>
<b>DEBT SERVICE</b>				
<b>Debt service</b>	<b>\$ 13,645,203</b>	<b>\$ 13,645,203</b>	<b>\$ 13,059,682</b>	<b>\$ 585,521</b>
<b>INTER-GOVERNMENTAL</b>				
<b>Leonardtown tax rebate</b>	<b>43,487</b>	<b>43,487</b>	<b>43,487</b>	<b>-</b>
<b>Total inter-governmental</b>	<b>\$ 43,487</b>	<b>\$ 43,487</b>	<b>\$ 43,487</b>	<b>\$ -</b>
<b>OTHER</b>				
Employer contributions-retiree health benefits	3,300,000	3,300,000	3,706,715	(406,715)
Unemployment compensation	35,000	35,000	6,031	28,969
Bank service fees	35,000	35,000	31,865	3,135
Appropriation reserve	1,500,000	35,668	-	35,668
<b>Total other</b>	<b>\$ 4,870,000</b>	<b>\$ 3,405,668</b>	<b>\$ 3,744,611</b>	<b>(338,943)</b>
<b>Total expenditures, before pass-throughs</b>	<b>239,224,047</b>	<b>262,500,154</b>	<b>238,908,453</b>	<b>23,591,701</b>
<b>Pass-through expenditures</b>				
<b>Total expenditures, including pass-throughs</b>	<b>\$ 239,224,047</b>	<b>\$ 262,500,154</b>	<b>\$ 238,908,453</b>	<b>\$ 23,591,701</b>
<b>RESERVES</b>				
Reserve - bond rating	400,000	400,000	421,076	(21,076)
Reserve - emergency appropriations	500,000	325,840	-	325,840
<b>Reserves</b>	<b>900,000</b>	<b>725,840</b>	<b>421,076</b>	<b>304,764</b>
<b>Total reserves</b>	<b>\$ 900,000</b>	<b>\$ 725,840</b>	<b>\$ 421,076</b>	<b>\$ 304,764</b>
<b>Total expenditures, including pass-throughs and reserves</b>	<b>\$ 240,124,047</b>	<b>\$ 263,225,994</b>	<b>\$ 239,329,529</b>	<b>\$ 23,896,465</b>
<b>Transfer</b>				
Capital projects - general fund transfer/pay-go	12,989,427	12,989,427	12,989,427	-
Capital Projects - Reversion of Pay-Go Funds				
<b>Total expenditures and other financing uses</b>	<b>\$ 253,113,474</b>	<b>\$ 276,215,421</b>	<b>\$ 252,318,956</b>	<b>\$ 23,896,465</b>



**COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND**

**Schedule of Unexpended Appropriations for Capital Projects  
For the Year Ended June 30, 2020**

**LAND PRESERVATION**

Rural Legacy Program	\$ 6,884,289	
Agriculture Preservation	5,811,768	
Critical Area Planting	<u>88,318</u>	12,784,375

**HIGHWAYS**

Pax Pk Neighborhood Preservation	7,420,124	
FDR Blvd MD4 to Pegg Rd	5,271,716	
Asphalt Overlay	2,447,868	
Buck Hewitt Road	1,600,607	
Mt. Wolfe Roundabout	840,380	
Southhampton Neighborhood	713,085	
Regional Water Quality&Nutrient	573,414	
Neighborhood Drainage Imp	494,667	
Buck Hewitt Rd Sidewalk-Northside	463,198	
Bridge/Culvert Replace.	382,963	
Retrofit Sidewalk Program	273,648	
Streetscape Improvement	144,265	
Essex South Drainage Rehab	100,000	
South Shangri-La Drive Side	100,000	
Water Qlty&Nutr Remov Grant	76,089	
Mattapany Road	68,000	
Roadway Safety Improvement	56,749	
Roadwork Maintenance	41,472	
Transportation Plan Update	40,000	
Roadway Base Widening & Repairs	31,641	
Removal of Roadside Obstacles	24,062	
Johnson Farm Pond	20,000	
Ricky Drive Drainage Improve	17,230	
Asphalt Overlay	14,823	
Removal of Roadside Obstacles	12,680	
Modified Seal Surface Treatment	<u>5</u>	21,228,686

**MARINE**

South Sandgates Revetment	670,090	
Ellis Road Revetment	336,747	
St. Jerome's Creek Jetties	111,655	
Myrtle Point Shoreline	55,000	
Piney Point Museum Pier	<u>1,989</u>	1,175,481

**COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND**

**Schedule of Unexpended Appropriations for Capital Projects (continued)  
For the Year Ended June 30, 2020**

**PUBLIC WORKS**

Animal Shelter New Building	\$	7,270,536	
Adult Det Center Upgrades		6,089,360	
Airport Improvements		5,284,155	
Public Safety Comp. Aided Disp		2,563,566	
Airport Master Plan		2,118,426	
Charlotte Hall Farmers Market		2,042,611	
Sheriff's District 3 Office		1,513,207	
Public Administration Enterprise		1,074,393	
Regional Meat Processing		998,110	
Northern Senior Activity Cnt Add		940,568	
Leonartown Lib/Garvey Sr. Center		897,473	
District 1 Sheriff Office		335,000	
Radio System & Equipment		295,248	
Bldg Maint & Repair Proj-Program		285,663	
Health Department Renovations		282,000	
Bldg Maint & Repair Proj-Critical		273,344	
800 MHz Radio Enhancement		224,914	
Emerg Comm Cntr Exp		170,000	
Energy Efficiency & Conservation		157,998	
Parking and Site Improvements		147,106	
Airport Wetlands Mitigation		133,498	
Bldg Maint & Repair Proj-Program		121,361	
Facilities Master Plan Update		100,000	
Sheriff District 4 Office		99,355	
Vehicle Maint Facility		85,000	
Salt Storage Facility Replacement		74,526	
Bldg Maint & Repair Proj-Critical		49,513	
911 Back Up Center		49,103	
Home Grown Farmers Market		34,420	
Energy Efficiency & Conservation		28,664	
New EMS Admin Building		18,245	
Armory Renovation Project		10,881	
Bldg Maint & Repair Proj-Critical		1	
Bldg Maint & Repair Proj-Program		1	
Navy Museum Bldg B/C Upgrades		1	
Bldg Maint & Repair Proj-Program		(7,117)	\$ 33,761,130

**COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND**

**Schedule of Unexpended Appropriations for Capital Projects (continued)  
For the Year Ended June 30, 2020**

**PIERS AND BOAT RAMPS**

St. Inigoes Landing Bulkhead Repl	\$ 9,313	9,313
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**PUBLIC SCHOOLS**

Bldg Infrastructure-Programmatic	1,819,671	
Great Mills HS-Partial Roof Repl	1,755,850	
Park Hall ES Roof/HVAC	1,391,219	
Hollywood ES Roof/HVAC	1,227,493	
Bldg Infrastructure-Critical	1,207,584	
Green Holly ES Pa	1,126,024	
DSS IT & Warehouse Facility	612,186	
Safety&Security Init.	595,525	
Dynard ES-Roof/HVAC/Emerg Pwr	498,204	
Auditorium Lghting Replacement	477,652	
Green Holly ES-Switch Gear/HVAC	466,509	
Relocatables for Various Sites	363,135	
Site Acquisition-Future Schools	129,879	
Qualified Zone Academy bond	59,455	
Mechanicsville ES Moderization	47,000	
Fairlead Academy Relocatables	44,159	
Track Resurfacing	29,803	
Aging School Program	<u>14,134</u>	11,865,482

**RECREATION & PARKS**

Three Notch Trail, Phase Seven	5,752,225	
St. Clements Isl Mus Renov	1,130,689	
Lexington Manor Passive Park	942,555	
Multi-Purpose Turf Fields	843,799	
Parks Land Acquisition	767,678	
Sports Complex	370,000	
Shannon Farm Property	367,966	
Myrtle Point Park	335,000	
Rec Facility & Park Improvements	321,894	
Snow Hill Park	293,800	
Elms Beach Park Improvement	200,000	
Leonardtown Park	125,001	
Firemen's Heritage Museum	105,000	
Great Mills Prop Master	100,000	
Piney Point Lighthouse Museum	82,143	
Recreation/Community Center	75,000	
Rec Facility & Park Improvements	19,739	
Rec Facility & Park Improvements	<u>16,370</u>	\$ 11,848,859

**COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND**

**Schedule of Unexpended Appropriations for Capital Projects (continued)  
For the Year Ended June 30, 2020**

**SOLID WASTE**

Convenience Center Repair	275,840	
Clements Convenience Center	59,657	
Landfill Mitigation	<u>18,628</u>	<u>354,125</u>
Total		<u>\$ 93,027,451</u>