

OFFICIAL STATEMENT DATED MAY 11, 2021

NEW ISSUE - BOOK ENTRY ONLY

In the opinion of McGuire Woods LLP, Bond Counsel, based on existing law and subject to conditions described in the section herein entitled "TAX MATTERS," interest on the Bonds (i) is excludable from the gross income of the owners of the Bonds for Federal income tax purposes and (ii) is not treated as a specific item of tax preference for purposes of the Federal alternative minimum tax. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit made in the sale thereof, are exempt from State, county, municipal or other taxation of every kind and nature within the State of Maryland; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon. See the information contained herein under the caption "TAX MATTERS."

**St. Mary's County, Maryland
General Obligation Bonds**

\$30,000,000

**Commissioners of St. Mary's County
Consolidated Public Improvement Bonds, Series 2021**

Dated: Date of Delivery

Due: as shown on inside front cover

Bond Ratings	Fitch Ratings: AA+ Moody's Investors Service: Aa1 S&P Global Ratings: AA+
Redemption	Bonds maturing on or after May 1, 2032 are redeemable in whole or in part, on or after May 1, 2031 – Page 3
Security Purpose	General Obligations of Commissioners of St. Mary's County, Maryland
Interest Payment Dates	The proceeds of the Bonds are being used to finance capital projects of the County – Page 2 May 1 and November 1, beginning November 1, 2021
Closing/Settlement	On or about May 25, 2021
Denominations	\$5,000
Book-Entry Only Form	The Depository Trust Company, New York, NY
Registrar/Paying Agent	Manufacturers and Traders Trust Company, Baltimore, MD/Buffalo, NY
Bond Counsel	McGuireWoods LLP, Baltimore, MD
Financial Advisor	Wye River Group, Incorporated, Annapolis, MD
Issuer Contact	St. Mary's County Chief Financial Officer: (301) 475-4200, ext. 71200

FOR MATURITY SCHEDULE, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS, SEE INSIDE FRONT COVER

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of McGuireWoods LLP, Baltimore, Maryland, Bond Counsel. The Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about May 25, 2021.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS

\$30,000,000 Consolidated Public Improvement Bonds, Series 2021

Maturing May 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP	Maturing May 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP
2022	\$1,030,000	5.000%	0.140%	792554 ZX8	2032	\$1,565,000	4.000%	1.180% [†]	792554 A98
2023	1,010,000	5.000%	0.160%	792554 ZY6	2033	1,630,000	3.000%	1.330% [†]	792554 B22
2024	1,060,000	5.000%	0.260%	792554 ZZ3	2034	1,680,000	3.000%	1.410% [†]	792554 B30
2025	1,115,000	5.000%	0.380%	792554 A23	2035	1,730,000	3.000%	1.500% [†]	792554 B48
2026	1,170,000	5.000%	0.500%	792554 A31	2036	1,780,000	2.000%	1.750% [†]	792554 B55
2027	1,230,000	5.000%	0.620%	792554 A49	2037	1,815,000	2.000%	1.800% [†]	792554 B63
2028	1,290,000	5.000%	0.750%	792554 A56	2038	1,850,000	2.000%	1.840% [†]	792554 B71
2029	1,355,000	5.000%	0.890%	792554 A64	2039	1,890,000	2.000%	1.880% [†]	792554 B89
2030	1,420,000	5.000%	0.990%	792554 A72	2040	1,925,000	2.000%	1.920% [†]	792554 B97
2031	1,490,000	5.000%	1.050%	792554 A80	2041	1,965,000	2.000%	1.960% [†]	792554 C21

* The rates shown above are the interest rates payable by the County resulting from the successful bid for the Bonds on May 11, 2021 by Piper Sandler & Co. The yields or prices shown above were furnished by the successful bidder. Any additional information concerning the reoffering of the Bonds should be obtained from the successful bidder and not from the County.

[†] Yield to first call.

CUSIP (Committee on Uniform Securities Identification Procedures) data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association (“ABA”) by S&P Global Market Intelligence. “CUSIP” is a registered trademark of the ABA. CUSIP numbers are included solely for the convenience of the holders of the Bonds. Neither the County nor the successful bidder takes any responsibility for the accuracy of CUSIP information. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds in certain circumstances. The County has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth herein. The use of CUSIP numbers in this Official Statement is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services.

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Certain Elected Officials

Board of County Commissioners

James R. Guy – President
Eric Colvin – Commissioner, District 1
Michael L. Hewitt – Commissioner, District 2
Todd B. Morgan – Commissioner, District 4
John E. O'Connor – Commissioner, District 3

Christine L. Kelly – County Treasurer

Certain Appointed County Officials

Rebecca B. Bridgett, Ed.D. – County Administrator
L. Jeannett Cudmore, C.P.A. – Chief Financial Officer
David A. Weiskopf, J.D. – County Attorney
John Deatrack, P.E., AICP, LEED BD+C – Director of Public Works and Transportation
Chris Kaselemis, AICP – Director of Economic Development

BOND COUNSEL

McGuireWoods LLP
Baltimore, Maryland

AUDITOR

SB & Company, LLC
Owings Mills, Maryland

FINANCIAL ADVISOR

Wye River Group, Incorporated
Annapolis, Maryland

BOND REGISTRAR AND PAYING AGENT

Manufacturers and Traders Trust Company
Baltimore, Maryland / Buffalo, New York

No dealer, broker, sales representative or other person has been authorized by Commissioners of St. Mary's County (the "County"), to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the County since the respective dates as of which information is given herein.

SUMMARY OF OFFERING

Issuer

Commissioners of St. Mary's County (the "County").

Bonds

Commissioners of St. Mary's County Consolidated Public Improvement Bonds, Series 2021, dated their date of initial delivery, in the aggregate principal amount of \$30,000,000 (the "Bonds"). The Bonds will be fully registered in denominations of \$5,000 or any integral multiple thereof.

Interest Payment Dates

Semiannually on each May 1 and November 1, beginning November 1, 2021.

Redemption

The Bonds that mature on or before May 1, 2031 are not subject to redemption prior to their stated maturities. The Bonds that mature on and after May 1, 2032 are subject to redemption at any time on or after May 1, 2031 as a whole or in part at the option of the County at par plus accrued interest.

Security and Source of Payment of the Bonds

General obligations of the County to which the full faith and credit of the County are pledged.

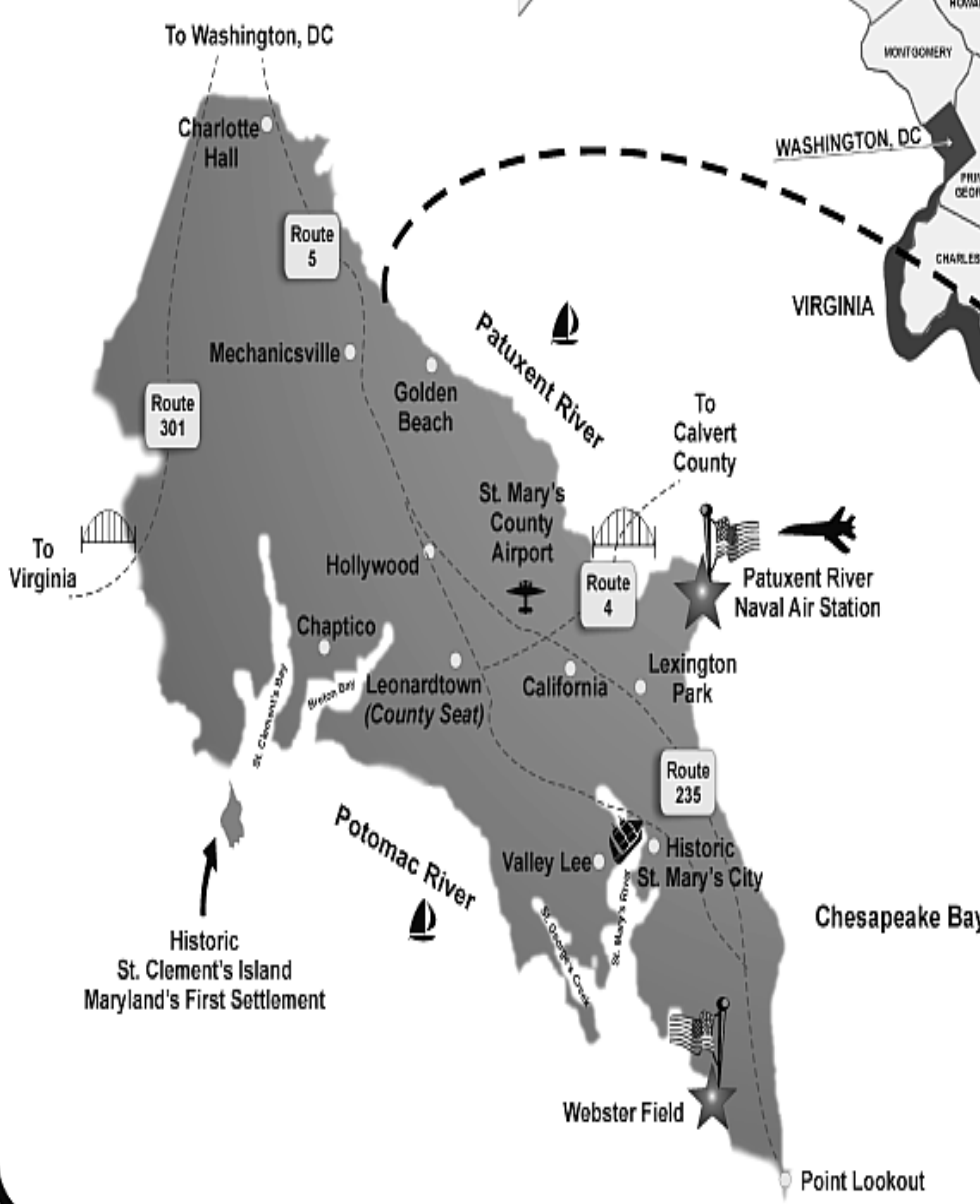
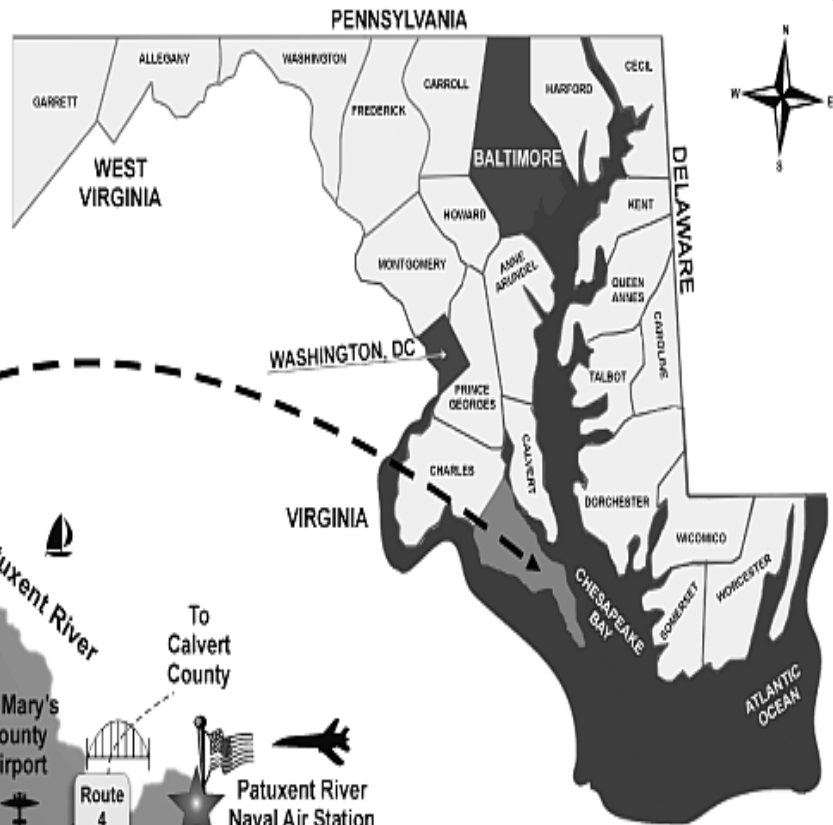
Payment Record

The County has never defaulted on the payment of the principal of or interest on any of its general obligation bonds or notes.

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St. Mary's County



OFFICIAL STATEMENT

St. Mary's County, Maryland General Obligation Bonds

\$30,000,000

Commissioners of St. Mary's County Consolidated Public Improvement Bonds, Series 2021

INTRODUCTION

General

The purpose of this Official Statement (excluding prices or yields) and appendices is to provide information for prospective purchasers and others regarding the Commissioners of St. Mary's County (the "County") and the \$30,000,000 Commissioners of St. Mary's County Consolidated Public Improvement Bonds, Series 2021 (the "Bonds").

All estimates and assumptions herein have been based upon information believed to be reliable and correct, however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. Figures herein relating to tax collections, assessed value of property, and the financial position of the County have been taken from official records of the County.

The material and information contained in this Official Statement have been provided by the County and the execution and distribution of this Official Statement have been authorized and approved by the County.

Description of the County

St. Mary's County was established in 1637 and was the first Maryland county. The County is a body politic and corporate and a political subdivision of the State of Maryland which performs all local governmental functions in the County excepting those performed by the County's one incorporated municipality and those performed by the St. Mary's County Metropolitan Commission.

The County is located in the southern part of Maryland and consists of a long, triangular shaped peninsula bordered on the northwest by Charles County, on the northeast and east by the Patuxent River and the Chesapeake Bay, and on the southwest by the Potomac River. The County is 367 square miles in area with 400 miles of waterways. It is situated in the Atlantic Coastal Plain, and its elevation varies from sea level to 170 feet above sea level.

According to the 2000 Census, the population of the County was 86,211. The 2010 Census shows the population to be 105,151, which reflects a 22.0% increase in population from 2000 to 2010. The County seat of government is located in Leonardtown, which is the only incorporated municipality in the County. Leonardtown had a population of 2,930 in the 2010 Census. The County's population for the 2020 Census is estimated to exceed 120,000 residents.

The County is undergoing economic growth and development and, in particular, is attracting an increasing number of high technology companies in the defense and non-defense industries. The Patuxent River Naval Air Station, among other things, is one of the United States Navy's principal testing facilities for new aircraft and other sophisticated equipment. (See "CERTAIN ECONOMIC AND DEMOGRAPHIC FACTORS – Economic Growth and Development.") The largest center of population in the County is Lexington Park, which is adjacent to the Air Station. The Air Station has been located in the County since World War II and remains the principal center of employment in the County. Less than 2% of the County's work force is engaged in agricultural production or water-related activities as a principal occupation.

The County is governed by an elected five-member Board of County Commissioners (the “Board”). (See “COUNTY GOVERNMENT AND ADMINISTRATION.”) The Board may exercise only such powers as are conferred upon it by the General Assembly of Maryland, including authorizations to issue debt to finance its capital projects. (See “CERTAIN DEBT INFORMATION.”)

The executive offices of the County are located at 41770 Baldrige Street, Leonardtown, Maryland 20650. The County’s central telephone number is (301) 475-4200. The County’s internet address is www.stmarysmd.com. The information set forth on the County’s website is *not* incorporated herein by reference.

APPLICATION OF PROCEEDS

The Bonds are being issued to (i) pay a portion of the costs of financing certain capital projects of the County and (ii) pay costs of issuance.

Project	Costs
Adult Detention Center Upgrades	\$10,467,180
Multi-Purpose Turf Field	5,400,043
Public School Safety and Security Initiative	4,986,000
Park Hall Elementary School Roof and HVAC	3,055,715
Recreation Facilities and Park Improvements	2,021,410
Hollywood Elementary School Roof and HVAC	1,949,153
Bridge Culvert Replace and Repair	1,980,499
Bond Issuance	140,000
Total	\$30,000,000

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THE BONDS

General

The Bonds will be dated their date of initial delivery. The Bonds will mature on May 1, in the respective years, and principal amounts and bear interest at the interest rates set forth on the inside front cover page of this Official Statement. Interest on the Bonds is payable on semiannually on each May 1 and November 1, beginning November 1, 2021 until maturity or earlier redemption. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be general obligations of the County to the payment of which the full faith and credit of the County will be pledged. (See “THE BONDS – Source of Payment.”)

Authorization

The Bonds will be issued pursuant to Chapter 427 of the Laws of Maryland of 2017 and Chapter 109 of the Laws of Maryland of 2018. The Bonds are authorized to be issued, sold, and delivered by a resolution of the County adopted by the Board on March 16, 2021 (the “Resolution”).

Form and Denomination

The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof. The Bonds will initially be maintained under a book-entry system under which The Depository Trust Company, New York, New York (“DTC”) will act as securities depository. Purchases of the Bonds will be in book-entry form only. Beneficial Owners (as defined herein) shall have no right to receive physical possession of the Bonds, and payment of the principal or redemption price of and interest on the Bonds will be made as described below under “BOOK-ENTRY ONLY SYSTEM – The Depository Trust Company.” Manufacturers and Traders Trust Company, Baltimore, Maryland/Buffalo, New York, will act as bond registrar and paying agent for the Bonds (the “Bond Registrar” and the “Paying Agent”).

Redemption

The Bonds that mature on or before May 1, 2031 are not subject to redemption prior to their maturities. Bonds that mature on or after May 1, 2032 are subject to redemption at any time on or after May 1, 2031 as a whole or in part, at the option of the County, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

If less than all of the Bonds are called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the County. If less than all of the Bonds of any one maturity are called for redemption, the Bonds or portions thereof to be redeemed from such maturity shall be selected by lot by the Bond Registrar, in such manner as the Bond Registrar in its sole discretion may determine, except that so long as DTC or its nominee is the sole registered owner of the Bonds, the particular Bonds or portions thereof to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine. Each \$5,000 portion of a Bond shall be treated as a separate bond in the selection by lot of Bonds to be redeemed.

When less than all of a Bond in a denomination in excess of \$5,000 is so redeemed, then, upon the surrender thereof, there shall be issued without charge to the registered owner thereof Bonds in any of the authorized denominations as specified by the registered owner. The amount of Bonds issued shall be equal to the unredeemed balance of the principal amount of the Bond surrendered, and the Bonds issued shall bear the same interest rate and shall mature on the same date as the Bonds surrendered.

If the County elects to redeem all or a portion of the Bonds outstanding, it shall give a redemption notice to DTC not less than thirty (30) days prior to the date fixed for redemption by a secure means as prescribed by the Resolution. If the book-entry system is discontinued for the Bonds, the County shall give a redemption notice to the registered owners of the Bonds to be redeemed by letter mailed first class, postage prepaid, at least thirty (30) days prior to the date fixed for redemption to the addresses of such registered owners appearing on the registration books kept by the Bond Registrar (the “Bond Register”); provided, however, that the failure to deliver or mail the redemption notice to any registered owner or any defect in the notice or in the delivery or mailing thereof shall not affect the validity of the redemption proceedings.

From and after the date fixed for redemption, if funds sufficient for the payment of the redemption price and accrued interest are available on such date and any other conditions to such redemption have been satisfied, the Bonds designated for redemption shall become due and payable at the redemption price provided for the redemption of such Bonds on such date, interest on the Bonds shall cease to accrue and the registered owners of such Bonds so called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from such monies held by the Paying Agent. Upon presentation for redemption in compliance with the redemption notice, the Bonds to be redeemed shall be paid by the Paying Agent at the redemption price. If they are not paid upon presentation, the Bonds designated for redemption shall continue to bear interest at the rates stated therein until paid.

Payment

So long as the Bonds are maintained in book-entry only form, payment of the principal or redemption price of and interest on the Bonds will be made as described below under "Book-Entry Only System." At any other time, the Bonds will be payable to the registered owners, as to principal at the designated corporate trust office of the Paying Agent and as to interest by check mailed to the registered owners, as shown in the Bond Register as of the close of business on the fifteenth day of the month immediately preceding each interest payment date (the "Regular Record Date") at the address shown on the Bond Register. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Regular Record Date, and may be paid to the person in whose name such Bond is registered as of the close of business on a date to be fixed by the Paying Agent for the payment of such defaulted interest (the "Special Record Date"), notice whereof being given by letter mailed first class, postage prepaid, to said person not less than thirty (30) days prior to such Special Record Date, at the address of such person appearing on the Bond Register, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed and upon such notice as may be required by such exchange.

All payments of the principal and redemption price of and interest on the Bonds shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts subject to the provision for payment of interest by check set forth above.

Transfer and Exchange

The Bonds may be transferred or exchanged only upon the Bond Register kept at the designated corporate trust office of the Bond Registrar, by the registered owner in person, or by his or her attorney duly authorized in writing, upon surrender together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or duly authorized attorney, and thereupon, within a reasonable time, the County shall execute and the Bond Registrar shall authenticate and deliver a new registered Bond or Bonds of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond transferred or exchanged and maturing on the same date and bearing interest at the same rate. The Bond Registrar may require payment by the owner of the Bond requesting exchange or transfer of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to such owner for such exchange or transfer. Said new Bond or Bonds shall be delivered to the transferee only after due authentication thereof by an authorized officer of the Bond Registrar. The County and the Bond Registrar shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption as hereinabove described; provided, however that the foregoing limitation shall not apply to that portion of a Bond in excess of \$5,000 which is not being called for redemption.

Source of Payment

The Bonds shall constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County to the payment of the maturing principal of and interest on the Bonds as and when they become due and payable. The legislation authorizing the Bonds further provides, and the County has covenanted in the Resolution, that in each and every fiscal year that any of the Bonds are outstanding, the County shall levy or cause to be levied ad valorem taxes upon all assessable property within the corporate limits of the County in rate and amount sufficient to provide for or assure the payment, when due, of the principal of and interest on all of the Bonds maturing in each such fiscal year and in the event the proceeds from the taxes so levied in any such fiscal year shall prove inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up any such deficiency.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in principal amount equal to the aggregate principal amount of the Bonds of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Bond Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, the Bond Registrar and Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County, the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Book-Entry Only System – Miscellaneous

The information in the section "BOOK-ENTRY ONLY SYSTEM — The Depository Trust Company" has been obtained by the County from DTC. The County takes no responsibility for the accuracy or completeness thereof. Neither the County or the Bond Registrar and Paying Agent will have any responsibility or obligations to the Direct or Indirect Participants or the persons for whom they act as nominees with respect to the payments to or in the providing of notice to the Direct or Indirect Participants, or Beneficial Owners. The County cannot and does not give any assurance that the Direct or Indirect Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices to the Beneficial Owners, or that they will do so on a timely basis or that they will serve and act in the manner described in this Official Statement.

Termination of Book-Entry Only System

In the event that the Book-Entry Only System is discontinued, the Bonds will be delivered by DTC to the Bond Registrar and Paying Agent and such Bonds will be exchanged for Bonds registered in the names of the Direct Participants or the Beneficial Owners identified to the Bond Registrar and Paying Agent. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as described herein. (See "THE BONDS").

BONDHOLDERS' REMEDIES

It is the opinion of Bond Counsel that the County may be sued in the event that it fails to perform its obligations under the Bonds to the holders thereof and that any judgments resulting from such suits would be enforceable against the County. Nevertheless, a holder of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no Maryland law with respect to this issue, it is the opinion of Bond Counsel that the appropriate courts of Maryland have jurisdiction to grant additional relief, such as a mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of the County's general obligation bonds, including the Bonds, ratably, subject to the inherent constitutional limitations referred to below.

It is also the opinion of Bond Counsel that, while remedies would be available to the holders of the Bonds and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute. Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the applicable provisions of the Federal bankruptcy laws or of other statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time of payment or imposing other constraints upon enforcement.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc. and S&P Global Ratings have given the Bonds the respective ratings indicated on the cover page of this Official Statement. An explanation of the significance of such ratings may be obtained from the rating agency furnishing them. The County furnished the rating agencies information contained in a preliminary form of this Official Statement and other materials and information. Generally, the rating agencies base their ratings on such material and information, and on their own investigations, studies and assumptions. It should be noted that such ratings may be changed at any time and that no assurance can be given that they will not be revised downward or withdrawn by any or all of the rating agencies if, in the judgment of any or all, circumstances should warrant such actions. Any such downward revision or withdrawal of any or all of such ratings could have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

McGuireWoods LLP, Baltimore, Maryland, is acting as Bond Counsel in connection with the issuance of the Bonds. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of the opinion substantially in the form set forth in Appendix B of this Official Statement.

TAX MATTERS

Opinion of Bond Counsel – Federal Income Tax Status of Interest. Bond Counsel's opinion will state that, under current law, interest on the Bonds (i) is excludable from the gross income of the owners of the Bonds for purposes of Federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not a specific item of tax preference for purposes of the Federal alternative minimum tax.

Bond Counsel's opinion speaks as of its date, is based on current provisions of the Code, and other current legal authority and precedent, and covers certain matters not directly addressed by such authority and precedent and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for Federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the County or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS") or the courts. The County has covenanted, however, to comply with the requirements of the Code.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for Federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the Federal tax liability of an owner of the Bonds. The nature and extent of these other Federal tax consequences depend on the owner's particular tax status and levels of other income or deductions. Bond Counsel will express no opinion regarding any such other tax consequences and prospective purchasers of the Bonds should consult their own tax advisors with respect thereto.

See Appendix B – Form of Opinion of Bond Counsel.

Reliance and Assumptions; Effect of Certain Changes. In delivering its opinion regarding the tax treatment of interest on the Bonds, Bond Counsel is relying upon certifications of representatives of the County, the underwriters of such Bonds, the financial advisor to the County and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the County. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of Federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed by such Bonds, limitations on the source of the payment of and the security for such Bonds and the obligation to rebate certain excess earnings on the gross proceeds of such Bonds to the United States Treasury. The Non-Arbitrage Certificate and Tax Covenants to be entered into by the County (the "Tax Certificate") with respect to the Bonds contains covenants (the "Covenants") under which the County has agreed to comply with such requirements. Failure by the County to comply with the Covenants could cause interest on the Bonds to become includable in gross income for Federal income tax purposes retroactively to their date of issue. If such a failure occurs, the available enforcement remedies may be limited by applicable provisions of law and,

therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes. Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificate. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Bonds from gross income for Federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Original Issue Discount. “Original issue discount” is the excess, if any, of the amount payable at maturity (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) of any maturity of the Bonds purchased as part of the initial public offering over the issue price of the maturity. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Bonds with original issue discount (an “OID Bond”) will be excludable from gross income to the same extent as interest on the Bonds for Federal income tax purposes. In general, the “issue price” for each maturity of the Bonds is the first price at which a substantial amount of the Bonds of that maturity was sold to the public, which may differ from the price shown on the inside cover page hereof.

The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest. In the case of an original owner of an OID Bond, the amount of original issue discount that is treated as having accrued on such OID Bond is added to the owner's adjusted basis in determining, for federal income tax purposes, gain or loss upon the disposition of the OID Bond (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued original issue discount will be excluded from the gross income of the owner for Federal income tax purposes.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the issue price may be determined according to rules that differ from those described above.

In addition, original issue discount that accrues in each year to an owner of an OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed below. Consequently, owners of any OID Bond should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although the owner of such OID Bond has not received cash attributable to such original issue discount in such year.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for Federal income tax purposes of the original issue discount accrued upon sale or redemption of such OID Bonds (including OID Bonds not purchased in the initial offering at their issue price) and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium. In general, a Bond purchased at a price (excluding accrued interest) producing a tax basis in excess of the principal amount payable at maturity is a “Premium Bond” and the amount of the excess constitutes the “Bond Premium” on the Premium Bond. Under the Code, the Bond Premium is amortized based on the owner’s yield over the remaining term of the Premium Bond (or, in the case of certain callable Premium Bonds, to an earlier call date that results in a lowest yield on the Premium Bond). The owner of a Premium Bond must amortize the Bond Premium by offsetting the qualified stated interest allocable to each interest accrual period against the Bond Premium allocable to that period. No deduction is allowed for such amortization of Bond Premium and the owner is required to decrease the adjusted basis in the Premium Bond by the amount of the amortizable Bond Premium properly allocable to the owner.

Prospective purchasers of any Premium Bond should consult their own tax advisors regarding the treatment of Bond Premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and amortization of Bond Premium on, such Premium Bond.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a

particular owner thereof. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the “branch profits tax,” individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

Information Reporting and Backup Withholding. Prospective purchasers should be aware that the interest on the Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if the interest is paid to an owner who or which (i) is not an “exempt recipient” and (ii) (A) fails to furnish an accurate U.S. taxpayer identification number in the manner required, (B) has been notified of a failure to report all interest and dividends required to be shown on Federal income tax returns or (C) fails to certify under penalty of perjury that the owner is not subject to withholding. Individuals generally are not exempt recipients, although corporations and other entities generally are.

The reporting and backup withholding requirements do not in and of themselves affect the excludability of interest on the Bonds from gross income for Federal income tax purposes, and amounts withheld under the backup withholding rules may be refunded or credited against the owner’s Federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Opinion of Bond Counsel – State Tax Exemption. In the opinion of Bond Counsel, under existing law of the State of Maryland, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom including any profit made in the sale thereof, are exempt from State, county, municipal or other taxation of every kind and nature within the State of Maryland; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon.

Interest on the Bonds may be subject to state and local taxes in jurisdictions other than the State of Maryland under applicable state or local laws. Prospective purchasers of the Bonds should consult their own tax advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

Effects of Future Enforcement, Regulatory and Legislative Actions. The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for Federal income tax purposes. If the IRS does audit the Bonds, the IRS will, under its current procedures, treat the County as the taxpayer. As such, the beneficial owners of the Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in Federal or state income tax rates and the application of Federal or state income tax laws (including the substitution of another type of tax) or may repeal or reduce the benefit of the excludability of interest on tax-exempt obligations from gross income for Federal or state income tax purposes.

The Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the Federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Code or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds’ Federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed Federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

COUNTY GOVERNMENT AND ADMINISTRATION

General

The Commissioners of St. Mary's County is comprised of five Commissioners elected for four-year terms. All Commissioners are elected by the entire County voters. The four Commissioners must live in the District they are representing; the President may live anywhere in the County.

The Commissioners of St. Mary's County appoints a County Administrator who is responsible for the general administration and daily operation of County government. County government departments report directly to the County Administrator. The financial administration of the County is centralized with the Chief Financial Officer who is responsible for the accounting and general ledger functions, purchasing, overseeing the financial planning and annual budget process, debt service and investment of County funds. The County Treasurer is responsible for billing and collection of property taxes.

County Commissioners

JAMES "RANDY" GUY, President, is serving his second term as President of the Commissioners of St. Mary's County. He was born in Leonardtown, Maryland and graduated with a degree in transportation and traffic management from the Community College of the Air Force. He joined the Air Force in 1966 and served 26 years as a loadmaster on C-130s and C-141s. His assignments included a tour in Vietnam and participation in many operational missions. During his career he was based in the Philippines, bases in North and South Carolina and served as the Air Lift Manager at the Joint Chemical Warfare Test Group in Virginia. He ended his career as the Enlisted Air Crew Manager at the Pentagon in Washington, D.C. Mr. Guy has also served in many capacities in St. Mary's County. During a break in service in the early 1970s, Mr. Guy was a deputy sheriff with the St. Mary's County Sheriffs' Department. Following his Air Force career, he returned home and opened a small business, Southern Maryland Pools and Spa in Hollywood, Maryland. He continued in business for eleven years. Since his retirement, Mr. Guy has been active in local politics. He completed the Academy for Excellence in Local Government from the University of Maryland College Park. He served on the Central Committee from 1998-2002. He has also served on the Board of Appeals from July 2009-November 2014. Mr. Guy is also a very active volunteer in the community. Since 1994, he has been a member of the American Legion, southern Maryland post 221, where he has served in many capacities including Post Commander and as a member of the American Legion Executive Committee at the state level. Mr. Guy is a member of the Leonardtown Lion's Club and a current member of the Maryland Association of Counties (MACo) Legislative and Education Committees. He is a current member of the Tri-County Council's Veteran's Regional Advisory Council. Mr. Guy currently represents St. Mary's County on the Maryland Rural Counties Coalition. He lives in Clements with his wife, Carolyn. They have one son, Charles.

ERIC COLVIN is serving his first term as a member of the Commissioners of St. Mary's County and represents Commissioner District 1 (Ridge, Piney Point and St. George's Island). He was born and raised in Leonardtown MD, attending Leonardtown Elementary, Middle, and High Schools. Mr. Colvin graduated Summa Cum Laude with Bellavance Honors from Salisbury University with dual majors in Political Science and History and a minor in Marketing and earned an MBA degree from The College of William and Mary's Mason School of Business. He has worked for several defense contractors in the area. For the last 10 years he has worked as a Financial Analyst at Webster Field, St. Inigoes.

MICHAEL L. HEWITT is serving his second term as a Commissioner of St Mary's County. He represents Commissioner District 2, the Hollywood-Leonardtown area. He was born in Maine and moved with his family to St Mary's County in 1963. He attended St Michael's Elementary school in Ridge and later Esperanza Middle school and Great Mills High school. He's also a graduate of St Mary's College of Maryland. After college Mr. Hewitt started working in the family business started by his father in February of 1964. He took over the business, Hewitt's Service Center, located in Lexington Park in 1981, operating it until January of 2017 when he retired. Mr. Hewitt has served St Mary's County residents for the past five years as a County Commissioner. His previous public service has included the St Mary's County Planning Commission (1994-1996), the St Mary's County Board of Education (1996-2000) along with the Board of Education's Budget Advisory Committee, Audit Committee, Ethics and Health and Human Services Committee. He also served on the St Mary's County Zoning Board of Appeals from 2000-2006. In 1998 he was appointed to the Maryland Route 235 Focus Group, from 2000-2006 served on the Calvert County Marine Museum Board of Governors in Solomon's, MD and from 2011 to 2014 he served on the Patuxent River Naval Air Museum Board of Directors. Governor Larry Hogan appointed Mr. Hewitt to the Patuxent River Commission and the Critical Areas Commission in 2014 and reappointed him to the Critical Area Commission in 2019.

TODD B. MORGAN is serving third term as a Commissioner of St. Mary's County. He moved to St. Mary's County in 1979 following college graduation. Mr. Morgan earned a BS in Business Administration (Finance) from Susquehanna University. He later earned a Master's in Business Administration (MBA) Degree from Marshall University. Mr. Morgan began his career working for a major defense contractor. In 1985 he joined Rex Eagan and John McAllister as their partner at Eagan, McAllister Associates, Inc. (EMA). EMA became one of the largest businesses in Southern Maryland, winning numerous awards and accolades. EMA is now known as Science Applications International Corporation (SAIC) where he still works in support of its Patuxent River and Webster Field organizations. Mr. Morgan taught college classes locally for over 20 years at St. Mary's College of Maryland, the University of Maryland University College, Charles County Community College (now College of Southern Maryland) and for Embry-Riddle University where he is an Adjunct Assistant Professor. Mr. Morgan currently serves on the Southern Maryland Tri-County Council. He has served as Chair in 2011-2012, 2014-2015 and 2017-2019. He also serves on the MACo Legislative Committee and MACo Education Subcommittee. In 2013, he was appointed by Governor Martin O'Malley to serve on the Historic St. Mary's City Commission. He has also served as the President of the Southern Maryland Navy Alliance (2004-2010), Vice President of the Historical St. Mary's City Foundation (1996-2010). He was an Assistant Scoutmaster of BSA Troop 413, and a member of the Finance committee at the Church of the Ascension (Lexington Park) and a member of the St. Mary's Republican Club. He is a former member of the St. Mary's County Juvenile Drug Court. He served as chairman of the St. Mary's County Elected School Board Task Force, was elected to the St. Mary's County Republican Central Committee and was a member of the Lexington Park Library Task Force. He has served as a Vestry Member at the Church of the Ascension, as a board member on the St. Mary's County Chamber of Commerce and on the Wildewood Homeowners Association. He coached four seasons for the St. Mary's County Recreation and Parks Youth basketball.

JOHN O'CONNOR is in his second term representing Commissioner District 3 (Charlotte Hall, Mechanicsville, Golden Beach and the Seventh District). He was raised on Long Island, New York. He currently resides in Mechanicsville with his wife Elizabeth and son John Edward II. Upon graduation from high school, he joined the United States Army and served as a Military Police Officer, earning the rank of Sergeant. He participated in peacekeeping missions in Kosovo, and combat operations during Operation Iraqi Freedom. John is a highly decorated veteran, and during his tour in Iraq, he was awarded the Purple Heart and received the Army Commendation Medal with Valor Device for participation in acts of heroism involving direct conflict with an armed enemy. Mr. O'Connor earned an Associate degree from Kaplan University in Criminal Justice Administration and a Bachelor of Science in Management degree from Johns Hopkins University. At Johns Hopkins his studies focused on Public Safety Leadership as part of the Johns Hopkins University Public Safety Leadership Program. After completing several years of service in the United States Army, he continued his public service as a police officer in both paid and volunteer positions. Mr. O'Connor has served in various capacity such as patrol officer, supervisor, command staff, and Acting Chief of Police. In total he has served in public safety and in public service for over 19 years. Mr. O'Connor is a Small Business Owner, Distinguished Lifetime Member of the NRA, a private pilot, UAS (Drone) pilot and supporter of civil aviation initiatives. He continues to be active in groups such as The Wounded Warrior Project, Military Order of the Purple Heart, Veterans of Foreign Wars Post 2632, American Legion Post 221, Iraq and Afghanistan Veterans Association, Thomas J. Shryock Masonic Lodge No. 223 A.F & A.M, Raeford Masonic Lodge No. 306 A.F & A.M, Association of the United States Army, and Fraternal Order of Police Lodge # 9 as a representative to the State. Mr. O'Connor has served for several years on Local Government Insurance Trust (LGIT) Board of Trustees as well as a member of LGIT's Risk Management subcommittee.

Treasurer

CHRISTINE L. KELLY, County Treasurer is serving her second term as St. Mary's County Treasurer. Prior to being elected Treasurer, Mrs. Kelly served in the United States Navy as an Intelligence Specialist and worked as a business manager and a salesperson. She is a member of the Maryland Government Finance Officers Association.

Certain Appointed Officials

DR. REBECCA BOLTON BRIDGETT, age 55, was appointed County Administrator in April 2013. Dr. Bridgett has 20 years of experience in public administration, serving in a variety of executive level positions in local and state government. Between 2009 and 2012 she served as County Administrator for Charles County, Maryland. Dr. Bridgett has served as Director of the Charles County Department of Social Services and Department of Human Resources for the Charles County Sheriff's Office. She served as the Acting Executive Director of the Social Services Administration for the State of Maryland. Dr. Bridgett served as chair and member of the elected Charles County School Board. Dr. Bridgett is recognized as a University of Maryland Academy of Excellence in Local Governance Fellow, Graduate of Leadership Southern Maryland's Class of 2014, and Graduate of Leadership Maryland Class of 2016. During her career, Dr. Bridgett has served on numerous professional and volunteer boards and commissions including Southern Maryland Higher Education Center, Workforce

Investment Board, The Patuxent Partnership and Maryland Association of Counties County Administrator's Affiliate. During her tenure, the Economic Development Commission completed a Comprehensive Economic Development Strategy, Tourism & Hospitality Study, Report to Streamline Development Process, and a Gap Analysis for Human Service Programs. She provides oversight for the County's participation in Tri-County Council, Southern Maryland Navy Alliance and the St. Mary's County Chamber of Commerce. Dr. Bridgett serves as chairman for the Sheriff's Office Retirement Board, Length of Services Award Program Trust, 457 (b) Committee and the St. Mary's County Retirement Benefit Trust. She served as a member of the Huntsville, Alabama Trade Delegation examining economic diversity and its application to St. Mary's County. Dr. Bridgett developed the St. Mary's County Citizens Academy. She holds an ED.D. from NOVA Southeastern University, a M.A. from Appalachian State University, and a B.A. degree from Campbell University.

L. JEANNETT CUDMORE, Chief Financial Officer, age 58, joined the County as Deputy Director in the Finance Department in October 1998 and was initially responsible for implementing and training all users on the County's new financial system. She was acting Director of Finance from January 2000 – through August 2000. During her tenure, the County has focused on the improvement of a variety of fiscal practices, including procurement, budget development and management for both operating and capital project funds, multi-year planning, periodic evaluation and monitoring of capital project expenditures and the related debt capacity. She was promoted to Chief Financial Officer in May 2015. Ms. Cudmore is a trustee on the County's Sheriff's Office Retirement Board, the St. Mary's County Retirement Benefit Trust, Length of Service Awards Program Trust, and the 457(b) Governance Committee. She is a member of GFOA, MDGFOA, MACPA, and NIGP. The County's fiscal year 2021 Budget Book received the 5th "Distinguished Budget" Presentation Award from GFOA. The Procurement Manual update was approved after 30 years on September 10, 2019 to include changes in technology and process; annual updates are provided to Commissioners. She received her B.S. degree in Business Administration with a concentration in Management from Frostburg State University (1985) and B.S. in Accounting from University of Maryland Global Campus (1994). She received her certification as CPA in 1997. Prior to working in St. Mary's County, she worked for Charles County Government and held accounting positions in the automotive and construction field.

DAVID A. WEISKOPF, age 51, has been the County Attorney for St. Mary's County since October 2017, after serving as Deputy County Attorney since 2008. He was admitted to practice before the Court of Appeals of Maryland in 1996, has years of legal experience in business, real estate and as a trial lawyer, and has been awarded Martindale-Hubbell's AV Preeminent Peer Review Rating, as well as The Daily Record's Leadership in Law Award for 2020. He is a former Assistant Public Defender for St. Mary's County, and is currently serving as President for the St. Mary's County Bar Association. He is a member of the Maryland State Bar Committee for the Lawyer Assistance Program and current chair of the St. Mary's County Pro Bono Committee. He is also admitted to the United States Court of Appeals for the Fourth Circuit, 1998; United States Tax Court, 2018; and to the United States Supreme Court Bar, 2019. He is a member of the Maryland Judicial Nominating Commission, 2019-Present (gubernatorial appointment). He is a graduate of St. Mary's College of Maryland (B.A., 1993) and the University of Baltimore School of Law (J.D., 1996). He is currently an instructor for business law and business ethics in the University of Maryland School System.

JOHN F. DEATRICK, P.E., AICP, LEED BD+C, age 75, Director of Public Works and Transportation for the Government of St. Mary's County, received a BSCE (Civil Engineering) degree from the University of Cincinnati and a BA from the University of Maryland, with concentrations in Business Administration and History. Mr. Deatrick was appointed the Director in August 2017. He is responsible for engineering services; St. Mary's County Regional Airport; capital, asset management, maintenance, and private development work permits in the highway right-of-way and its related stormwater, coastal resiliency, lighting and other facilities; facility services including maintenance, project and asset management; the local transit system; maintaining the County owned vehicle fleet; solid waste and recycling services; and management of the public transit system and non-public school bus transportation. Prior to that time, during his forty year plus career he has served as Director of Transportation and Engineering for the City of Cincinnati, Deputy Director and Chief Engineer for the Washington, DC, Department of Transportation, Project Executive for the Cincinnati Central Riverfront Redevelopment (The Banks Project) and the construction of the Cincinnati Streetcar.

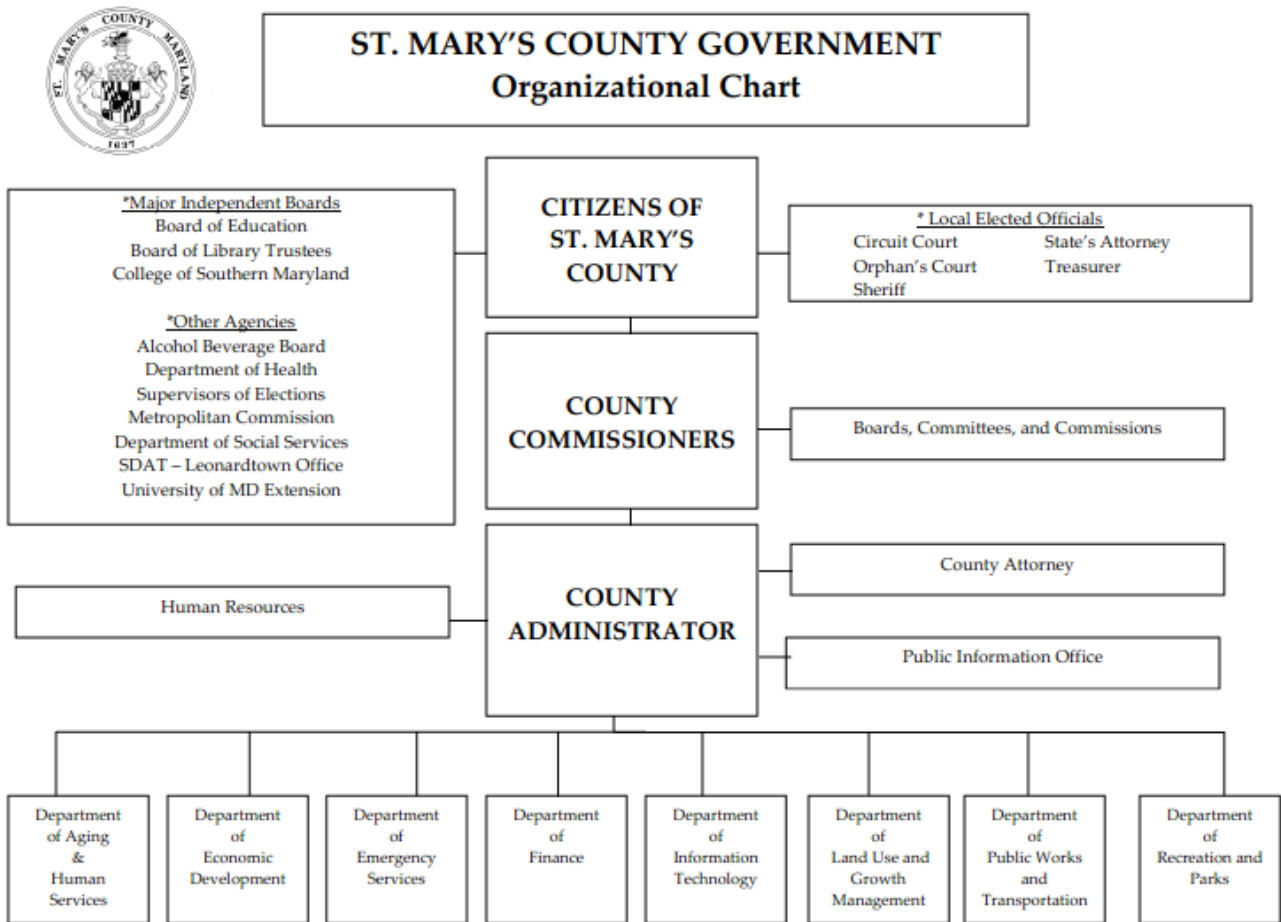
CHRIS KASELEMIS, AICP, Director of Economic Development, age 62, received his B.S. degree from the University of Arizona with a major in Accounting, and his Master's in Business Administration, emphasis in Finance, also from the University of Arizona. Mr. Kaselemis was appointed Director of Economic Development for St. Mary's County in June 2015. He previously worked for the City of Tucson for 28 years, holding various positions including Senior Management Analyst, Comprehensive Planning Administrator, Community Development and Planning Administrator, Assistant to the City Manager, Program Evaluation Office Program Manager, and Economic Initiatives Program Director. He is certified by the American Planning Association's American Institute of Certified Planners (AICP).

Remuneration of Certain Officials

The following chart sets forth the current annual remuneration for calendar year 2021 to be paid certain County officials whose salary is either set by law or determined under contractual arrangement:

<u>Official Title</u>	<u>Salary by Law</u>	<u>Salary by Contract</u>
President, Board of County Commissioners	\$44,746	
County Commissioner	\$39,544	
County Treasurer	\$63,000	
County Administrator		\$189,524
Chief Financial Officer		\$139,976
Director of Public Works and Transportation.....		\$153,864
Director of Economic Development		\$133,782
County Attorney		\$156,550

St. Mary's County Government Organization



* County Commissioners have funding responsibility only

FY2021

Retirement and Pension Programs

Prior to January 1, 1980, all County employees were required to participate in the Employees' Retirement System of the State of Maryland (the "Retirement System"). The Retirement System was closed to new members effective December 31, 1979. During the 1979 legislative session, the Maryland General Assembly created the Employees' Pension System ("Pension System") effective January 1, 1980. All County employees who were members of the Retirement System could elect to transfer all accrued service credit to the new Pension System or remain in the Retirement System under one of three options: Plan A – members elected to pay a higher contribution rate (generally 7% of pay) to maintain all benefits, including unlimited cost of living adjustments; Plan B – members continued pre-1984 contribution rate (generally 5% of pay) to maintain all benefits except unlimited cost of living (cost of living adjustments are capped at 5%); Plan C – members chose a combination, or two part (bifurcated) benefit. The portion of the service prior to the election is calculated at retirement as a Retirement System benefits; the portion of service after the election is calculated at retirement as a Pension System benefit. The Retirement System provides annual pensions for members who retire at age 60 regardless of service, or upon 30 years of eligibility service, regardless of age, equal to 1/55th of the average of the 3 highest annual salaries during the member's career multiplied by total months and years of creditable service. A member having 25 years of service may retire prior to age 60 at a reduced benefit.

Employees hired after January 1980 were enrolled in the Pension System. Benefits payable under the Pension System were originally less than those payable under the Retirement System; however, the Pension System was converted to a Contributory Pension System on July 1, 1998, and again enhanced on July 1, 2006 (known as the Alternate Contributory Pension Selection Plan) which considerably improved the Pension System benefit.

Members of the Pension System hired before July 1, 2011, are eligible to retire after 30 years of service regardless of age, at age 62 with 5 years of service, at age 63 with 4 years of service, at age 64 with 3 years, or at age 65 or older with 2 years of service. The pension payable to a member of the Pension System who retires after 30 years of service or at age 62 is computed at 1.2% of the member's average final compensation (average of the 3 highest consecutive annual salaries during the employee's career) multiplied by years of credited service prior to July 1, 1998 plus 1.8% of average final compensation multiplied by years of credited service after June 30, 1998. Members are eligible for early retirement at age 55 with at least 15 years of service, but the benefit is reduced.

For members of the Pension System hired on or after July 1, 2011, normal service retirement is determined by the Rule of 90. Members become eligible once the sum of their age and eligibility service is at least 90. Members also may retire at age 65 with at least 10 years of eligibility service. The pension is equal to 1.5% of the member's average five highest consecutive annual salaries during their career multiplied by the years of credited service. Members are eligible for early retirement after attaining age 60 and with at least 15 years of service, but the benefit is reduced.

Both the Retirement System and the Pension System are jointly contributory. Under the Retirement System an employee contributes 5% or 7% of compensation; under the Pension System an employee contributes 7% of compensation. Pension benefits are funded by employee and employer contributions. However, the County contributes the largest amount to fund these benefits. As a percentage of payroll, effective July 1, 2020, the County's contribution rate for the Retirement System is 11.71% and 10.24% for the Pension System.

The County adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No.71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68, during the fiscal year ending June 30, 2015.

During the 1984 General Assembly, an Act was passed to authorize the County to adopt a separate pension plan or the supplementation of existing plans for personnel of the Sheriff's Office to enable such personnel to retire with benefits at an earlier age.

On July 1, 1986, deputies and correctional officers participating in the Maryland State Retirement System and Pension System plans were given the option to transfer their accrued service credit to the St. Mary's County Sheriff's Office Retirement Plan with membership mandatory after July 1, 1986. The Sheriff's Office Retirement Plan has a member contribution rate of 8%, with the County contributing, effective July 1, 2020, 40% of annual compensation. The retirement date is the earlier of the employee's 62nd birthday or completion of 25 years of service. The pension is payable at 2% (for years of service prior to July 1, 2008) and 2.5% (for years of service after June 30, 2008) of the member's highest average annual compensation for three consecutive years out of the ten years prior to employment separation multiplied by the number of years of creditable service. A member having 20 years of service may retire prior to age 62 at a reduced benefit. Cost of living adjustments are set at 3% annually. The plan was amended to update actuarial equivalence and added pop-up benefit options.

The amount of the unfunded accrued liability attributable to the County as of June 30, 2020 for the Sheriff's Office Retirement Plan was \$43,716,930. Changes to the plan's unfunded liability due to changes in assumptions and actuarial

gains/losses recognized on or after July 1, 2020 will be amortized over closed periods of 20 years. DROP benefits are assumed to be funded over a participant’s career (i.e., DROP exit).

The following table sets forth the County’s contribution for the Retirement and Pension System and the Sheriff’s Department Retirement Plan for the five most recent fiscal years ended June 30 for which audited data are available:

Fiscal Year	Retirement & Pension System	Sheriff’s Department Retirement Plan	Total
2020	\$2,074,428	\$6,071,020	\$8,145,448
2019	\$2,180,432	\$5,644,000	\$7,824,432
2018	\$2,050,819	\$5,147,467	\$7,198,286
2017	\$2,012,485	\$5,148,862	\$7,161,347
2016	\$1,973,642	\$4,815,590	\$6,789,232

Source: St. Mary’s County Department of Finance.

Effective July 1, 1985, the funding of retirement costs for members of the municipal corporations was separated from the funding of retirement costs for members of the State of Maryland with municipal corporations paying at a common normal cost and accrued liability percentage rate pay rolled on a pooled basis.

The County annually funds a length of service program (LOSAP) for volunteer fire, rescue and advanced life support organization members. Eligibility is based on age and certified service years. The County’s eligibility options are:

Option	Minimum Monthly Payment Amount After 20 Years	Each Additional Year of Certified Service
1 Age 60	\$200	\$8
2 Age 55	\$150	\$8
3 Age 70	*	\$8

* Individuals with less than 20 years but more than 2 years of service (during preceding 5-year period) receive \$8 per month multiplied by the number of years of certified active service, for life. Individuals with 20+ years of certified service may choose to have benefits recalculated under Option 1 of the program.

Source: St. Mary’s County Department of Finance.

The cost to the County to meet these retirement benefits in fiscal year 2020 was \$1,097,163 for the current retirees and \$1,000,000 was paid to the LOSAP trust.

Other Post - Employment Benefits (“OPEB”)

St. Mary’s County Government retirees with at least 10 years of eligible County service and their eligible dependents under age 65 are eligible for health, prescription drug, dental, and vision A Medicare supplement including health, prescription drug, and vision benefits is available to retirees and their dependents over the age of 65. The County adopted the requirements of GASB Statement No. 45 during the year ended 2008.

An actuarial study as of June 30, 2020 reported a net OPEB liability of \$6,181,171. The amount budgeted in fiscal years 2020 and 2021 was \$3,300,000 and \$3,600,000, respectively – estimated amount for retirees only. The following table outlines the activity:

Fiscal Year	Retirees	Payments to Retirees	Annual OPEB Cost	Contributions Made
2020	1,215	\$3,706,715	\$4,775,000	\$3,706,715
2019	1,046	\$3,390,502	\$5,279,000	\$3,390,502
2018	1,100	\$3,133,686	\$5,090,000	\$3,133,686
2017	1,090	\$3,009,007	\$5,294,000	\$3,009,007
2016	1,086	\$2,685,268	\$5,048,000	\$2,685,268

Source: St. Mary’s County Department of Finance.

All employees of the County, including general, elected and appointed, participate in the Federal Insurance Compensation Act (“FICA”).

Labor Relations

As of July 1, 2020, the County employed approximately 795 full time equivalent employees. The County has not entered into any collective bargaining agreements. In addition, the County has not experienced a work stoppage due to labor problems and considers its relationships with employees to be satisfactory.

Leases and Other Contracts

In addition to contracts for goods and services arising in the ordinary course of business of the County, the County is a party to numerous other contracts, primarily with engineers, architects and contractors, relating to capital projects. Funds necessary to meet the County’s obligations for these contracts have been appropriated and are a part of the Capital Improvement Fund of the County. (See “BUDGET AND ACCOUNTING.”)

The County will acquire needed equipment through equipment lease/purchase agreements in future fiscal years as long as it proves to be an economical manner of handling such expenditures.

BUDGET AND ACCOUNTING

The formulation of the County’s budget is the responsibility of the Chief Financial Officer who is subject to the supervision of the County Administrator.

The County Budget is comprised of the Current Expense Budget, the Capital Budget and Capital Program, and the Budget Message.

Current Expense Budget

The Current Expense Budget, which by law must be balanced, is prepared and submitted for approval to the Commissioners of St. Mary’s County based upon estimated revenues and expenditures of operations for the ensuing fiscal year submitted to the Chief Financial Officer by the head of each office, court, department, institution, board, commission, corporation, or other agency of the County government. The proposed Current Expense Budget is required to contain not less than the following information: (1) a statement of all revenue estimated to be received by the County during the ensuing fiscal year, classified to show the receipts by funds and sources of income; (2) a statement of the debt service requirement for the ensuing fiscal year; (3) a statement of the estimated cash surplus, if any, available for expenditure during the ensuing fiscal year; (4) a statement of the bonded and other indebtedness of the County and its agencies, including self-liquidating and special taxing district debts; (5) a comparative statement of the receipts and expenditures for the last two completed fiscal years, the estimated receipts and expenditures of the current ending fiscal year and the expenditures recommended by the Commissioners of St. Mary’s County for the ensuing fiscal year for each function, activity, and sub activity; and (6) any other material which the Commissioners of St. Mary’s County may deem advisable.

Capital Budget and Capital Program

The Capital Budget of the County is its plan to receive and expend funds for capital projects during the ensuing fiscal year. The Capital Program of the County is its plan to receive and expend funds for capital projects during the fiscal year covered by the Capital Budget and the next succeeding five fiscal years thereafter. The Commissioners of St. Mary’s County may direct that each office, court, department, institution, board, commission, corporation, or other agency of the County government submit to the Chief Financial Officer for transmission to the Planning Commission an itemized list of the capital projects which each agency proposes to undertake in the ensuing fiscal year and the next succeeding five fiscal years thereafter. After consideration by the Planning Commission, the Director of Land Use and Growth Management is required to transmit to the Chief Financial Officer the list of projects recommended by the Commission together with his recommendation of the projects to be undertaken, in the periods aforesaid and estimates of the costs thereof. The Commissioners, with the assistance of the Chief Financial Officer, shall consider such recommendations with the other budget proposals and shall recommend to the general public together with the Current Expense Budget, a complete Capital Budget and Capital Program. The proposed Capital Budget and Capital Program is required to be arranged so as to set forth clearly the plan of proposed capital projects to be undertaken in the ensuing fiscal year and in each of the next succeeding five fiscal years, and also the proposed means of financing them. The Capital Budget shall include a statement of the receipts anticipated during the ensuing fiscal year from all borrowing and from other sources for capital projects.

Budget Message

The Budget Message is required to contain supporting summary tables and to explain the proposed Current Expense Budget, Capital Budget and Capital Program, both in fiscal terms, and in terms of work to be done. It is required to outline the proposed financial policies of the County for the ensuing fiscal year and describe the important features of the Current Expense Budget. It must also indicate any major changes in financial policies and in expenditures, appropriations, and revenues as compared with the fiscal year currently ending and set forth the reasons for such changes. The Budget Message also must include such other material as the Commissioners of St. Mary's County may deem desirable.

Adoption of Budget

Before April 1 of each year, the Recommended County Budget must be prepared and signed by a majority of the Commissioners of St. Mary's County. Upon approval of the proposed County Budget, notice of the places and times of public hearing(s) on the proposed budget must be published in at least one newspaper of general circulation published in the County. The hearing(s) are to be held not less than 20, nor more than 40 days after the date of filing the proposed budget. After the public hearings, the Commissioners of St. Mary's County may revise the proposed budget and any part of it by increasing, decreasing, eliminating, or adding items. Items may not be consolidated in such a manner as to reduce the detailed statements of the appropriations. The Board is further authorized to revise the schedule of anticipated receipts and estimated rates for general and special taxes. The Annual Budget and Appropriation Act is required to be adopted by June 1. The adoption of the Budget must be by the affirmative vote of not less than three members of the Commissioners of St. Mary's County.

Basis of Accounting

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

Both the General Fund and the Capital Improvement Fund of the County are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts taxes, and sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

Accounting Policies

The accounting policies of the County conform to generally accepted accounting principles ("GAAP") as applicable to governments.

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COUNTY SERVICES

Through its various departments and offices (see “COUNTY GOVERNMENT AND ADMINISTRATION”), the County supplies an array of governmental services. The following is a description of certain services provided by the County.

Education

The St. Mary’s County Board of Education, consisting of five members elected for four-year terms, is responsible for the overall operation and policy decisions of the County’s public-school system. During the 2020-2021 school year, the Board of Education exercised responsibility for 28 elementary and secondary schools, including a Career and Technology Center, Fairlead Academy, Head Start and pre-kindergarten programs, and a public charter school. The Maryland State Department of Education (MSDE) approved enrollment was 17,138 students in school year 2019-2020. The 2019-2020 level of professional teachers allowed average class sizes of 18.3 at the kindergarten level, 18.6 at grades 1 and 2, 20.3 for grades 3 to 5, 26 for middle schools, and 21 for high schools. In June 2020, 1,181 students graduated from St. Mary’s County public schools. The County provided funding to the Board of Education in the amount of \$103,852,525 in fiscal year 2019, \$106,242,921 in fiscal year 2020, and \$109,542,921 in fiscal year 2021.

In addition, there are 11 private and parochial schools in St. Mary’s County that accommodate approximately 2,317 students.

Police and Fire

The St. Mary’s County Sheriff’s Office is a full-service law enforcement agency which includes the management of the St. Mary’s County Detention and Rehabilitation Center. The Sheriff has a staffing authority of 143 sworn deputies, 81 correctional officers, and 103 professional staff, for a total of 327 in the FY2021 budget.

The Sheriff’s Office provides law enforcement services to the citizens of St. Mary’s County including, general patrol functions, i.e., criminal investigations, civil disturbances, accident investigation, traffic enforcement, court security, service of arrest warrants and protective orders, and assisting other county agencies.

The St. Mary’s County Detention and Rehabilitation Center is responsible for housing all adult inmates sentenced and awaiting trial. The rated capacity is designed to house 230 inmates and has a current inmate population ranging from 180 to 195 with another 110 to 130 being monitored outside on pretrial. The County’s capital budget and plan includes funding for a multi-phase renovation and expansion project.

(See “COUNTY GOVERNMENT AND ADMINISTRATION – Retirement and Pension Programs” for information on the Sheriff’s Department pension plan.)

There are seven volunteer fire departments, operating from eight stations with 488 active members operating 75 pieces of equipment ranging from 100-foot aerial ladder trucks, 1,500 GPM pumpers to small four-wheel drive vehicles for woods and brush fire suppression work and chief’s command vehicles. The departments are financed from state, county, dedicated fire property tax and private fund-raising sources.

There are seven volunteer rescue squads, operating from eight stations with 427 active members operating 38 ambulances and eight command and utility vehicles. Except for one Combined Volunteer Fire Department and Rescue Squad, rescue squads are independent organizations not associated with the volunteer fire departments. ALS (Advanced Life Support of St. Mary’s County) is an independent entity that was formed, sanctioned and funded by the CSMC.

The Department of Emergency Services is responsible for Emergency Management planning and preparedness activities, Animal Control Services, the early development stages of Career Emergency Medical Services and County-wide 911 emergency communications.

Emergency 911 communications radio coverage for the protection of St. Mary’s County’s is provided for the Sheriff’s Department, volunteer fire departments and rescue squads using the 800-MHZ 10-channel radio system and tower infrastructure. The 911 center also has a mutual aid agreement with the Maryland State Police for simulcast of major incidents, and a direct communications link. The “911 Center” houses operations and allows a coordinated response to any emergency situation. In addition, an off-site 911 backup center is maintained at 100% operational readiness condition.

(See “CERTAIN DEBT INFORMATION” for information on the County’s authority to create a revolving loan fund for capital projects of the volunteer fire departments and rescue squads.)

Health

The St. Mary's County Health Department (SMCHD) is responsible for protecting and promoting the health of St. Mary's County community members. Within the scope of its resources, the health department delivers a variety of services to our community, based on health needs and legal policies. As the county's leader in public health, SMCHD is committed to ensuring that all community members have access to personal and community-based services and health information.

The Health Department collects and monitors community health data to identify priority health needs and to inform residents and partners on public health issues. In addition, the agency implements culturally sensitive programs to support access to care for all residents, including those most vulnerable such as pregnant women, children, and individuals with disabilities. SMCHD provides select clinical services for the community, including infection diagnosis and treatment, vaccinations, harm reduction services, and reproductive health services. SMCHD also works to reduce the burden of chronic disease through a variety of efforts to address risk factors such as tobacco use and obesity, as well as chronic illnesses like asthma and diabetes. Additionally, the agency prevents and controls local infectious disease outbreaks and provides guidance in county efforts to address health-related emergency situations. Vital records, including birth and death certificates, may also be obtained via the Health Department. SMCHD is the local point of contact in assisting individuals with access to behavioral health services (mental health and substance use), monitoring and improving behavioral health systems to provide better outcomes for residents, and public health programs to promote better behavioral health in the community. This includes efforts to address the ongoing opioid epidemic and behavioral health prevention initiatives related to mental health concerns and substance use. The Health Department also works to maintain a safe and healthy environment in St. Mary's County by addressing food safety and licensing/monitoring of food service facilities, recreational and drinking water quality, adequate wastewater management through septic systems, and other environmental health issues.

Recreation and Parks

The Department of Recreation and Parks operates in collaboration with three advisory boards which are appointed by the Commissioners of St. Mary's County. These citizen advisory boards provide advice and assistance for supporting a comprehensive program of public recreation, parks and museums. The day-to-day operations of the department are carried out by a director, four division managers, and a staff of 40 full-time and approximately 450 part-time and/or seasonal employees.

The Recreation and Parks Department operates and manages 21 County parks; 16 public waterfront landings; various athletic facility sites which includes (6) synthetic turf fields; the Three Notch hiking/biking trail; the Wicomico Shores Golf Course and Riverview Restaurant/Banquet Facility; the St. Clement's Island Museum; the Little Red Schoolhouse; The Old Jail Museum in Leonardtown, and the Piney Point Lighthouse Museum and Historic Park. The Department also manages a historic shipwreck dive preserve; and the Drayden African American Schoolhouse. The Recreation Division manages the Gymnastics Center; Leonard Hall, Margaret Brent, Hollywood and Carver Recreation Centers; Chancellor's Run Activity Center; a skate park; a water sprayground; a disc golf course; and the Great Mills Swimming Pool.

Hundreds of youth and adult programs and services are offered each year and encompass a broad range of educational, leisure and sports activities. The Department also operates School Age Care school programs, summer camps, sports, special events, trips and tours.

Department of Land Use and Growth Management

The Department of Land Use and Growth Management (LUGM) is responsible for land use planning, zoning, site development review, permits, Critical Area, Floodplain and Stormwater Management reviews, zoning inspections, and final approval/issuing certificates of use and occupancy. Departmental staff is committed to fulfilling its responsibilities to promote quality development, quality of life and protect the environmental and historic resources of St. Mary's County.

Roads and Highways

There are 1,675 County maintained roadways encompassing approximately 821 linear miles. The County's fiscal year 2021 operating budget for the County Highways Division in the Department of Public Works and Transportation is \$4,937,864. The approved fiscal year 2021 capital budget for various highway projects includes projects totaling \$18,920,582. The fiscal year 2021 State Highway User revenue is estimated to be \$1,791,108 with an estimated \$1,194,063 of unobligated State Aid available for capital projects, as of September 30, 2020.

Solid Waste

Curbside trash collection is provided by private haulers. Citizens can also dispose of trash and recyclables at the six residential Convenience Centers located throughout the County. Rubble, yard waste, scrap metal/white goods, scrap tires, and oversized trash loads from residents continue to be collected at the St. Andrews Landfill. All wood/yard waste is ground into mulch and available for pick up by the citizens. The County also maintains a collection facility permit and haulers license for the scrap tires.

Included in the 270-acre Landfill site is a State permitted 55-acre approved disposal cell for future expansion. The County also maintains a State refuse disposal permit and operating license for the operation of a transfer station and processing facility as an additional contingency planning initiative. The site continues to operate under an environmental monitoring and gas remediation plan approved by the Maryland Department of the Environment (“MDE”).

The County exports approximately 18,000-20,000 tons per year of municipal solid waste (collected at the Convenience Centers) and 6,000-7,000 tons of rubble (collected at the Landfill) to a combination of resource recovery /waste-to-energy facilities, and regional Subtitle D landfills (i.e., King George County, VA; Calvert County, MD). This will continue until the County determines to initiate a landfill expansion or construction of the approved transfer station and processing facility.

An enterprise fund has also been established to fund the Solid Waste and Recycling programs, which included implementation of an Environmental and Solid Waste Service Fee Ordinance, adopted on May 15, 2007. Ordinance 2018-13 was adopted on May 15, 2018 increasing the rate from \$72 to \$91 per improved residential property and includes an automatic 2% annual increase. Effective July 1, 2020, the fee increased to \$94.68 for FY2021.

The County’s Comprehensive Solid Waste Management and Recycling Plan update was formally approved by the MDE on December 23, 2015. The approved 2018 CY Maryland Recycling Rate was 24.28%. The County continues to maintain recycling percentages above the State mandated goal of 20% for Counties with a population of 150,000 or less.

COUNTY REVENUES

General

The County’s principal source of revenue is taxes, 45.32% of which are expected to be derived from ad valorem property taxes in fiscal year 2021.

The County’s second most important source of revenue is income taxes. As a percentage of total general fund revenue, income tax is expected to be 42.64% of total revenue for fiscal year 2021.

The following table shows the various sources of revenue for the five most recent fiscal years ended June 30 for which audited data are available:

General Fund Summary of Revenues					
	2020	2019	2018	2017	2016
Taxes – Local Property	\$113,230,333	\$110,200,973	\$109,091,603	\$107,137,471	\$105,273,048
– Local Income Tax	107,335,235	97,443,439	90,410,603	88,167,869	85,525,116
– Local Other	9,366,413	8,927,308	8,441,786	8,231,872	7,791,980
– State Shared	1,552,854	1,674,910	1,187,782	900,948	901,966
Licenses and Permits	700,176	1,613,395	1,533,483	1,654,929	1,574,154
Intergovernmental Revenue	10,948,940	6,193,223	7,105,344	9,837,258	9,859,122
Charges for Services	3,067,568	3,060,721	2,975,831	3,832,461	2,658,430
Fines and Forfeits	17,909	66,592	26,758	26,481	31,929
Miscellaneous	1,595,469	2,101,369	992,605	410,799	188,672
Total Revenues	\$247,814,897	\$231,281,931	\$221,765,796	\$220,200,088	\$213,804,417

Source: St. Mary’s County Audited Financial Statements.

Property Taxes and Assessments

The assessment of all real and tangible personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessments and Taxation, an independent State agency.

For State and County real property tax purposes, real property is valued at market value and assessed at 100% of market value. In order to make real property tax bills simpler and easier to understand, the General Assembly, under Chapter 80 of the Acts of 2000, has required that property tax rates on real property be based on a full cash value assessment. As a result, on October 1, 2000, real property tax rates were reduced to 40% of the rate effective July 1, 2000. Beginning in fiscal year 1992, a Homestead Tax Credit is applied to some owner-occupied residential property which limits the amount of assessment increase that can be taxed. The increase is limited to a range from 0% to 10%, which is set by the Commissioners of St. Mary's County annually. The current rate for St. Mary's County is 3% as of July 1, 2020. All property is physically inspected once every three years and any increase in full cash value arising from a new property valuation phased in over the ensuing three taxable years in equal annual installments.

Tangible business personal property is assessed at cost in the year of acquisition. A 10% depreciation rate per annum is applied and property will not be depreciated below 25% of original cost. Commercial and manufacturing inventory of business is assessed at cost and is determined from annual reports filed with the State Department of Assessments and Taxation. The County provides a 100% exemption for five categories of personal property (commercial inventory, manufacturing inventory, manufacturing machinery, farm implements and livestock).

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale which indicates a maximum property tax liability for various income levels. The amount the County will provide in tax credits to homeowners in any given fiscal year will be offset by a 100% reimbursement from the State. Additionally, the County enacted a "Senior Tax Credit". This credit which is funded from County property tax revenues is provided for citizens who are age 70 and above and who receive the State's credit. Starting in fiscal year 2007, the County added a "Senior Tax Cap Credit" to cap the amount of assessment that is billed to seniors, this enables them to only pay increases if the property rate increases, not the assessment. Enabling legislation passed by the State in the 2016 General Assembly session, codified at Section 9-258 of the Tax-Property Article of the Annotated Code of Maryland, allowed counties to offer up to a 20% Senior Tax Credit for those that are 65 years old and have either lived in the same dwelling for at least the preceding 40 years or who are retired veterans. The County increased their Senior Credits for the fiscal year 2018 budget to include a 10% credit. Taxes saved by the qualifying senior residents as a result of these programs are \$975,000 in fiscal year 2021.

Assessed Values and Tax Rates

The following table sets forth the assessed value of all taxable property in the County for each of its five most recent fiscal years for which audited data are available and the County and State tax rates applicable in each of those years. Assessed value of tax-exempt properties owned by Federal, State, and County governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind, aggregating approximately \$2.2 billion for the fiscal year ended 2020, are not included in the table. Under applicable law, there are no limits on the property tax rates as set forth in the table.

	2020	2019	2018	2017	2016
Assessed Value					
Real Property	\$12,545,332,781	\$12,333,009,947	\$12,137,669,785	\$11,925,897,890	\$11,761,829,760
Personal Property Locally Assessed ...	8,750,000	7,750,000	8,497,100	16,043,500	16,416,300
Public Utilities	129,116,000	136,388,000	124,505,000	117,468,000	114,224,000
Business Corporation.....	166,250,000	147,250,000	161,444,900	144,391,500	147,746,700
Total Base	\$12,849,448,781	\$12,624,397,947	\$12,432,116,785	\$12,203,800,890	\$12,040,216,760
County Tax Rate*8478	.8478	.8478	.852	.852
State Tax Rate*112	.112	.112	.112	.112

* Per \$100 of Assessed Value
Source: St. Mary's County Department of Finance.

The assessable base amounted to \$13,196,225,324 for fiscal year 2021 and is projected to be \$13,624,163,793 in fiscal year 2022. The property tax rate remained the same in fiscal year 2021 of \$0.8478 for Real Property and \$2.1195 for Non-Real Property.

Tax Levies and Collections

County taxes are due and payable as of July 1 of each year and the County records property tax revenues as the taxes are billed. A 100% allowance for uncollectable taxes is established for prior year taxes receivable. Beginning October 1, interest (at the rate of 1% per month) is charged for each month or fraction thereof that real property taxes remain unpaid for the

current year plus a 3% one-time penalty for all unpaid County real property taxes due in that levy year. For personal property, the percentages are 1% per month and a 3% one-time penalty. Such taxes become delinquent on October 1 in the fiscal year of billing. Delinquent taxes are satisfied, after prior notice of delinquency, at tax sales conducted by the County Treasurer in the year following delinquency. Maryland Department of Assessments and Taxation has approved a service charge of .59% of the amount of tax due at the second installment to cover lost interest income and administrative expenses associated with the semiannual payment schedule pursuant to Section 10-204.3 of the Tax-Property Article of the Annotated Code of Maryland.

The following table sets forth certain information with respect to the County's tax levies and tax collections for each of the five most recent fiscal years ended June 30 for which audited data are available.

Fiscal Year	Current Year's Taxes Collected in Year of Levy			Total Taxes Collected (Current and Delinquent)		Accumulated Delinquent Taxes % of Current Year's Levy	
	Total Tax Levy	Amount	%	Amount	%	Amount	%
2020	\$112,949,692	\$111,464,952	98.6%	\$113,214,110	100.2%	\$1,844,137	1.6%
2019	\$110,983,565	\$109,426,015	98.6%	\$111,245,021	100.2%	\$2,108,555	1.9%
2018	\$109,347,485	\$107,800,346	98.6%	\$109,584,832	100.2%	\$2,370,011	2.2%
2017	\$107,222,545	\$105,463,240	98.3%	\$107,397,631	100.2%	\$2,607,358	2.4%
2016	\$105,661,298	\$103,835,253	98.2%	\$106,592,053	100.8%	\$2,782,444	2.6%

Source: St. Mary's County Department of Finance.

County's Largest Taxpayers

The following table sets forth a list of the County's ten largest taxpayers in respect of ad valorem property taxes for fiscal year 2021.

St. Mary's County Ten Largest Taxpayers (Real and Personal Property Assessments)

Owner	Assessed Valuation	Percentage of 2021 Assessed Valuation	Description of Business
Southern Maryland Electric	\$101,797,619	.8%	Utilities
Abberley Farms	79,056,580	.6%	Apartments
Great Mills Property Mgmt	72,521,823	.5%	Commercial Real Estate
Mid-Atlantic Military	52,723,800	.4%	Military Housing
The Rachelle Millison Trust	52,075,714	.4%	Commercial Real Estate
Piney Point Properties	48,570,717	.4%	Residential Real Estate
Burch Oil/Burroughs	42,384,624	.3%	Oil Company
GMF LX Owner LLC	33,710,000	.3%	Apartments
Expedition Properties	31,978,130	.2%	Real Estate Investments
Settlers Landing Apartments	31,820,890	.2%	Apartments
Total FY2021 Assessments	\$546,639,897		
Total FY2021 Final Total	\$13,196,225,324	4.1%	

Source: St. Mary's County Treasurer's Office.

Income Tax

The rate of local income taxation is set by the County, but collections are administered by the State. The local income tax is levied as a percentage of Maryland taxable income. Alternatively, the County must levy a local income tax at a rate equal to at least 1.00%, but not in excess of 3.20%. The County's local income tax rate increased to 3.17% as of January 1, 2020. A distribution to the County of local income tax collections is made by the State in ten periodic payments.

On May 18, 2015, the United States Supreme Court issued its decision in *Comptroller of the Treasury of Maryland v. Wynne Et Ux*. In that case, the Supreme Court affirmed the judgment of the Court of Appeals of Maryland that Maryland counties are prohibited from collecting personal income taxes from their residents to the extent that the income was earned in another state and was subject to income taxation by the other state. As a result, each Maryland county, including the County, is likely to realize a reduction in future income tax revenue distributions from the State of Maryland. In addition, taxpayers who were eligible to claim the credit on their local income tax returns for certain prior years may be eligible for refunds. Any

eligible refunds will be paid by the State and the State will withhold the County's share of such refunds and interest over the eighty quarterly income tax distributions made by the State to the County, beginning with the May 2021 distribution. The County's share of the Wynne Settlement is \$268,320, which was paid in full on April 16, 2021 to the Comptroller of Maryland.

STATE AND FEDERAL ASSISTANCE

During fiscal year 2020, the County received intergovernmental State and Federal grants for operating purposes in the amount of \$10,948,940. Included in that amount are \$946,585 for State aid for police protection, \$713,819 for Cooperative Reimbursement Agreements, \$1,612,358 for transportation services, and various other grants for social services, public safety, recreation, and economic development.

The State also shares motor vehicle related revenues with the counties (motor fuel taxes, vehicle titling taxes, registration fees) and the funds are distributed based on road mileage and vehicle registrations. This State-shared tax distribution amounted to \$1,552,854 for St. Mary's County in fiscal year 2020.

Unrestricted state aid for public education in St. Mary's County for fiscal year 2020 amounted to \$109,510,035 and Federal impact aid amounted to \$2,686,268. Fiscal year 2021 unrestricted state aid is estimated to be \$111,126,805, and unrestricted Federal impact aid revenues are projected to be \$2,745,000. State and Federal revenues for education are accounted for in the County budget process but are received directly by the Board of Education and are not recorded in the County government financial records.

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SUMMARY OF REVENUES AND EXPENDITURES

The following table indicates the General Fund revenues and expenditures for the five most recent fiscal years ended June 30 for which audited data are available.

General Fund Statement of Operating Revenues and Expenditures

	2020	2019	2018	2017	2016
Operating Revenues					
Property Taxes	\$113,230,333	\$110,200,973	\$109,091,603	\$107,137,471	\$105,273,048
Income Taxes	107,335,235	97,443,439	90,410,603	88,167,869	85,525,116
Other Local Taxes	9,366,413	8,927,308	8,441,786	8,231,872	7,791,980
Highway User Revenues	1,552,854	1,674,910	1,187,782	900,948	901,966
Licenses & Permits.....	700,176	1,547,506	1,533,482	1,654,929	1,574,154
Intergovernmental	10,948,940	6,193,223	7,105,344	9,837,258	9,859,122
Charges for Services.....	3,067,568	3,365,994	3,023,296	3,895,412	2,679,243
Fines & Forfeitures.....	17,909	223,225	376,635	289,646	212,776
Other Revenues	1,678,911	2,077,767	1,132,282	527,714	345,909
Total Revenues	\$247,898,339	\$231,654,345	\$222,302,813	\$220,643,119	\$214,163,314
Expenditures					
General Government	\$25,840,297	\$23,672,862	\$22,039,539	\$22,324,501	\$21,943,087
Public Safety	51,374,526	45,633,466	41,447,745	41,428,865	43,357,939
Public Works.....	9,507,202	10,381,218	12,730,147	9,019,174	9,288,129
Health.....	3,656,714	2,789,716	3,024,679	7,048,799	7,383,969
Social Services	3,975,321	4,418,434	4,278,970	4,213,410	4,356,043
Primary & Secondary Education	108,833,498	106,264,748	104,290,217	104,704,831	99,922,025
Post-Secondary Education.....	4,807,300	4,375,137	4,272,365	4,267,365	4,257,845
Parks, Recreation & Culture.....	4,067,325	4,053,440	3,879,847	3,848,472	3,855,553
Libraries	2,964,146	2,878,050	2,800,572	2,684,574	2,588,064
Conservation of Natural Resources	361,975	680,202	361,450	533,329	478,171
Economic Development & Opportunity	2,551,733	2,463,971	2,773,722	2,118,755	1,818,051
Debt Service	13,059,682	11,635,436	11,228,198	10,012,559	9,356,779
Other, principally OPEB	3,871,540	4,163,946	3,222,191	3,197,456	9,700,366
Total Expenditures	\$234,871,259	\$223,410,626	\$216,349,642	\$215,402,090	\$218,305,921
Excess of Revenues Over (Under)					
Expenditures	\$13,027,080	\$8,243,719	\$5,953,171	\$5,241,029	(\$4,142,607)
Other Financing Sources & Uses					
Exempt Financing Proceeds	\$0	\$0	\$4,757,943	\$0	\$2,917,045
Subsidy to Enterprise Fund	0	0	0	0	0
Capital Projects-General Fund Pay-Go	(12,989,427)	(2,774,891)	(365,518)	2,972,992	(5,790,621)
Total Other Financing Sources & Uses	(\$12,989,427)	(\$2,774,891)	\$4,392,425	\$2,972,992	(\$2,873,576)
Net Increase (Decrease) in Fund Balance	\$37,653	\$5,468,828	\$10,345,596	\$8,214,021	(\$7,016,183)
FUND BALANCE					
Beginning of the Year	\$65,645,630	\$60,176,802	\$49,831,206	\$41,617,185	\$48,633,368
End of Year	\$65,683,283	\$65,645,630	\$60,176,802	\$49,831,206	\$41,617,185

Source: St. Mary's County Department of Finance.

General Fund Summary of Fund Balance Fiscal Years Ended June 30

	2020	2019	2018	2017	2016
Fund Balances					
Non-Spendable.....	\$2,002,056	\$2,091,715	\$2,232,100	\$2,163,987	\$2,182,860
Restricted	301,231	289,194	229,487	292,383	1,744,731
Committed	24,301,718	30,800,334	17,334,227	14,955,021	14,955,021
Assigned.....	5,593,102	2,118,088	3,879,316	2,025,064	1,207,947
Unassigned.....	33,485,176	30,346,299	36,501,672	30,394,751	21,526,626
Total Fund Balance	\$65,683,283	\$65,645,630	\$60,176,802	\$49,831,206	\$41,617,185

Source: St. Mary's County Department of Finance.

FISCAL YEAR 2021 BUDGET

The approved General Fund Operating Budget for fiscal year 2021 is \$253,211,723, includes the use of fund balance of \$4,961,718, an increase of \$98,249 or less than 1% more than the fiscal year 2020 budget of \$253,113,474. The budget is financed with a property tax rate of \$0.8478 per \$100 of assessed valuation for real property and \$2.1195 per \$100 of assessed valuation on personal and other operating property, which is the same rate as fiscal year 2020. The local income tax rate increased to 3.17% of the individual's State taxable income as of January 1, 2020.

The approved fiscal year 2021 capital budget for St. Mary's County is \$83,769,625 and the five-year capital program planned for fiscal years 2022 through 2026 amounts to \$284,339,338.

The fiscal year 2021 budget is based on an estimated assessable base of \$13,173,395,000.

Some highlights of the fiscal year 2021 budget are:

- The County's recurring funding for the Sheriff's Office increased by 9.6% for non-grant activities. Funding increase primarily reflects compensation increase, promotional ranks and equipment.
- The Sheriff's Headquarters Facility has funding starting in FY2021 (\$1.8 million) for planning and design; total project cost is \$36.6 million – with funding completed in FY2026. Funding for the Sheriff's Office includes full year cost for placement on new scale for law sworn and corrections sworn, with a merit and 1% COLA.
- The Board of Education recurring funding increased by 3.1%, which brings total county funding to \$109,542,921; State-mandated maintenance of effort requires \$106,855,430 based on official MSDE enrollment of 17,138. Funding for the BOE represents over 45% of the County's non-grant and recurring revenue. When combined with State and other funding, the Board of Education unrestricted operating is \$231,070,606, 4% increase over FY2020 Approved Budget.
- Recurring funding for County department-based activities and programs, excluding grants, increased by \$1.2 million, or 2.5%.
- Departments reflect an increase of hourly employees in Aging & Human Services and increased costs for public safety technology upgrades and maintenance. County Non-Profits are funded at \$1,019,782.
- Funding for County Departments includes the second year of a three-year phase-in of compensation study, with a merit and 1% COLA.
- Fee related changes are included for Land Use & Growth Management and Recreation & Parks Enterprise Fund.
- Seventh District Volunteer Rescue Squad rescue tax rate increased from .011 to .030.
- Economic Impact Fee phased in over five years adopted in FY2019. Based on dwelling size, year three of phase-in is set as follows:
 - Dwelling 0 – 1199 \$4,989
 - Dwelling 1200-2399 \$5,338
 - Dwelling 2400 – higher \$5,686

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Results for Fiscal Years 2019 and 2020 with Budgeted Data for Fiscal Year 2021

The following table summarizes audited General Fund revenues and expenditures for fiscal years 2019 and 2020 and the approved budget for fiscal year 2021. This information is presented on a budgetary basis.

	Audited 2019 Results	Audited 2020 Results	Approved 2021 Budget
Revenues:			
Property Taxes	\$110,200,973	\$113,230,333	\$114,769,704
Income Taxes	97,443,439	107,335,235	107,975,165
Highway User Fees	1,674,910	1,552,854	1,791,108
Other Local Taxes	9,914,301	9,366,413	9,640,000
Licenses and Permits	626,778	700,176	585,820
Grants	6,193,223	10,948,940	8,538,956
Service Charges	3,060,721	3,067,568	3,086,707
Fines and Forfeitures	66,592	17,909	24,500
Miscellaneous.....	2,101,369	1,595,469	1,838,045
Other Financing Sources	0	0	4,961,718
Total Revenues and Other Financing Sources	<u>\$231,281,931</u>	<u>\$247,814,897</u>	<u>\$253,211,723</u>
Expenditures:			
Current:			
General Government	\$23,888,081	\$26,297,633	\$28,381,430
Public Safety	45,781,223	53,874,829	55,962,675
Public Works	10,818,442	10,673,376	10,906,657
Public Health	2,789,716	3,656,714	3,199,536
Social Services	4,240,940	3,855,931	4,812,772
Education	110,639,884	113,640,798	116,511,060
Recreation and Culture	4,055,716	4,215,886	4,272,812
Libraries	2,878,050	2,964,146	2,966,362
Conservation of Natural Resources	613,642	329,627	683,465
Economic Development/ Opportunity	2,469,473	2,551,733	2,090,700
Debt Service	11,635,436	13,059,682	12,539,808
Intergovernmental.....	43,493	43,487	43,446
Retiree Health (OPEB)	3,392,169	3,706,715	3,600,000
Miscellaneous.....	23,560	37,896	50,000
Total Expenditures	<u>\$223,269,825</u>	<u>\$238,908,453</u>	<u>\$246,131,723</u>
Other Financing Uses:			
Reserves	\$ 669,697	\$ 421,076	\$ 2,400,000
Transfers.....	2,774,891	12,989,427	4,680,000
Total Expenditures and Other Financing Uses	<u>\$226,714,413</u>	<u>\$252,318,956</u>	<u>\$253,211,723</u>

Source: St. Mary's County Department of Finance.

COVID-19 Outlook

In response to the COVID-19 outbreak (the "Pandemic"), the Governor of Maryland (the "Governor") proclaimed a state of emergency and catastrophic health emergency within the State of Maryland ("Maryland" or the "State") on March 5, 2020 and renewed several times, most recently on May 12, 2021. The Commissioners of St. Mary's County declared a Local State of Emergency on April 7, 2020.

Since the initial and renewed proclamation, the Governor has issued a series of executive orders. These orders initially prohibited large gatherings and events, required Maryland residents to remain at home except to conduct and participate in essential and certain other activities, required closure of nonessential and certain other businesses and authorized emergency healthcare delivery, but subsequently lifted the statewide stay-at-home order and allowed certain businesses to reopen at limited capacity and with appropriate social distancing. The executive order issued on May 12, 2021 and effective May 15, 2021 lifted capacity restrictions for all indoor and outdoor facilities, including retail establishments, bars and restaurants, religious facilities, fitness centers, personal service establishments, theaters and indoor and outdoor sporting venues. Political

subdivisions may to enforce additional restrictions based on local conditions. To date, the County has followed the Governor’s orders allowing phased reopening.

To date, the County has received approximately \$22,000,000 of State and Federal coronavirus grant funding. The Commissioners approved the use of FY2019 fund balance in the amount of \$3 million which is being used to cover expenses that were not covered by the \$9.9 million CARES grant funding received in June 2020. FEMA funding of \$545,000 was received for PPE and supplies and a request for reimbursement for additional payroll costs of \$52,000 has been submitted and is in process. A spending and hiring freeze was approved by the Commissioners toward the end of FY2020 to offset any revenue reductions. The freeze was lifted in December 2020 when the FY2020 Audit was presented and preliminary revenues for FY2021 and upcoming FY2022 were positive. The FY2021 Budget was approved on May 19, 2020 with reductions to revenue that were related to tourism and other activities that are expected to continue to be impacted by COVID-19. In balancing the FY2021 Budget, revenues and expenditures were reduced by \$1.8 million to offset any impact. The majority (99%) of the CARES funding was spent by December 31, 2020. The County has received approximately \$1,750,000 from the State, the bulk of which was used to establish several relief funds which provide grants to businesses in the County, including hotels, restaurants and small businesses. The effects on the County’s FY2021 Budget cannot be fully predicted at this time, due to the dynamic nature of the COVID-19 outbreak and associated governmental responses and the continued spread of COVID-19 may adversely affect the financial condition of the County. The County is currently in the process of preparing the FY2022 Budget and continues to be conservative in revenue estimates. Most of the information being used to develop the budget is from pre-COVID-19 periods.

CERTAIN DEBT INFORMATION

General

The County may only issue general obligation bonds under authority conferred by legislation approved by the Maryland General Assembly. The General Assembly enacted legislation authorizing and empowering the County, from time to time, to borrow in the amounts listed below in order to finance the construction, improvement or development of public facilities in the County. Pursuant to such legislation, the County has previously issued general obligation bonds and currently has \$99,124,310 of remaining bond authority as set forth in the following table.

Bill	Original Amount	Amount Issued to Date	Available Balance
Ch. 427, 2017	\$26,300,000	\$14,775,690	\$11,524,310
Ch. 109, 2018	24,600,000	-	24,600,000
Ch. 180, 2019	30,000,000	-	30,000,000
Ch. 596, 2020	33,000,000	-	33,000,000
TOTAL	\$113,900,000	\$14,775,690	\$99,124,310

After the issuance of the Bonds, the County will have \$69,124,310 of remaining bond authority.

The County has also been authorized by the General Assembly to issue general obligation bonds or to engage in alternative financing arrangements in an aggregate amount not to exceed \$5,000,000 in order to establish a revolving fund for the purchase of firefighting and rescue equipment and facilities for volunteer fire and rescue squad organizations. (See “COUNTY SERVICES – Police and Fire”). This fund was established by the Commissioners of St. Mary’s County in 1998 and is providing low-interest loans to fire and rescue organizations.

Legal Debt Limitation

Unless and until otherwise provided by the Commissioners of St. Mary’s County within the limitations provided by public general law, the aggregate amount of bonds and other evidences of indebtedness outstanding at any one time may not exceed a total of the sum of 2.15% upon the assessable real property in the County other than operating real property of a public utility and 5% upon the assessable personal property and operating real property of a public utility. However, (1) tax anticipation notes or other evidences of indebtedness having a maturity not in excess of 12 months, (2) bonds or other evidences of indebtedness issued or guaranteed by the County payable primarily or exclusively from taxes levied in or on, or other revenues of, special taxing areas or districts heretofore or hereafter established by law and (3) bonds or other evidences of indebtedness issued for self-liquidating and other projects payable primarily or exclusively from the proceeds of assessments or charges for special benefits or services are not subject to, or be included as bonds or evidences of indebtedness, in computing or applying the percent limitation described above.

All bonds or other evidences of indebtedness issued by the St. Mary’s Metropolitan Commission (the “Commission”)

under the authority of the Metropolitan Commission Enabling Act are subject to the percent limitation described in the preceding paragraph, and are also subject to the debt limitation as from time to time provided in the Metropolitan Commission Enabling Act. Presently, the total principal amount of bonds issued pursuant to the Metropolitan Commission Enabling Act for any sanitary district may not exceed 25% of the assessed valuation within that sanitary district.

The following chart shows the County’s present legal debt margin.

**Schedule of Legal Debt Margin
of the County Under Existing Law**

Estimated assessed value as of July 1, 2020	\$13,118,702,670
Debt limit	2.15%
Borrowing limitation under the law	\$282,052,107
Outstanding debt issued as of July 1, 2020	\$215,559,643*
Debt margin as of July 1, 2020	\$66,492,464
Ratio of debt to assessed value	1.64%

*Includes only debt which is subject to the legal debt limitation. The estimated assessed value represents the Final Assessment from State Department of Assessments - March 31, 2020 - SDAT Website.
Includes the debt of the Commission as of July 1, 2020 in the amount of \$101,971,629 plus the County’s debt of \$113,588,014.

House Bill 862 was enacted by the Maryland General Assembly at the 2021 session. The Bill changes the calculation of the County’s debt limitation by increasing, from 2.15% to 3.15%, the percentage applied to the assessable real property other than the operating real property of a public utility and requires that at least 40% of the percent limitation on indebtedness for such assessable real property be made available to the Metropolitan Commission for the issuance of its bonds. The Bill also decreases the Commission’s debt limitation from 25% to 2% of the assessed valuation of property within the applicable sanitary district. House Bill 862 has been sent to the Governor for signature and has an effective date of July 1, 2021.

Other County Debt

The County is contingently liable as guarantor of bonds issued by the Commission under the Metropolitan Commission Enabling Act. Commission bonds are payable in the first instance from the benefit assessments and connection and service charges. The County expects these funds to be adequate to cover debt service on the Commission’s bonds. All bonds or other evidences of indebtedness issued by the Commission are subject to the County debt limitation. (See “COUNTY SERVICES – Water Supply and Sewerage”.)

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Schedule of Debt Service Requirements

The following tables set forth the schedule of debt service requirements for certain County debt outstanding as of June 30, 2020.

**General Obligation
Bonds, Notes and Loans⁽¹⁾**

Fiscal Year	Principal	Interest	Total Debt Service⁽²⁾
2021	\$10,110,029	\$3,872,225	\$13,984,254
2022	10,411,197	3,583,706	13,994,903
2023	7,839,817	3,263,272	11,103,089
2024	8,105,848	2,973,102	11,078,950
2025	6,247,071	2,706,488	8,953,559
2026	5,247,768	2,491,738	7,739,506
2027	5,444,131	2,243,663	7,687,794
2028	5,679,131	1,990,863	7,669,994
2029	5,925,499	1,733,013	7,658,512
2030	6,195,499	1,463,588	7,659,087
2031	4,580,499	1,248,688	5,829,187
2032	4,750,010	1,089,259	5,839,269
2033	4,895,000	963,188	5,858,188
2034	5,065,000	824,381	5,889,381
2035	5,230,000	684,306	5,914,306
2036	5,400,000	540,900	5,940,900
2037	5,575,000	389,300	5,964,300
2038	3,910,000	253,531	4,163,531
2039	4,025,000	135,084	4,160,084
2040	1,960,000	49,000	2,009,000
Total	\$116,598,499	\$32,499,295	\$149,097,794

(1) Source: St. Mary's County Department of Finance.

(2) Totals may not add due to rounding.

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**Schedule of Debt Service Requirements
As Adjusted to Reflect the Issuance of the Bonds
Consolidated Public Improvement Bonds, Series 2021**

Fiscal Year	Debt Service⁽¹⁾	Principal	Interest⁽²⁾	Adjusted Total Debt Service⁽¹⁾
2021.....	\$13,984,254	\$ -	\$ -	\$13,984,254
2022.....	13,994,903	1,030,000	977,013	16,001,916
2023.....	11,103,089	1,010,000	995,300	13,108,389
2024.....	11,078,950	1,060,000	944,800	13,083,750
2025.....	8,953,559	1,115,000	891,800	10,960,359
2026.....	7,739,506	1,170,000	836,050	9,745,556
2027.....	7,687,794	1,230,000	777,550	9,695,344
2028.....	7,669,994	1,290,000	716,050	9,676,044
2029.....	7,658,512	1,355,000	651,550	9,665,062
2030.....	7,659,087	1,420,000	583,800	9,662,887
2031.....	5,829,187	1,490,000	512,800	7,831,987
2032.....	5,839,269	1,565,000	438,300	7,842,569
2033.....	5,858,188	1,630,000	375,700	7,863,888
2034.....	5,889,381	1,680,000	326,800	7,896,181
2035.....	5,914,306	1,730,000	276,400	7,920,706
2036.....	5,940,900	1,780,000	224,500	7,945,400
2037.....	5,964,300	1,815,000	188,900	7,968,200
2038.....	4,163,531	1,850,000	152,600	6,166,131
2039.....	4,160,084	1,890,000	115,600	6,165,684
2040.....	2,009,000	1,925,000	77,800	4,011,800
2041.....	-	1,965,000	39,300	2,004,300
Total.....	\$149,097,794	\$30,000,000	\$10,102,613	\$189,200,407

(1) Totals may not add due to rounding.
(2) Interest rates range from 2.00% to 5.00%.

The following table sets forth the County’s long-term debt per capita and ratios of debt to assessed value and debt to estimated market value for the five most recent fiscal years for which audited data are available.

Fiscal Year	County Debt	Estimated Population	Estimated Market Value	Net Debt Per Capita	Debt to Estimated Value
2020.....	\$116,598,499	113,510	\$12,849,449,781	\$1,027	.90%
2019.....	\$96,521,057	113,510	\$12,624,397,947	\$850	.76%
2018.....	\$77,355,480	112,664	\$12,432,116,785	\$686	.62%
2017.....	\$84,871,331	112,413	\$12,203,800,890	\$754	.69%
2016.....	\$70,716,635	111,689	\$12,040,216,760	\$633	.58%

Source: St. Mary’s County Office of Finance. Audit less Special Assessment Debt

The following table sets forth the County’s debt service expenditures, exclusive of debt service in respect of Metropolitan Commission bonds as a percentage of General Fund revenues for the five most recent fiscal years ended June 30 for which audited data are available.

Fiscal Year	General Fund Revenues	Debt Service Expenditures	Percentage
2020.....	\$247,898,339	\$15,079,424	6.1%
2019.....	\$231,654,345	\$13,554,894	5.9%
2018.....	\$222,302,813	\$13,574,608	6.1%
2017.....	\$220,643,119	\$13,538,328	6.1%
2016.....	\$214,163,314	\$13,039,671	6.0%

Source: St. Mary’s County Department of Finance.

The County has an above average rate of debt retirement as shown in the following table:

Rapidity of Debt Amortization*
Fiscal Years 2021-2039

Number of Years	Principal Retired	Percent of Debt Retired
5	\$42,415,962	36.5%
10	\$28,492,028	61.0%
15	\$24,520,509	82.1%
20	\$20,870,001	100.0%

*Does not include the Bonds offered herein.

Capital Financing

The Commissioners of St. Mary’s County has developed the County’s capital budget and program to meet the demands of growth and an aging infrastructure. The fiscal year 2021 budget, \$83.7 million, reflects several projects related to the expansion and renovation of County Roads – specifically the FDR Boulevard Extended and Roadway & Safety Improvements. The Board’s attention continues to be directed to the need for additions and renovations to county facilities, highway maintenance, park expansion and development projects, land preservation, and public school projects. Almost 46% of the budget is to be financed from bond proceeds while the balance of the financing comes from other local revenue sources and State and Federal funds.

The adopted five-year capital program for fiscal year 2022 through 2026 amounts to \$284.3 million. Approximately 26% of the program is targeted for public school projects and almost 24% is planned for various public facility projects. The program also includes Adult Detention Center Upgrades and Public Schools Safety and Security, various park projects, and agricultural land preservation projects. The County’s financial planning for the capital budget and program attempts to provide a balanced approach which utilizes current revenues (transfer taxes, impact fees) as well as bonded indebtedness. The financial plan for fiscal years 2022 through 2026 is structured to provide overall project financing as follows: 53% from general obligation bonds, 16% from current revenues (transfer taxes and impact fees), and 31% from State, Federal and other sources. The following table presents the capital budget and five-year capital program as adopted by the Commissioners of St. Mary’s County.

Fiscal Year 2021 Capital Improvements Budget and Program

Capital Project	Total Project Cost	Approved Budget FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Capital Project Summary:							
Public Facilities.....	\$96,431,999	\$29,040,215	\$19,054,250	\$4,995,150	\$16,326,304	\$1,720,925	\$25,295,155
Land Conservation.....	39,341,818	7,533,333	6,141,697	6,141,697	6,141,697	6,141,697	7,241,697
Highways.....	66,611,902	18,920,582	22,680,700	6,427,500	8,313,120	5,720,000	4,550,000
Marine.....	16,500,350	764,600	2,632,750	6,051,500	6,051,500	0	1,000,000
Recreation & Parks.....	56,632,567	8,730,568	13,541,456	8,631,431	6,801,431	18,927,681	0
Solid Waste.....	665,000	665,000	0	0	0	0	0
Public Schools.....	91,925,327	18,115,327	15,114,000	14,327,000	18,070,000	12,138,000	14,161,000
Total Capital Projects.....	<u>\$368,108,963</u>	<u>\$83,769,625</u>	<u>\$79,164,853</u>	<u>\$46,474,278</u>	<u>\$61,704,052</u>	<u>\$44,648,303</u>	<u>\$52,247,852</u>
Capital Project Financing:							
County Bonds.....	\$190,105,234	\$37,909,998	\$47,033,084	\$17,710,692	\$33,829,476	\$21,155,829	\$32,466,155
Transfer Tax.....	40,596,474	6,515,095	6,495,125	7,018,525	6,561,025	7,120,025	6,886,679
Impact Fees.....	9,441,550	7,731,550	1,005,000	545,000	0	160,000	0
General Fund Transfer.....	4,680,000	4,680,000	0	0	0	0	0
State/Federal Funds.....	113,233,899	26,327,607	23,045,213	20,710,061	20,723,551	10,122,449	12,305,018
Other Sources.....	10,051,806	605,375	1,586,431	590,000	590,000	6,090,000	590,000
Total Project Financing....	<u>\$368,108,963</u>	<u>\$83,769,625</u>	<u>\$79,164,853</u>	<u>\$46,574,278</u>	<u>\$61,704,052</u>	<u>\$44,648,303</u>	<u>\$52,247,852</u>

Source: St. Mary’s County Department of Finance.

Future Plans to Issue County Debt

The County has no plans to issue additional bonds in calendar year 2021 based on the current CIP plan.

CERTAIN ECONOMIC AND DEMOGRAPHIC FACTORS

Economic Growth and Development

The Commissioners of St. Mary's County has maintained a philosophy of protecting and growing the mission of the Naval Air Station Patuxent River and assisting local defense, manufacturing, hospitality, agriculture, and aquaculture businesses; directing commercial and high-density residential growth to the development districts and protecting the County's rural character. Integral to the efficient execution of this philosophy was the creation of the Department of Economic Development (DED). The Department's objectives include defense and high-technology industry growth and diversification; entrepreneurial development, new business incubation; expansion of the tourism, agriculture, and aquaculture industries; labor force development; and infrastructure improvements. Activities include marketing and public relations; policy development; information collection and dissemination; market expansion for existing businesses; workforce development; recruitment of businesses in targeted industries; liaison to private and public resources; and technical assistance. The Department has coordinated public-private partnerships to provide business and community development assistance with partners that include the St. Mary's Chamber of Commerce, St. Mary's County Community Development Corporation, Small Business Development Center, the College of Southern Maryland, Southern Maryland Navy Alliance, The Patuxent Partnership and numerous State of Maryland agencies.

In 2014, an Economic Development Commission (EDC) was established and charged with the development of a strategic plan to reduce the County's reliance on defense spending by broadening the local economy. Consultants from the University of Maryland and Towson University completed industry cluster and innovation network analyses, comparative studies on cyber security, irregular warfare and unmanned systems, baseline economic studies on agriculture, and SWOT analyses on advanced manufacturing, defense, retail, service and agriculture and seafood businesses. In 2015, a private firm was engaged to analyze the County's tourism and hospitality industry with an eye to increasing quality of life aspects that support the retention and growth of a highly skilled workforce. The EDC guided the development of these studies and DED published "A Strategic Plan for Building an Innovation Driven Economy," which the Commissioners adopted in early 2017. The EDC has begun the process of the required 2022 update to the Comprehensive Economic Development Strategy. The data and information provided in the section below, titled "Non-Defense Industries and Technology Commercialization" provides insight to the EDC's current plan to broaden the local economy.

U.S. Naval Facilities

The Naval Air Station Patuxent River ("Pax River") is headquarters for the Naval Air Warfare Center Aircraft Division (NAWCAD) and Naval Air Systems Command (NAVAIR) and more than 50 other tenant commands. Pax River has been in the County since 1941. Consolidation and expansion in the 1990s made Pax River the Navy's research, development, test and evaluation, engineering and fleet support and acquisition center for all air platforms. Today, approximately 25,000 workers support the Navy in St. Mary's County. Specialized labs and expertise support technologies including aerial vehicles, propulsion, man-machine interface, crew survivability, training, test and evaluation, rapid prototyping, and logistics.

The consolidation of activities at Pax River triggered the growth of high-technology businesses in the County. In fact, the number of technology workers has quintupled in the last ten years. Over 200 technology companies are located in St. Mary's County, many of them supporting NAWCAD and NAVAIR in support contracting, engineering, and test and evaluation roles.

According to a Maryland Department of Commerce study on the economic impact of military installations in the State, Pax River generated the second highest annual economic output (\$8.7 billion) of the 17 installations in Maryland. Pax River ranked third in size of workforce (61,132 - includes direct, indirect and induced) of all military installations in Maryland as of 2016.

Non-Defense Industries and Technology Commercialization

St. Mary's County was instrumental in working with the Maryland Department of Commerce to bring about a grant through the federal Department of Commerce, Office of Economic Adjustment (OEA) to fund a pilot project to explore opportunities to commercialize federal patents. At the time of application, there were 1,500 patents solely tied to individuals residing in Southern Maryland. Based on this finding, a scope of work was approved to analyze the commercial potential of Navy patents generated from two naval facilities located in Southern Maryland, one in Dahlgren, Virginia (which borders Charles County) and the Naval Research Laboratory headquartered in nearby Washington, D.C. The findings of the project culminated in multiple projects and activities. These include the establishment of a user-friendly patent data-base including recommendations about their commercial potential, the establishment of an Accelerator for the Crab Pot Pitch Competition, a

local startup pitch contest to promote entrepreneurship and innovation in the County and region, the establishment of an online innovation resource portal to better connect entrepreneurs and innovators with existing resources and support networks, and the undertaking of a regional initiative to understand what Southern Maryland can do to enhance innovation and improve the quality of life and attractiveness of the region to an already innovation-focused workforce.

As part of the OEA-funded project, local defense contracting companies were assessed for dependency on defense spending. These efforts supported the development of the Maryland Defense Network and the Maryland Defense Diversification Assistance Program. Companies that are identified as overly dependent on the Department of Defense are targeted for technical support in the exploration of new markets with these programs. A manual providing instructions on licensing federal technologies and pursuing Small Business Innovative Research grants and other funding sources was published.

Unmanned and Autonomous Systems

St. Mary's County is leveraging many of its assets in the field of unmanned and autonomous systems (UAS). The University of Maryland (UMD) established a site for testing unmanned aircraft systems at the St. Mary's County Regional Airport with an auxiliary airstrip located on Maryland's Eastern Shore in 2014. Since then, the test site has become one of the busiest sites for the testing of unmanned and autonomous systems in the country.

University System of Maryland (USM) merged with the Southern Maryland Higher Education Center in 2019 to become the University System of Maryland at Southern Maryland (USMSM). Furthermore, in 2019 USMSM began building an 80,000-sq. ft. UAS-focused research facility on the campus located directly adjacent to the Regional Airport. Construction of this facility began in fiscal year 2019 with the opening anticipated in late calendar year 2021. Research conducted by UMD will entail unmanned and autonomous systems testing in a laboratory environment and in the air, on ground and underwater. The County is one of the few locations in the nation that can support such testing in both restricted and unrestricted air space, on ground and underwater as the County is a peninsula bordered by the Patuxent and Potomac Rivers. As UAS can be used for many commercial purposes, the County's locational advantages for testing and the investment in research facilities will allow the County to attract non-defense UAS work and spur the creation of new technology businesses.

TechPort UAS Business Incubator

In 2016, the County received a \$2 million federal grant to establish a technology startup incubator focused on UAS and technology commercialization. Named TechPort UAS Incubator, the 6,000-sq. ft. incubator, which sits adjacent to the UMD UAS Test Site at the Regional Airport, was completed in 2017. The design of the incubator includes co-working spaces, a conference/classroom, private offices and 2,500 sq. ft. of lab space. UMD was selected by St. Mary's County to grow and professionally manage the incubator to be a hub of startup and innovation activity. The County oversees the TechPort Incubator through a contract with the University of Maryland. By coming under the management of UMD, TechPort can offer member startups access to resources such as labs, facilities, and expertise and networks, as well as the University of Maryland's UM Ventures' venture capital opportunities, including the Maryland Momentum Fund. Business coaching and technical advice is also provided by the TechPort Director. Virtual membership is available for those desiring consulting services but not physical space.

Enhancing the Growth of Technology Start-Ups

Economic Development staff assist start-ups with a variety of services, including providing information on resources such as funding, networking contacts, space needs, and referral to other services such as the Small Business Development Center.

During the last few years, the County has invested funding and devoted staffing toward the development of an initiative to support technology business start-ups. This effort has been pursued in cooperation with the Naval Air Warfare Center Aircraft Division Technology Transfer Office, the University of Maryland Unmanned Aircraft Systems Test Site, and the Maryland Technology Development Corporation (TEDCO). Called Southern Maryland Innovates (formerly Southern Maryland Innovation and Technology - SMIT), this initiative has matured to the point where there is collaboration and joint programming with St. Mary's and Calvert County offices of economic development. Furthermore, the Technology Transfer Offices of both the Naval Surface Warfare Centers at Indian Head in Charles County and Dahlgren in King Georges County, VA are actively participating along with the College of Southern Maryland Entrepreneur and Innovation Institute and the Maryland Department of Commerce.

One of the department's strategic priorities is to attract and retain a young and talented workforce. In 2019, the Department of Economic Development engaged a firm who conducted an in-depth focus group with young professionals (19-37 years old) to determine satisfaction with the area and identify desired amenities. This focus group continues to serve as a way of engaging the younger workforce in St. Mary's County's economic growth and quality of life improvement, creating representatives and liaisons to the broader community.

Advanced Manufacturing

Currently, advanced manufacturing businesses generate the third highest wages of any industry sector in St. Mary's County. These jobs entail rapid-prototyping, fabrication, assembly, and systems integration. Several of the advanced manufacturing companies are exporting products internationally, exhibiting in international trade shows and participating in state-sponsored trade missions. As the Naval Air Warfare Center Aircraft Division (NAWC-AD) is the lead systems integrator for naval aviation to support existing platforms versus purchasing entirely new aircraft, St. Mary's County's manufacturers are well positioned to secure much of the work the Navy is now directing to small businesses versus large plane manufacturers.

Public and Private Investment in the St. Mary's County Regional Airport

The St. Mary's County Regional Airport opened for general aviation use in 1969. Since 1987, the County has engaged in public-private partnerships to provide the necessary capital to build aircraft T and box hangers and commercial business facilities.

Between 1987 and 2010, private investment in the airport totaled \$7.5 million. Larger hangers, a maintenance facility, and office space was constructed along with separate hangers to house the MD State Police Aviation Division – Trooper 7 and the MedStar Transport for inter-hospital transport of critically ill or critically injured patients.

St. Mary's County Regional Airport is the fastest growing General Aviation airport in Maryland. Nearly 200 aircraft live at the airport, surpassing projections that anticipated less than 120 by 2020. Due to this growth, the Airport is undergoing a multi-million-dollar expansion project through collaborative efforts of private industry, St. Mary's County Government, the State of Maryland and the FAA. The current runway is 4,150 ft. and is extending to 5,350 ft. to accommodate larger aircraft and corporate jets. The St. Mary's County Regional Airport currently has more construction activity than any other part of the County.

Since opening of the UMD UAS Test Site, TechPort UAS Business Incubator, and the announcement of the UMD research facility, company demand to locate at the airport has been considerable and is expected to increase in the years to come. There is County and privately owned, undeveloped land on both the north and south side of the runway. The County is completing site development work on 35 acres with airport access to be shovel ready for new tenants. Using public-private partnerships, the County has ensured that facilities at or near the airport will scale as needed to accommodate this demand. The Regional Airport's co-location with the University System of Maryland at Southern Maryland, surrounded by ample amounts of Class A and B office space, retail, restaurants, and entertainment, creates the County's first recognizable "innovation district".

The County contracted with a professional planning and architectural firm to prepare a master plan for the airport and surrounding area which is now designated as the Airport Innovation District. The Innovation District Master Plan shows how the area can be further developed to include high density residential, more offices and hangars, open spaces for events, and paths and road connections to facilitate interaction among the various workers and residents who spend time there. These suggested improvements will be considered within the parameter of maintaining the viability of airport operations.

Leisure and Hospitality

In late 2015, the Commissioners initiated a master planning process focused on the tourism and hospitality industry in St. Mary's County. A Tourism and Hospitality Master Plan (THMP) was completed in 2016. It called for transferring the County's tourism functions to an independent non-profit organization that can expedite procurement, book hotels and other venues, provide commissions and bonuses to spur employee motivation, and engage in many other entrepreneurial-type activities customary of convention and visitor bureaus traditionally found in metropolitan areas. An Executive Director and a Sales Manager for Visit St. Mary's MD started during fiscal year 2019.

Using recommendations from the THMP, the success of Visit St. Mary's MD is tied to the accommodations tax and hotel occupancies. Analysis shows that, on average, day visitors spend approximately \$70, while during overnight trips,

travelers will spend nearly \$500, making overnight stays the key measure that the non-profit is moving the needle for the tourism industry. The Commissioners have tied the annual allocation that the County will provide to Visit St. Mary's MD to the accommodation tax. The more successful the industry is, the higher the occupancy rates and accommodations tax are in the County, and the more revenue the non-profit will bring in to continue to support the industry.

The "Economic Impact of Tourism in Maryland-Calendar Year 2019" analysis by Tourism Economics shows a year over year increase in visitor spending in St. Mary's County from calendar year 2015 through calendar year 2019. Local Admissions and Amusement Tax revenue increased 3% between fiscal year 2018 and 2019.

The Visit St. Mary's MD team has outlined objectives including concentrating efforts in markets with the greatest potential to generate the strongest return on investment, relying heavily on the entire suite of digital outlets and developing and executing programs and campaigns that support the THMP. Visit St. Mary's MD completed the process of rebuilding and rebranding the website, transforming the platform into an inspiring and interactive experience for future visitors.

Agriculture and Aquaculture

More than 80% of the County's land is zoned Rural Preservation District. Traditional crop farming and commercial fishing continue but are experiencing the decline that traditional agriculture is experiencing nationwide. Grains, oilseeds, and meat production are becoming the predominant agriculture products. Alternative forms of agriculture including agritourism, direct-sale farm markets, farm-to-table restaurants, organic produce, oyster aquaculture, wineries, and breweries are also developing profitability. The Department of Economic Development is focused on assisting local farmers in marketing value-added products and creating opportunities for the direct sale of local produce and specialty projects. St. Mary's County manages three farmers markets across the County. In 2019, total sales at the farmers markets were nearly \$1.5 million.

In May of 2019, St. Mary's County was awarded \$1 million in grant funding along with the Regional Agricultural Center (RAC) project bid from the Southern Maryland Agricultural Development Corporation (SMADC). This award capped a nearly two-decade-long effort to provide the region's nascent livestock industry with key infrastructure that it needs to reach new customers across the state and region. The RAC will be designed for small to mid-range agricultural producers with the goal of stimulating positive supply chain economics through local product processing, cost efficient distribution, joint marketing and co-branding of products. Total project cost for the Regional Agriculture Center and produce cold storage facility is estimated at \$2.7 million.

The existing seasonal North County Farmers Market (NCFM) has outgrown its current location. St. Mary's County is moving forward with the relocation of the market to a permanent, year-round destination that will provide safer access for vendors and customers, a larger area for outdoor vendors and expanded parking. The NCFM plan includes a value-added building with a commercial kitchen where producers can process agricultural products in an approved space, refrigerator/freezer units to lengthen product life, dry good storage and indoor customer seating. The NCFM will be opening during the 2021 market season.

New Construction and Infill Projects

Lexington Exchange in California, 140-acres approved for mixed use includes R&D, retail, and office. This project includes a completed 2,500-seat RNC Movie Theater and Aldi grocery store. The existing industrial use has been relocated within the County, clearing the site for new mixed-use construction including a Royal Farms (convenience products and fuel).

St. Mary's Marketplace, a 106,000 SF shopping center in California is complete. Tenants include the Harris Teeter grocery store, restaurants (Panda Express, Mezeh Mediterranean Grill, and MOD Pizza), personal services, and retailer Bay Country Liquors. Completed pad site tenants include Starbucks, Righttime Medical Care (a 24-hour urgent care center) and Hand & Stone Massage. An additional .75-acre pad site is available.

The 2016 Lexington Park Development District Master Plan is being implemented by adoption of 2019 zoning amendments within Lexington Park which encourages a greater variety and intensity of use in key areas identified by the Master Plan. The County is already seeing the results of the expanded zoning within the Development District, with projects such as U-Haul and light manufacturing/fabricating interest in vacant retail space.

Leonardtwn centered activity includes infrastructure projects for increased water storage capacity, Route 5 widening, and Wharf District slip and pier improvements. The Hamptons at Leonardtown (142-unit luxury apartments) opened in Spring 2019 with direct walkable access to downtown. The shuttered downtown Leonardtown Hotel is being renovated and set to reopen May 2021.

Health Services

St. Mary’s Hospital, the largest private employer and only hospital in St. Mary’s County, has merged with MedStar Health, the region’s largest nonprofit healthcare system. St. Mary’s Hospital is the ninth hospital in MedStar Health’s network and the first hospital in the Southern Maryland region to join the healthcare system. The merger has provided additional opportunities in and access to, medical teaching and residency programs, clinical trials, research programs, physician recruitment and outpatient treatment programs through MedStar Health.

In December 2019, the 8,000 square foot Lexington Park VA Community-Based Outpatient Clinic (CBOC) opened to offer “closer to home” access to the 15,335 Veterans enrolled in VA care in the three-county region. In February 2019, the U.S. Department of Veterans Affairs broke ground on a 17,000 square foot Charlotte Hall VA Clinic that will provide routine medical care for common injuries and illnesses, comprehensive Women’s Health Care, medical screenings, and general outpatient care.

Population

During the period between 1960 and 2010, the population of the County increased approximately 170% as reflected in the table below. Since the 2010 U.S. Census, the County has experienced an estimated 7.95% growth in population.

<u>Year</u>	<u>Population</u>	<u>% Change from Prior Census</u>
1960.....	38,915*	--
1970.....	47,388*	21.8%
1980.....	59,895*	26.4%
1990.....	75,974*	26.8%
2000.....	86,211*	13.5%
2010.....	105,151*	22.0%
2011.....	107,558†	2.29%
2012.....	108,805†	3.48%
2013.....	109,228†	3.88%
2014.....	109,926†	4.54%
2015.....	110,965†	5.53%
2016.....	111,689†	6.22%
2017.....	112,413†	6.91%
2018.....	112,664†	7.14%
2019.....	113,510†	7.95%

* U.S. Census year

† Estimate

Source: United States Department of Commerce, U.S. Census Bureau-American Fact Finder Population Estimate (as of July 1) Maryland Department of Planning.

Income

A comparison of St. Mary’s County and the State of Maryland personal income is presented in the following table:

<u>Calendar Year</u>	<u>Personal Income (\$000’s)</u>		<u>% Change from Previous Year</u>	
	<u>St. Mary’s County</u>	<u>State of Maryland</u>	<u>St. Mary’s County</u>	<u>State of Maryland</u>
2019	\$6,649,699	\$390,792,500	3.9%	2.1%
2018	\$6,401,617	\$382,828,900	4.6%	5.0%
2017	\$6,120,472	\$364,575,800	2.5%	2.9%
2016	\$5,973,342	\$354,450,600	2.9%	3.6%
2015	\$5,807,589	\$342,074,300	4.5%	5.0%
2014	\$5,555,937	\$325,835,800	3.5%	3.7%
2013	\$5,368,766	\$314,266,500	0.1%	(0.3%)
2012	\$5,364,105	\$315,230,900	1.9%	3.0%

Source: U.S. Bureau of Economic Analysis

A comparison of per capita personal income for St. Mary's County and the State of Maryland is presented in the following table:

Calendar Year	Per Capita Personal Income		% Change from Previous Year	
	St. Mary's County	State of Maryland	St. Mary's County	State of Maryland
2019.....	\$58,852	\$64,640	3.6%	2.0%
2018.....	\$56,820	\$63,354	4.7%	4.4%
2017.....	\$54,446	\$60,512	2.5%	1.8%
2016.....	\$53,485	\$59,029	2.6%	3.7%
2015.....	\$51,990	\$55,972	3.6%	3.6%
2014.....	\$51,160	\$54,036	2.6%	2.7%

Source: U.S. Bureau of Economic Analysis

A comparison of St. Mary's County and the State of Maryland median household income is presented in the following table:

Calendar Year	Median Household Income		% Change	
	St. Mary's County	State of Maryland	St. Mary's County	State of Maryland
2019.....	\$87,947	\$86,738	(0.6%)	26.0%
2010.....	\$88,444	\$68,854	--	--

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates (inflation-adjusted), 2010-2019

Sales and Use Tax Collections

As indicated in the following table, St. Mary's County's sales and use tax receipts for fiscal year 2019 increased slightly by 3.1% from fiscal year 2018.

Sales and Use Tax Receipts by County Fiscal Year Ended June 30,

	2019	2018	% Change
Calvert County.....	\$ 44,113,882	\$ 42,116,995	4.7%
Charles County.....	\$ 101,146,020	\$ 102,745,221	(1.6%)
St. Mary's County.....	\$ 59,545,383	\$ 57,764,792	3.1%
State of Maryland.....	\$4,908,976,164	\$4,733,831,820	3.7%

Source: Maryland Comptroller Revenue Accounting Division. Summary by Subdivision and Business Activity 2019-2018.

Education

	St. Mary's County	Charles County	Calvert County	State of Maryland	United States
Ages 18-24:					
Less than high school graduate	9.3%	7.6%	5.4%	11.8%	12.1%
High school graduate	40.6%	42.6%	42.0%	30.6%	32.7%
Some college or associate degree	37.1%	37.4%	31.6%	41.5%	43.4%
Bachelor's degree or higher	12.9%	12.4%	21.0%	16.0%	11.9%
Ages 25 and older:					
Less than high school graduate	9.6%	7.2%	4.2%	9.6%	11.4%
High school graduate	33.6%	31.9%	32.0%	24.6%	26.9%
Some college or associate degree	26.0%	32.3%	32.1%	24.9%	28.6%
Bachelor's degree	19.0%	16.7%	16.2%	21.8%	20.3%
Graduate degree	11.6%	12.0%	15.4%	19.1%	12.8%

Source: U.S. Census Bureau, American Community Survey, 2019: ACS 1-Year Estimates - Educational Attainment (S1501).

Dropout rates represent the percentage of students in grades 9-12 who withdrew from school before graduation or before completing a Maryland-approved educational program during the July to June academic year. A rate of 3.0% or less is considered satisfactory by State standards.

Dropout Rates, Grades 9-12, 2019*

Calvert County	3.54%
Charles County	3.00%
St. Mary’s County	3.91%
State of Maryland	8.42%

* Due to the impacts of COVID-19, the Maryland State Department of Education did not publish 2020 rates.
 Source: Dropout Rates of Maryland Public High Schools Grades 9-12: The Maryland Report Card- 2019
 Maryland State Department of Education.

Higher Education

St. Mary’s County hosts a variety of outstanding higher education institutions offering graduate, undergraduate, noncredit, continuing education, and enrichment programs.

The University System of Maryland has expanded its presence and role in St. Mary’s County and has merged with the Southern Maryland Higher Education Center, now USMSM, in fiscal year 2019. Additionally, the previously mentioned 80,000 sq. ft. unmanned and autonomous systems research and academic building will feature classrooms, labs and conference facilities, offering additional opportunities for research and learning in the UAS industry.

Established in 1994 as the State of Maryland’s provider of graduate degree programs for Southern Maryland citizens, the USMSM recruits and selects graduate degree programs and universities that meet the professional development needs of the Southern Maryland community. With nine university partners serving students at USMSM, including the Capitol College, Catholic University of America, College of Notre Dame of Maryland, George Washington University, Gratz College, Johns Hopkins University, Towson University, Florida Institute of Technology, the University of Maryland Global Campus and the University of Maryland College Park, USMSM presents 90 plus academic programs in the areas of engineering, applied sciences, management, nursing and education. Bachelor’s degrees, graduate certification programs, graduate certificate programs, and doctoral degrees are presented at the USMSM.

The USMSM is a premier facility for training programs, including those for U.S. Navy military and civilian personnel and the defense support industry. Utilizing two classroom buildings in the enhancement of higher education opportunities, the Center now encompasses 60,000 square feet and a total of 35 high-tech classrooms. The second building, featuring state-of-the art instruction and training equipment and communications, was opened in 2003.

St. Mary’s College of Maryland, located in St. Mary’s City, is a public liberal arts honors college offering Bachelor of Arts degrees and continuing education programs. The College’s enrollment is approximately 2,000 full-time students and 100 part-time students. Majors include art, dramatic arts, music, language and literature, human development, psychology, philosophy, history, political science, anthropology, sociology, public policy, economics, mathematics, biology, chemistry, physics, and natural science.

Florida Institute of Technology is an accredited university. Florida Tech's off-campus site is located at the USMSM and all courses for the eleven programs offered are taught by experienced professionals who are currently working in their field. The Site offers 11 Master’s degrees. There are approximately 35 graduates each year and approximately 150 students enrolled in about 25 courses offered each semester.

Embry-Riddle Aeronautical University specializes in aviation and aeronautical education. The Patuxent River campus offers Associate/Bachelor of Science degrees and a master’s degree. Approximately 200 plus students are enrolled for each of the nine five-week terms and 35-40 students graduate yearly.

The University of Tennessee Space Institute (“UTSI”) is a graduate education and research institution internationally recognized for its graduate study and research. Approximately 15 students are enrolled each year and approximately six students graduate yearly.

The College of Southern Maryland (“CSM”) is a regionally accredited public two-year institution with an emphasis on workforce development. The St. Mary’s County campus is currently comprised of 3 buildings on 62 acres. The campus offers

an array of associate degree programs, industry certifications, career training, and wellness and fitness activities. CSM is known as a progressive, innovative and technologically advanced institution. CSM also serves as a catalyst for business, industry and government to identify the resources needed to grow and maintain a healthy economy and community.

CSM prepares its students for transfer to bachelor’s degree programs and provides the tools and resources needed to immediately succeed in a competitive marketplace. Approximately 2,000 students are enrolled each term at the St. Mary’s (Leonardtown) campus. CSM offers over 73 associate degree programs of study, 42 certificate programs of study and 30 letters of recognition, in addition to a variety of continuing education courses. CSM provides students of all ages with a wide variety of convenient and affordable educational options, including traditional classroom settings as well as alternative learning formats such as weekend and evening online classes, and web-hybrid courses which offer a mix of online and traditional classroom face-to-face instruction.

CSM recently opened its fourth campus in Southern Maryland in Hughesville for the Center for Trades and Energy Training, which holds labs in Welding, Carpentry, Electrical, HVAC, Plumbing and CAD and includes four classrooms, 20 computer stations and a conference room.

Commercial and Residential Building Permits

The number of commercial and residential building permits issued by the County for the last five calendar years are listed below:

	2016	2017	2018	2019	2020	Total
<u>Residential</u>						
Multi-Family Apartment Building	0	1	6	6	1	14
Custom Home	487	460	395	402	324	2,068
Mobile Home	19	19	17	17	10	82
Modular Home	2	7	7	6	1	23
Townhouse	96	163	116	146	157	678
Duplex	0	0	0	0	1	1
Accessory Apartment	8	13	9	10	11	51
Addition	359	369	320	357	435	1,840
Renovation	460	234	245	263	303	1,505
Accessory Structure	105	162	192	197	230	886
Accessory Structure Addition	2	9	12	12	9	44
Accessory Structure Renovation	2	5	7	2	6	22
Swimming Pool	47	61	63	61	113	345
Solar Panels	108	187	148	111	121	675
Total	1,695	1,690	1,537	1,590	1,722	8,234
<u>Commercial (Non-Residential)</u>						
Amusement/Recreation	1	0	1	5	5	12
Church & Religious Building	2	2	3	2	3	12
Hospital & Institutional	0	0	0	0	0	0
Hotel	0	0	0	0	0	0
Industrial	1	0	2	1	2	6
Office, Bank, Professional Building	10	3	7	10	14	44
Parking Garage	0	0	0	0	0	0
Utility	3	2	4	3	1	13
Schools & Education Building	0	1	0	0	0	1
Stores & Customer Service	12	18	16	12	8	66
Other Non-Residential Building	12	11	6	7	31	67
Comm. Structure Other than Building	26	28	33	30	27	144
Addition	11	16	10	9	16	62
Renovation	36	54	39	42	26	197
Total	114	135	121	121	133	624

Employment Classification

Comparative figures for the Southern Maryland counties are presented below:

	Calvert	Charles	St. Mary's
Private wage and salary workers	79.1%	71.9%	68.3%
Government workers	20.9%	28.1%	31.7%
Total Workforce	19,517	35,324	46,776

Source: Maryland Department of Labor, License and Regulations, Office of Workforce Information and Performance, Maryland Quarterly Census of Employment and Wages (QCEW), Second Quarter 2020.

Business and Industrial Composition

In the following table, statistics are provided relating to the distribution of employment by employer classification within the County. These figures exclude railroad, domestic service, self-employed, agriculture and unpaid family workers.

Classification	Number of Reporting Units	%*	Quarterly Average Employment	%*
Natural Resources and Mining	21	1.0%	68	0.1%
Construction	290	13.2%	1,974	4.2%
Manufacturing	46	2.1%	596	1.3%
Trade, Transportation, and Utilities	435	19.8%	6,339	13.6%
Information	16	0.7%	80	0.2%
Financial Activities	149	6.8%	649	1.4%
Professional and Business Services	478	21.7%	14,447	30.9%
Education and Health Services	246	11.2%	4,255	9.1%
Leisure and Hospitality	237	10.8%	2,884	6.2%
Other Services	172	7.8%	631	1.3%
Local Government	57	2.6%	3,596	7.7%
State Government	11	0.5%	922	2.0%
Federal Government	39	1.8%	10,332	22.1%
Total	2,199	100.0%	46,777	100.0%

*Columns may not add due to rounding.

Source: Department of Labor, Licensing, and Regulation, Office of Workforce Information and Performance, Maryland Quarterly Census of Employment and Wages (QCEW), Second Quarter 2020.

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Employment

Representative employment figures for some of the larger employers in the County follow:

Employer	Industry	Total Employees
Naval Air Station Patuxent River	Military Installation	20,200
	- Federal Employees	7,800
	- Active Duty	3,000
	- Defense Contractors*	9,000
	- Non-Appropriated Fund	400
MedStar St. Mary's Hospital	Hospital System	1,260
DynCorp International	Aircraft Services, Logistics	1,020
KBRwyle	Logistics, Engineering, Operation Mgmt	700
BAE Systems	Tech Products & Services	645
General Dynamics	Defense Engineering & Services	600
St. Mary's College of Maryland	Higher Education	555
SAIC	Engineering & Management Services	515
Engility	Systems Engineering & Services	500
PAE Applied Technologies	Training, Logistics Services	500
J.F. Taylor	Systems Engineering & Services	475
Lockheed Martin	Advanced Technology Systems	470
Boeing	Aerospace, Engineering Services	450
Northrop Grumman	Aerospace, Engineering Services	415
Booz Allen Hamilton	Consulting, Analytics	400

*Defense Contractor employees headquartered at Naval Air Station Patuxent River also reflected in total employment of entity.
Source: St. Mary's County Department of Economic Development and Maryland Department of Commerce, 2021

The following table sets forth St. Mary's County's unemployment rate as compared with other counties of Southern Maryland, the State of Maryland and the United States for the years 2015-2019.

Average Annual Unemployment Rate

	2015	2016	2017	2018	2019
Calvert County.....	4.6%	3.9%	3.6%	3.5%	3.2%
Charles County.....	5.0%	4.2%	4.0%	3.9%	3.7%
St. Mary's County.....	4.8%	4.2%	4.0%	3.8%	3.4%
State of Maryland.....	5.1%	4.4%	4.1%	3.9%	3.6%
United States.....	5.3%	4.9%	4.4%	3.9%	3.7%

Source: Maryland Department of Labor, Licensing, and Regulations, Office of Workforce Information and Performance-Annual Local Area Unemployment Statistics (LAUS), Not Seasonally Adjusted; Bureau of Labor Statistics – Current Population Survey.

The number of persons living in St. Mary's County who were available for work and composed the County's labor force numbered 53,021 in November 2020 while total employment was 50,576 resulting in an unemployment rate of 4.6% for this period. Comparative November 2020 unemployment rates are given below for other counties of Southern Maryland, the State of Maryland and the United States.

Calvert County.....	4.9%
Charles County.....	6.5%
St. Mary's County.....	4.6%
State of Maryland.....	6.6%
United States.....	6.7%

Source: Maryland Department of Labor, Licensing, and Regulations, Office of Workforce Information and Performance-Counties-Annual Local Area Unemployment Statistics (LAUS), Not Seasonally Adjusted; Bureau of Labor Statistics – Current Population Survey.

Commuting Patterns

The U.S. Census Bureau 2019 American Community Survey (ACS) 5-Year Estimate determined the work commuting patterns for the labor forces of each of Maryland's counties and the City of Baltimore. Of the counties located in Southern

Maryland, St. Mary's County has the largest percentage of its labor force (those 16 and over) who work within their resident county. Comparative figures for the Southern Maryland counties are presented below:

Calvert County.....	39.4%
Charles County.....	38.5%
St. Mary's County.....	74.0%

Source: U.S. Census Bureau 2019 American Community Survey (ACS) 5-Year Estimate

LITIGATION

The County is party to numerous legal proceedings, many of which normally recur in governmental operations. The legal proceedings to which the County is a party are not, in the opinion of the County Attorney, likely to have a material adverse impact on the County's financial position.

EXPERTS

The audited financial statements included in Appendix A have been examined by SB & Company, LLC, independent certified public accountants for the County to the extent stated in the report of such firm appearing therein. The audited financial statements have been included in reliance upon the report of such firm, which report is given upon their authority as experts in auditing and accounting. The independent accountants were not requested to review or update such financial statements or their report in connection with the issuance of the Bonds and such report speaks only as of its date. The independent accountants have not performed any audit procedures subsequent to the date of their report and have not audited any financial statements of the County as of any date, or for any period, subsequent to June 30, 2020.

INVESTMENT OF COUNTY FUNDS

County funds are invested by the Chief Financial Officer in accordance with the County's investment policy which conforms to State of Maryland law on the investment of public funds. The County does not leverage its investment portfolio, buy reverse repurchase agreements or enter into interest rate swaps or other derivatives. It does no borrowing or lending of securities. The County invests primarily in obligations of the United States government, its agencies or instrumentalities, repurchase agreements, and bankers' acceptances. The repurchase agreements into which the County enters are collateralized by United States government treasury obligations and obligations of agencies and instrumentalities of the United States government, held by an independent third-party custodian and marked to market daily.

CONTINUING DISCLOSURE

In order to assist participating underwriters (as defined in SEC Rule 15c2-12 (the "Rule")) to comply with the requirements of paragraph (b)(5) of the Rule, the County will execute a Continuing Disclosure Agreement (the "Disclosure Agreement") prior to or simultaneously with the issuance of the Bonds. In the Disclosure Agreement, the County will covenant for the benefit of the Beneficial Owners from time to time of the Bonds to provide certain financial information and operating data relating to the County (the "Annual Report") by not later than March 31 of each year, commencing March 31, 2022, and to provide notices of the occurrence of certain listed events. Potential investors should note that certain of the listed events have been included for purposes of compliance with the Rule but are not relevant to the Bonds. The form of the Disclosure Agreement is set forth in Appendix C.

The County has failed to comply with some of its obligations under its prior continuing disclosure undertakings within the last five years. In particular, the County's financial statements and supplemental annual financial information reports for the fiscal year ended June 30, 2015 were not filed with EMMA by the date on which they were due under the County's continuing disclosure undertakings and the related failure to file notice was filed late. In addition, the County incurred two financial obligations in 2020, but failed to file notice thereof within ten business days of such event and also failed to file notice in a timely manner of such failure to file. The County has made supplemental filings with EMMA to address these failures. The County is committed to complying with its continuing disclosure obligations and has assigned responsibility for future compliance with the office of the Chief Financial Officer. Except as described in this paragraph (to the extent the foregoing constitutes a material failure), in the previous five years, the County has not failed to comply in any material respect with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

SALE AT COMPETITIVE BIDDING

The Bonds were offered by the County at a competitive bidding on May 11, 2021, in accordance with the Official Notice of Sale (the form of which is attached as Appendix D). The interest rates shown on the inside front cover page of this Official Statement are the interest rates to the County resulting from the award of the Bonds at the competitive bidding. The yields or prices shown on the inside front cover page of this Official Statement were furnished by the successful bidder for the Bonds. All other information concerning the nature and terms of any reoffering should be obtained from the successful bidder for the Bonds and not from the County.

FINANCIAL ADVISOR

Wye River Group, Inc., Annapolis, Maryland, has rendered financial advice to the County in the preparation of this Official Statement.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of any of the Bonds.

The execution of this Official Statement and its delivery has been approved by Commissioners of St. Mary's County.

COMMISSIONERS OF ST. MARY'S COUNTY

By: /s/ JAMES R. GUY
James R. Guy
President
Commissioners of St. Mary's County

APPENDIX A

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.



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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

SB & 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
ASSETS						
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
Total Assets	537,661,754	469,147,511	19,099,904	19,195,969	556,761,658	488,343,480
DEFERRED OUTFLOW OF RESOURCES						
Pension	10,632,887	11,664,199	-	-	10,632,887	11,664,199
Total Deferred Outflow of Resources	10,632,887	11,664,199	-	-	10,632,887	11,664,199
Total Assets & Deferred Outflow of Resources	548,294,641	480,811,710	19,099,904	19,195,969	567,394,545	500,007,679
LIABILITIES						
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
Total Liabilities	262,372,212	231,024,620	1,815,156	1,597,387	264,187,368	232,622,007
DEFERRED INFLOW OF RESOURCES						
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
Total Deferred Inflow of Resources	21,469,130	21,239,653	-	-	21,469,130	21,239,653
Total Liabilities & Deferred Inflow of Resources	283,841,342	252,264,273	1,815,156	1,597,387	285,656,498	253,861,660
NET POSITION						
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)
Total Net Position	264,453,299	228,547,437	17,284,748	17,598,582	281,738,047	246,146,019
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 548,294,641	\$ 480,811,710	\$ 19,099,904	\$ 19,195,969	\$ 567,394,545	\$ 500,007,679

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
Program Revenues:						
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
General Revenues:						
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
Total Revenues	287,754,513	275,898,134	7,977,500	8,594,358	295,732,013	284,492,492
Program Expenses:						
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
Total Expenses	251,848,651	232,313,154	8,291,334	8,616,567	260,139,985	240,929,721
Change in Net Position	35,905,862	43,584,980	(313,834)	(22,209)	35,592,028	43,562,771
Net Position – beginning of year	228,547,437	184,962,457	17,598,582	17,620,791	246,146,019	202,583,248
Net Position – End of year	\$ 264,453,299	\$ 228,547,437	\$ 17,284,748	\$ 17,598,582	\$ 281,738,047	\$ 246,146,019

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

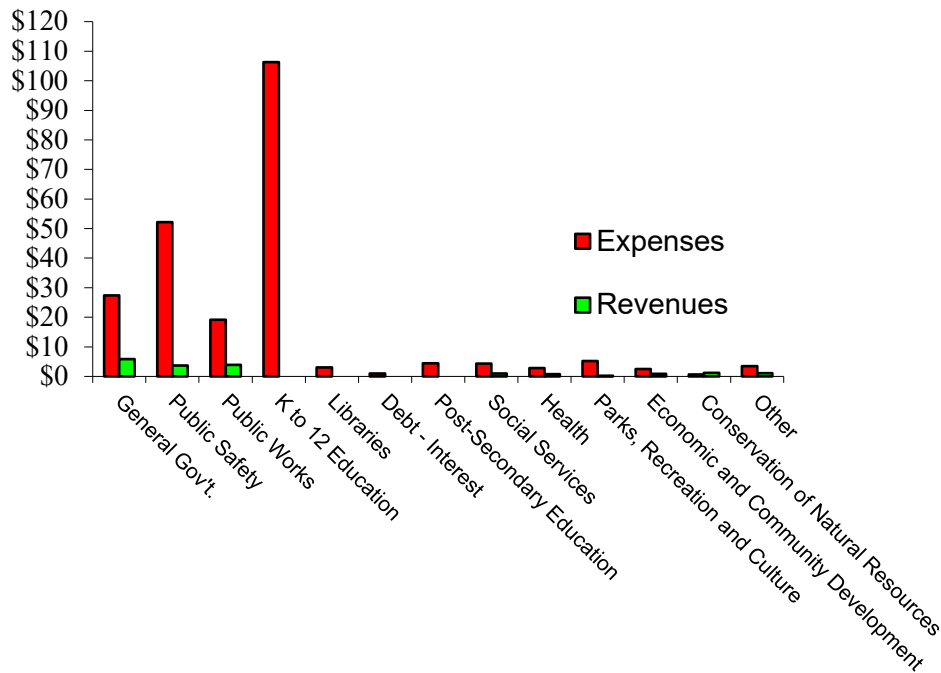
Business-type activities: Business-type activities reflected a decrease in net position of \$313,834.

COMMISSIONERS OF ST. MARY’S COUNTY

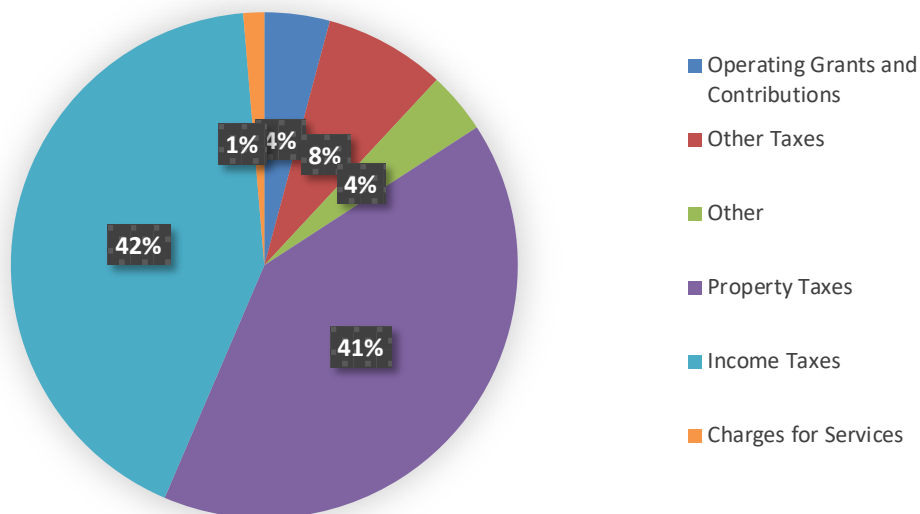
**Management’s Discussion and Analysis
June 30, 2020**

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)
Total	\$ 360,639,170	\$ 328,447,336	\$ 17,843,281	\$ 17,559,645	\$ 378,482,451	\$ 346,006,981

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.

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	
ASSETS							
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
TOTAL ASSETS	537,661,754	19,099,904	556,761,658	303,559,584	1,360,168	234,985,948	1,096,667,358
DEFERRED OUTFLOWS OF RESOURCES							
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
Total assets and deferred outflows of resources	\$ 548,294,641	\$ 19,099,904	\$ 567,394,545	\$ 383,213,644	\$ 2,993,940	\$ 236,408,206	\$ 1,190,010,335

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
LIABILITIES							
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
TOTAL LIABILITIES	<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>
DEFERRED INFLOWS OF RESOURCES							
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>
NET POSITION							
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)
TOTAL NET POSITION	<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

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Net (Expense) Revenue and Changes in Net Position											
	Program Revenue				Primary Government			Component Unit				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Public Schools	Library	MetCom	Total	
Primary Government:												
Governmental activities:												
General government	\$ 24,534,794	\$ 1,258,192	\$ 1,347,870	\$ 4,754,591	\$ (17,174,141)	\$ -	\$ (17,174,141)	\$ -	\$ -	\$ -	\$ (17,174,141)	
Public safety	57,512,547	1,748,638	6,652,612	-	(49,111,297)	-	(49,111,297)	-	-	-	(49,111,297)	
Public works	25,631,935	529,416	1,629,222	1,289,920	(22,183,377)	-	(22,183,377)	-	-	-	(22,183,377)	
Health	3,656,714	4,902	377,688	-	(3,274,124)	-	(3,274,124)	-	-	-	(3,274,124)	
Social services	4,283,394	3,691	1,170,515	-	(3,109,188)	-	(3,109,188)	-	-	-	(3,109,188)	
Primary and secondary education	108,833,498	-	-	-	(108,833,498)	-	(108,833,498)	-	-	-	(108,833,498)	
Post-secondary education	4,849,585	-	-	-	(4,849,585)	-	(4,849,585)	-	-	-	(4,849,585)	
Parks, recreation and culture	11,280,290	178,921	27,247	303,479	(10,770,643)	-	(10,770,643)	-	-	-	(10,770,643)	
Libraries	3,158,634	-	-	-	(3,158,634)	-	(3,158,634)	-	-	-	(3,158,634)	
Conservation of natural resources	361,975	-	-	2,513,617	2,151,642	-	2,151,642	-	-	-	2,151,642	
Economic development and opportunity	2,554,190	-	415,416	-	(2,138,774)	-	(2,138,774)	-	-	-	(2,138,774)	
Interest on long-term debt	1,363,042	-	-	-	(1,363,042)	-	(1,363,042)	-	-	-	(1,363,042)	
Other, including OPEB	3,828,053	-	-	72,086	(3,755,967)	-	(3,755,967)	-	-	-	(3,755,967)	
Total governmental activities	251,848,651	3,723,760	11,620,570	8,933,693	(227,570,628)	-	(227,570,628)	-	-	-	(227,570,628)	
Business-type activities												
Recreation activity	2,299,865	2,107,407	29,781	-	-	(162,677)	(162,677)	-	-	-	(162,677)	
Wicomico	1,256,410	1,079,743	-	-	-	(176,667)	(176,667)	-	-	-	(176,667)	
Solid waste/recycling	4,735,059	586,821	-	-	-	(4,148,238)	(4,148,238)	-	-	-	(4,148,238)	
Total business-type activities	8,291,334	3,773,971	29,781	-	-	(4,487,582)	(4,487,582)	-	-	-	(4,487,582)	
TOTAL PRIMARY GOVERNMENT	\$ 260,139,985	\$ 7,497,731	\$ 11,650,351	\$ 8,933,693	(227,570,628)	(4,487,582)	(232,058,210)	-	-	-	(232,058,210)	
Component unit:												
Public schools	\$ 289,504,057	\$ 2,883,483	\$ 50,051,880	\$ 16,321,397	-	-	-	(220,247,297)	-	-	(220,247,297)	
Library	7,422,454	105,186	862,531	-	-	-	-	-	(6,454,737)	-	(6,454,737)	
MetCom	23,414,281	15,138,629	-	1,435,251	-	-	-	-	-	(6,840,401)	(6,840,401)	
Total Component Units	\$ 320,340,792	\$ 18,127,298	\$ 50,914,411	\$ 17,756,648	-	-	-	(220,247,297)	(6,454,737)	(6,840,401)	(233,542,435)	
					Property taxes	113,230,333	-	113,230,333	-	-	-	113,230,333
					Income taxes	117,739,704	-	117,739,704	-	-	-	117,739,704
					Other taxes	21,585,045	-	21,585,045	-	-	-	21,585,045
					Investment earnings	1,437,906	-	1,437,906	1,314,597	49,798	741,883	3,544,184
					Grants and contributions not restricted to specific purposes	-	-	-	203,552,647	5,702,982	-	209,255,629
					Environmental/solid waste fees	-	4,173,148	4,173,148	-	-	-	4,173,148
					Roads constructed by third parties	9,483,502	-	9,483,502	-	-	-	9,483,502
					Capital transfer	-	-	-	-	-	-	-
					Miscellaneous	-	600	600	3,694,734	-	12,545,348	16,240,682
					TOTAL GENERAL REVENUE	263,476,490	4,173,748	267,650,238	208,561,978	5,752,780	13,287,231	495,252,227
					CHANGE IN NET POSITION	35,905,862	(313,834)	35,592,028	(11,685,319)	(701,957)	6,446,830	29,651,582
					NET POSITION - BEGINNING OF YEAR	228,547,437	17,598,582	246,146,019	(98,798,656)	53,625	120,738,828	268,139,816
					NET POSITION - END OF YEAR	\$ 264,453,299	\$ 17,284,748	\$ 281,738,047	\$ (110,483,975)	\$ (648,332)	\$ 127,185,658	\$ 297,791,398

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>
ASSETS				
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
TOTAL ASSETS	\$ 170,107,418	\$ 48,572,884	\$ 5,585,345	\$ 224,265,647
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
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
TOTAL LIABILITIES	74,669,185	11,543,677	4,347,098	90,559,960
DEFERRED INFLOWS OF RESOURCES				
Unavailable income tax distribution	29,754,950	-	-	29,754,950
FUND BALANCES				
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
TOTAL FUND BALANCES	65,683,283	37,029,207	1,238,247	103,950,737
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 170,107,418	\$ 48,572,884	\$ 5,585,345	\$ 224,265,647

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	<u>(6,181,171)</u>
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
REVENUE				
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
Total Revenue	247,898,339	25,055,705	3,384,752	276,338,796
EXPENDITURES				
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
Total Expenditures	234,871,259	58,660,419	2,983,927	296,515,605
Excess (Deficiency) Of Revenue Over Expenditures	13,027,080	(33,604,714)	400,825	(20,176,809)
OTHER FINANCING SOURCES (USES)				
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	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(12,989,427)	45,201,822	(909,647)	31,302,748
NET CHANGES IN FUND BALANCE	37,653	11,597,108	(508,822)	11,125,939
FUND BALANCES - BEGINNING OF YEAR	65,645,630	25,432,099	1,747,069	92,824,798
FUND BALANCES - END OF YEAR	\$ 65,683,283	\$ 37,029,207	\$ 1,238,247	\$ 103,950,737

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.

		<u>10,404,469</u>
Change in net position of governmental activities	\$	<u>35,905,862</u>

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	
ASSETS				
Current Assets				
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
Noncurrent Assets				
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
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities				
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
Noncurrent Liabilities				
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
Total Liabilities	405,154	986,979	1,097,204	2,489,337
NET POSITION				
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	
OPERATING REVENUE				
Charges for services	\$ 2,107,407	\$ 1,079,743	\$ 586,821	\$ 3,773,971
Environmental/solid waste fees	-	-	4,173,148	4,173,148
TOTAL OPERATING REVENUE	2,107,407	1,079,743	4,759,969	7,947,119
OPERATING EXPENSES				
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
TOTAL OPERATING EXPENSES	2,299,865	1,256,410	4,735,059	8,291,334
OPERATING INCOME (LOSS)	(192,458)	(176,667)	24,910	(344,215)
OTHER INCOME (EXPENSE)				
Grants revenue	29,781	-	-	29,781
Other	-	-	600	600
TOTAL OTHER INCOME (EXPENSE)	29,781	-	600	30,381
NET CHANGES IN NET POSITION	(162,677)	(176,667)	25,510	(313,834)
NET POSITION - BEGINNING OF YEAR	779,640	2,659,066	14,159,876	17,598,582
NET POSITION - END OF YEAR	\$ 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 Cash Flows – Proprietary Funds
For the Year Ended June 30, 2020**

	Recreation Activity		Solid Waste /	
	Fund	Wicomico	Recycling	Total
Cash Flows from Operating Activities				
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)
Net Cash from Operating Activities	<u>(79,633)</u>	<u>32,388</u>	<u>232,493</u>	<u>185,248</u>
Cash Flows from Noncapital Financing Activities				
Grants and other activity	29,781	-	600	30,381
Increase (decrease) in due to/from other funds	49,852	55,597	-	105,449
Net Cash from Noncapital Financing Activities	<u>79,633</u>	<u>55,597</u>	<u>600</u>	<u>135,830</u>
Cash Flows from Capital and Related Financing Activities				
Principal paid on long term debt	-	-	(233,093)	(233,093)
Acquisition and construction of capital assets	-	(87,985)	-	(87,985)
Net Cash from Capital and Related Financing Activities	<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
Cash, End of Year	<u>\$ -</u>	<u>\$ 18,357</u>	<u>\$ 26,852</u>	<u>\$ 45,209</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
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
Net Cash from Operating Activities	<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>
ASSETS				
Cash	\$ -	\$ 3,038	\$ -	\$ 3,038
Investments	98,844,865	4,133,534	89,375,895	192,354,294
NET POSITION				
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>
ADDITIONS				
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
DEDUCTIONS				
Benefits	4,774,558	1,097,163	3,706,715	9,578,436
Administrative expenses	39,637	11,630	392,121	443,388
TOTAL DEDUCTIONS	<u>4,814,195</u>	<u>1,108,793</u>	<u>4,098,836</u>	<u>10,021,824</u>
CHANGES IN NET POSITION	7,563,691	992,620	3,428,005	11,984,316
NET POSITION - BEGINNING OF YEAR	<u>91,281,174</u>	<u>3,143,952</u>	<u>85,947,890</u>	<u>180,373,016</u>
NET POSITION - END OF YEAR	<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 20th 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 31st 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 1st 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
<u>Investments at fair value level</u>				
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
Governmental activities:				
Capital assets not being depreciated:				
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
Total capital assets not being depreciated	72,407,275	35,753,523	(43,668,934)	64,491,864
Capital assets being depreciated:				
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
Total capital assets being depreciated	466,969,268	55,279,318	(1,228,491)	521,020,095
Accumulated depreciation for:				
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
Accumulated depreciation for: (continued)				
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)
Total accumulated depreciation	<u>(210,929,207)</u>	<u>(15,028,855)</u>	<u>1,085,273</u>	<u>(224,872,789)</u>
Total capital assets being depreciated, net	<u>256,040,061</u>	<u>40,250,463</u>	<u>(143,218)</u>	<u>296,147,306</u>
Governmental activities capital assets, net	<u>\$ 328,447,336</u>	<u>\$ 76,003,986</u>	<u>\$ (43,812,152)</u>	<u>\$ 360,639,170</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,078,666	\$ -	\$ -	1,078,666
Solid waste facilities	<u>13,220,472</u>	<u>603,571</u>	-	<u>13,824,043</u>
Total capital assets not being depreciated	<u>14,299,138</u>	<u>603,571</u>	-	<u>14,902,709</u>
Capital assets being depreciated:				
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>
Total capital assets being depreciated	<u>8,816,792</u>	<u>11,258</u>	<u>(101,706)</u>	<u>8,726,344</u>
Accumulated depreciation for:				
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>
Total accumulated depreciation	<u>(5,556,285)</u>	<u>(325,303)</u>	<u>95,816</u>	<u>(5,785,772)</u>
Total capital assets being depreciated, net	<u>3,260,507</u>	<u>(314,045)</u>	<u>(5,890)</u>	<u>2,940,572</u>
Business-type activities capital assets, net	<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>
Total Depreciation - Governmental Activities	\$ <u>15,028,855</u>
<u>Business-type activities</u>	
Recreation Activity Fund	\$ 18,704
Solid Waste/Recycling	195,928
Wicomico	<u>110,671</u>
Total Depreciation - Business-Type Activities	\$ <u>325,303</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 Public Schools

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

	Balance, June 30, 2019	Additions	Deletions/ Transfers	Balance, June 30, 2020
Governmental activities				
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
	31,177,119	14,537,228	(24,379,355)	21,334,992
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)
Net capital assets being depreciated	216,207,976	16,158,763	651,884	233,018,623
Governmental activities, capital assets, net	\$ 247,385,095	\$ 30,695,991	\$ (23,727,471)	\$ 254,353,615
Business-type activities				
Capital assets, being depreciated				
Furniture and equipment	1,906,897	-	-	1,906,897
Less: accumulated depreciation	(1,456,295)	(79,231)	-	(1,535,526)
Business-type activities capital assets, net	\$ 450,602	\$ (79,231)	\$ -	\$ 371,371

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

Governmental activities	
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>
Business-type activities	
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
Capital assets:				
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>
Accumulated depreciation				
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>
Net Capital assets	<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
Capital assets:				
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>
Not being depreciated:				
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>
Accumulated depreciation				
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>
Net Capital assets	<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	32,372,787	-	-	32,372,787
	<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
Total	<u>\$ 42,616,731</u>	<u>\$ 10,431,031</u>	<u>\$ 53,047,762</u>

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	
Nonspendable					
Inventory	\$ 1,304,879	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	102,259				
Interfund advance (Wicomico)	594,918	-	-	-	-
Total nonspendable	<u>2,002,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted					
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
Total restricted	<u>301,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,015,035</u>
Committed					
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	-
Total committed	<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)
Total fund balances	<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/.

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/.

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>
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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	<u>\$ 6,071,000</u>	<u>39.90%</u>

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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)
Total	<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

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
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
TOTAL GENERAL FUND REVENUES	238,232,064	258,032,064	247,814,897	(10,217,167)
EXPENDITURES				
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)
TOTAL GENERAL FUND EXPENDITURES	237,724,047	262,464,486	238,908,453	23,556,033
OTHER FINANCING SOURCES AND USES				
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)	-
TOTAL OTHER FINANCING SOURCES AND USES	(508,017)	4,432,422	(13,410,503)	(17,842,925)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	\$ (4,504,059)	\$ (4,504,059)
Reconciliation to GAAP Basis Financial Statements				
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>
ASSETS				
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
TOTAL ASSETS	<u>\$ 513,900</u>	<u>\$ 4,587,641</u>	<u>\$ 483,804</u>	<u>\$ 5,585,345</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
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	-	-	-	-
TOTAL LIABILITIES	<u>25,267</u>	<u>4,298,210</u>	<u>23,621</u>	<u>4,347,098</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Committed	488,633	289,431	460,183	1,238,247
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>488,633</u>	<u>289,431</u>	<u>460,183</u>	<u>1,238,247</u>
TOTAL LIABILITIES AND FUND BALANCES	<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>
REVENUE				
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
TOTAL REVENUE	<u>71,894</u>	<u>800,000</u>	<u>2,512,858</u>	<u>3,384,752</u>
EXPENDITURES				
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	-	-	-	-
TOTAL EXPENDITURES	<u>42,369</u>	<u>-</u>	<u>2,941,558</u>	<u>2,983,927</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	29,525	800,000	(428,700)	400,825
OTHER FINANCING SOURCES AND USES				
Fire and rescue loan repayments	-	840,353	-	840,353
Loans to fire and rescue	-	(1,750,000)	-	(1,750,000)
Capital projects fund transfer	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(909,647)</u>	<u>-</u>	<u>(909,647)</u>
NET CHANGES IN FUND BALANCES	<u>29,525</u>	<u>(109,647)</u>	<u>(428,700)</u>	<u>(508,822)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>459,108</u>	<u>399,078</u>	<u>888,883</u>	<u>1,747,069</u>
FUND BALANCES - END OF YEAR	<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		
PROPERTY TAXES				
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)
Total property taxes	112,192,561	112,192,561	113,230,333	1,037,772
Income Tax				
Local income tax	101,272,567	101,272,567	107,335,235	6,062,668
Other Local Taxes				
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)
Total other local taxes	9,795,000	9,795,000	9,366,413	(428,587)
State-shared taxes - highway users	1,918,422	1,918,422	1,552,854	(365,568)
TOTAL TAXES	225,178,550	225,178,550	231,484,835	6,306,285
LICENSES AND PERMITS				
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)
TOTAL LICENSES AND PERMITS	592,120	592,120	700,176	108,056
INTER-GOVERNMENTAL				
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)
TOTAL INTER-GOVERNMENTAL	8,289,668	28,090,224	10,948,940	(17,141,284)

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		
CHARGES FOR SERVICES				
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)
				-
TOTAL CHARGES FOR SERVICES	3,406,146	3,405,146	3,067,568	(337,578)
FINES AND FORFEITURES				
General government	21,000	21,000	13,325	(7,675)
Public safety	10,000	10,000	4,584	(5,416)
TOTAL FINES AND FORFEITURES	31,000	31,000	17,909	(13,091)
OTHER REVENUES				
General Government				
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)
TOTAL OTHER REVENUES	734,580	735,024	1,595,469	860,445
TOTAL, BEFORE PASS-THROUGH PROCEEDS	238,232,064	258,032,064	247,814,897	(10,217,167)
Pass-through proceeds	-	-	-	
OTHER FINANCING SOURCES				
Appropriation of fund balance	14,881,410	18,183,357	-	(18,183,357)
TOTAL REVENUES INCLUDING PASS-THROUGHS	\$ 253,113,474	\$ 276,215,421	\$ 247,814,897	\$ (28,400,524)

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		
GENERAL GOVERNMENT				
Legislative/county commissioners				
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
Legislative/county commissioners	2,305,203	2,297,098	2,151,701	145,397
Department of finance				
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
Department of finance	1,877,826	1,906,735	1,837,426	69,309
Department of emergency services & technology				
Technology	3,797,097	4,030,812	3,985,044	45,768
Department of human resources				
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)
Department of human resources	1,739,607	1,766,172	1,664,094	102,078
Department of public works & transportation				
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
Department of public works & transportation	6,444,519	6,227,603	5,927,166	300,437
Department of land use & growth management				
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
Department of land use & growth management	2,864,939	2,660,056	2,352,734	307,322
Circuit court				
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)
Circuit court	1,960,299	2,201,660	2,144,125	57,535
Office of the state's attorney				
Judicial	3,420,961	3,560,421	3,334,033	226,388
Grants	802,739	719,546	643,311	76,235
Office of the state's attorney	4,223,700	4,279,967	3,977,344	302,623
County treasurer				
	497,393	497,393	476,474	20,919
Alcohol beverage board				
	\$ 355,343	\$ 338,493	\$ 310,590	\$ 27,903
Supervisors of elections				
	1,171,320	1,178,391	1,017,742	160,649
Ethics commission				
	833	833	613	220
SDAT - Leonardtown Office				
	439,394	439,394	452,580	(13,186)
Total general government	\$ 27,677,473	\$ 27,824,607	\$ 26,297,633	\$ 1,526,974

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
PUBLIC SAFETY				
Department of Emergency Services				
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
Department of Emergency Services	7,387,968	30,387,842	12,552,421	17,835,421
Office of the sheriff				
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
Office of the sheriff	43,844,213	44,450,653	41,322,408	3,128,245
Total public safety	\$ 51,232,181	\$ 74,838,495	\$ 53,874,829	\$ 20,963,666
PUBLIC WORKS				
Department of PW and transportation				
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)
Department of PW and transportation	10,765,050	10,757,725	10,673,376	261,522
Total public works	\$ 10,765,050	\$ 10,757,725	\$ 10,673,376	\$ 261,522
HEALTH				
Operating allocation				
Mental Health Authority of St. Mary's	-	-	-	-
Health department	2,488,633	2,490,127	2,489,827	300
Operating allocation	2,488,633	2,490,127	2,489,827	300
Human services				
Human services	606,880	787,677	787,677	-
Grants	331,718	502,042	379,210	122,832
Human services	938,598	1,289,719	1,166,887	122,832
Total health	\$ 3,427,231	\$ 3,779,846	\$ 3,656,714	\$ 123,132
SOCIAL SERVICES				
Department on aging				
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	-	-	-	-
Department on aging	3,402,055	3,674,770	3,233,115	441,655
Department of social services	461,633	463,043	463,216	(173)

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		
Operating allocation				
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	-	-	-	-
Operating allocation	159,600	159,600	159,600	-
Total social services	\$ 4,023,288	\$ 4,297,413	\$ 3,855,931	\$ 441,482
PRIMARY AND SECONDARY EDUCATION				
Board of Education	106,242,921	106,642,921	106,642,921	-
Non-public school bus transportation	2,361,495	2,361,495	2,190,577	170,918
Operating allocation				
Non Profit Allocation				
Total primary and secondary education	\$ 108,604,416	\$ 109,004,416	\$ 108,833,498	\$ 170,918
POST-SECONDARY EDUCATION				
College of Southern Maryland - general operations	4,767,300	4,767,300	4,767,300	-
Operating allocation				
Southern Md. Higher Education Center	40,000	40,000	40,000	-
Non Profit Allocation	-	-	-	-
Total post-secondary education	\$ 4,807,300	\$ 4,807,300	\$ 4,807,300	\$ -
PARKS, RECREATION AND CULTURE				
Department of recreation and parks				
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
Department of recreation and parks	4,408,260	4,463,612	4,215,886	247,726
Total parks, recreation and culture	\$ 4,408,260	\$ 4,463,612	\$ 4,215,886	\$ 247,726
LIBRARIES				
County funding - general operations	\$ 2,964,146	\$ 2,965,707	\$ 2,964,146	\$ 1,561
CONSERVATION OF NATURAL RESOURCES				
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
Conservation of natural resources	341,124	324,457	313,827	10,630
Allocation of agriculture and seafood (Division of DED)				
Operating allocation				
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	-	-	-	-
Operating allocation	15,800	15,800	15,800	-
Total conservation of natural resources	\$ 356,924	\$ 340,257	\$ 329,627	\$ 10,630

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		
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Department of economic development				
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)
Department of economic development	1,794,079	1,712,089	1,961,252	(249,163)
Office of Community Services				
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
	510,809	520,129	496,281	23,848
Operating allocation				
Chamber of Commerce	-	-	-	-
Minority Business Alliance	-	-	-	-
Tri-County Council	94,200	94,200	94,200	-
Operating allocation	94,200	94,200	94,200	-
Total economic development and opportunity	\$ 2,399,088	\$ 2,326,418	\$ 2,551,733	\$ (225,315)
DEBT SERVICE				
Debt service	\$ 13,645,203	\$ 13,645,203	\$ 13,059,682	\$ 585,521
INTER-GOVERNMENTAL				
Leonardtown tax rebate	43,487	43,487	43,487	-
Total inter-governmental	\$ 43,487	\$ 43,487	\$ 43,487	\$ -
OTHER				
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
Total other	\$ 4,870,000	\$ 3,405,668	\$ 3,744,611	(338,943)
Total expenditures, before pass-throughs	239,224,047	262,500,154	238,908,453	23,591,701
Pass-through expenditures				
Total expenditures, including pass-throughs	\$ 239,224,047	\$ 262,500,154	\$ 238,908,453	\$ 23,591,701
RESERVES				
Reserve - bond rating	400,000	400,000	421,076	(21,076)
Reserve - emergency appropriations	500,000	325,840	-	325,840
Reserves	900,000	725,840	421,076	304,764
Total reserves	\$ 900,000	\$ 725,840	\$ 421,076	\$ 304,764
Total expenditures, including pass-throughs and reserves	\$ 240,124,047	\$ 263,225,994	\$ 239,329,529	\$ 23,896,465
Transfer				
Capital projects - general fund transfer/pay-go	12,989,427	12,989,427	12,989,427	-
Capital Projects - Reversion of Pay-Go Funds				
Total expenditures and other financing uses	\$ 253,113,474	\$ 276,215,421	\$ 252,318,956	\$ 23,896,465

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>

Form of Opinion of Bond Counsel

[Closing Date]

Commissioners of St. Mary's County
Governmental Center
Leonardtown, Maryland

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Commissioners of St. Mary's County (the "County") of \$30,000,000 general obligation bonds designated "Commissioners of St. Mary's County Consolidated Public Improvement Bonds, Series 2021" (the "Bonds"), which are described as follows:

Dated the date of initial delivery, interest payable semiannually on May 1 and November 1 of each year, beginning November 1, 2021, until maturity or prior redemption; fully registered in form and in the denomination of \$5,000 each or any integral multiple thereof; issued under the provisions of Chapter 427 of the Laws of Maryland of 2017 and Chapter 109 of the Laws of Maryland of 2018 (collectively, the "Acts"); authorized to be issued, sold and delivered by a Resolution adopted by the Board of County Commissioners of St. Mary's County on March 16, 2021 (the "Resolution") and a Bond Order executed and delivered by the County Administrator of the County on May 11, 2021 (the "Bond Order"); and maturing, subject to prior redemption, on such dates, in such amounts, and bearing interest at such rates, as set forth in the Bonds.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

We are qualified to practice law in the State of Maryland, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State of Maryland and the federal law of the United States of America.

With respect to an executed and authenticated Bond which we have examined and Bonds similarly executed and authenticated, it is our opinion under existing law that:

(a) The County is a validly existing body corporate and politic and a political subdivision of the State of Maryland, possessing the authority under the Acts, the Resolution and the Bond Order to issue the Bonds.

(b) The Bonds have been duly authorized and legally issued in accordance with the Constitution and Public Laws of the State of Maryland, including the Acts, and the Resolution and Bond Order.

(c) The Bonds are valid and legally binding general obligations of the County to which its full faith and credit are pledged, payable as to both principal and interest from ad valorem taxes which the County is empowered and directed to levy, without limitation of rate or amount, upon all property subject to taxation by the County.

(d) To provide for the payment of the principal of and interest on the Bonds, the County, by the adoption of the Resolution, has covenanted to levy said ad valorem taxes in each fiscal year in which provision must be made for the payment of such principal and interest.

(e) Under current law, interest on the Bonds (i) is excludable from the gross income of the owners of the Bonds for purposes of Federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) is not a specific item of tax preference for purposes of the Federal alternative minimum tax. We express no opinion regarding other Federal tax consequences arising with respect to the Bonds.

In providing the opinions set forth in this paragraph (e), we are assuming continuing compliance with the Covenants (as hereinafter defined) by the County. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of Federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The Non-Arbitrage Certificate and Tax Covenants of even date herewith executed and delivered by the County (the “Tax Certificate”) contains covenants (the “Covenants”) under which the County has agreed to comply with such requirements. Failure by the County to comply with the Covenants could cause interest on the Bonds to become includable in gross income for Federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes. We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificate. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for Federal income tax purposes under Section 103 of the Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

(f) Under existing law of the State of Maryland, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit made in the sale thereof, are exempt from State, county, municipal or other taxation of every kind and nature within the State of Maryland; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds, their transfer, the interest thereon or the income therefrom.

Our services as Bond Counsel to the County have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and tax-exempt status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

It is to be understood that the rights of any holder of the Bonds and the enforceability of Bonds may be subject to (a) any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences and fraudulent transfers or conveyances), reorganization, moratorium and other similar laws affecting creditors’ rights generally, (b) the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and (c) the valid exercise of constitutional powers of the United States of America and of the sovereign police and taxing powers of the State of Maryland or other governmental units having jurisdiction.

Very truly yours,

McGuireWoods LLP

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of May 25, 2021 (the “Disclosure Agreement”), is executed and delivered by Commissioners of St. Mary’s County (the “County”) in connection with the issuance of \$30,000,000 Commissioners of St. Mary’s County Consolidated Public Improvement Bonds, Series 2021 (the “Bonds”). The County hereby covenants and agrees as follows:

SECTION 1. *Purpose of the Disclosure Agreement.* This Disclosure Agreement is being executed and delivered by the County for the benefit of the holders from time to time of the Bonds, including the beneficial owners, and in order to assist the Underwriter (defined below) in complying with the Rule (defined below). The County’s obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

SECTION 2. *Definitions.* In addition to the definitions set forth above, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Chief Financial Officer of the County or his or her designee, or such other person as the County shall designate from time to time.

“Dissemination Agent” shall mean the County or any Dissemination Agent designated in writing by the County.

“EMMA” means the Electronic Municipal Market Access system of the MSRB as provided at <http://www.emma.msrb.org>, or any similar system that is acceptable to or as may be specified by the Securities and Exchange Commission from time to time.

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as, security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. If the definition of “financial obligation” in the Rule is amended, the same amendment shall be deemed to be made to the definition of Financial Obligation in this Disclosure Agreement, without further action by the County.

“Generally Accepted Accounting Principles” means accounting principles generally accepted in the United States of America as used in the preparation of the financial statements of state and local governmental entities.

“Listed Events” shall mean any of the events listed in Section 6(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, and its successors.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission.

“Underwriter” shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering or sale of the Bonds.

SECTION 3. *Scope of Agreement.*

(a) The disclosure obligations under this Disclosure Agreement relate solely to the Bonds. Such disclosure obligations are not applicable to any other securities issued or to be issued by the County.

(b) The County is the only “obligated person” with respect to the Bonds within the meaning of the Rule.

SECTION 4. *Provision of Annual Reports.* The County shall, not later than March 31 after the end of each fiscal year,

commencing with the fiscal year ending June 30, 2021, provide to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB, directly or through an intermediary, an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report.

SECTION 5. *Content of Annual Reports.* (a) The County's Annual Report shall contain or incorporate by reference the following:

(1) Comprehensive audited financial statements for the immediately preceding fiscal year, prepared in accordance with generally accepted accounting principles; unless the audited financial statements are not available on or before such date, in which event the County will provide unaudited financial statements within such time period and the audited financial statements will be provided promptly when and if available; and

(2) the financial information and operating data provided in the Official Statement prepared and delivered by the County with respect to the Bonds, presented in the following charts: "General Fund – Summary of Revenues," "Assessed Values and Tax Rates," "Tax Levies and Collections," "General Fund – Statement of Operating Revenues and Expenditures" and "General Fund – Summary of Fund Balance," updated as of a date no earlier than the last day of the immediately preceding fiscal year.

(b) (1) Except as otherwise set forth in this paragraph (b), the presentation of the financial information referred to in paragraph (a) shall be made in accordance with the same Generally Accepted Accounting Principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds.

(2) The County may make changes to the presentation of the financial information required in paragraph (a) necessitated by changes in Generally Accepted Accounting Principles.

(3) The County may otherwise modify the presentation of the financial information required herein, provided that this Disclosure Agreement is amended in accordance with Section 9 hereof.

SECTION 6. *Reporting of Significant Events.*

(a) This Section 6 shall govern the giving of notices of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of owners of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any

- of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the County obtains knowledge of the occurrence of a Reportable Event, the County shall file in a timely manner, not in excess of ten (10) business days after the occurrence of such event, directly or through an intermediary, a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB.

(c) For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

(d) The County hereby acknowledges that certain of the above-enumerated events do not, and are not ever expected to, apply to the Bonds. Nevertheless, the County intends to provide the Underwriter with complete assistance in complying with the Rule. Therefore, the County covenants to provide notice of all of the above-enumerated events should they occur.

(e) In a timely manner, the County will give notice of any failure to comply with the covenants set forth in Section 5(a) to the MSRB in an electronic format as prescribed by the MSRB.

SECTION 7. *Termination of Reporting Obligation.* The County's obligations under this Disclosure Agreement shall terminate when there are no longer any Bonds outstanding. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

SECTION 8. *Dissemination Agent.* The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out their obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. *Amendment; Waiver.* (a) Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(1) (A) said amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County as an obligated person with respect to the Bonds, or type of business conducted by the County;

(B) said provision, as amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(C) said amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by nationally recognized bond counsel or by an approving vote of the holders of at least 25% of the outstanding aggregate principal amount of the Bonds; or

(2) the County receives an opinion of nationally recognized bond counsel to the effect that such amendment or waiver is permitted or required by the Rule.

(b) The reasons for any amendment or waiver and the impact of the change in the type of financial information or operating data being provided will be explained in information provided with the annual financial information containing the amended financial information or operating data.

SECTION 10. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any

Annual Report or notice of occurrences of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. *Relationship to the Bonds.* This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Bonds. Any breach of or failure of the County to comply with this Disclosure Agreement shall not be deemed to be a default or an event of default with respect to the Bonds.

SECTION 12. *Limitation on Remedies and Forum.*

(a) The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 45 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to the Chief Financial Officer, St. Mary's County Government, 41770 Baldrige Street, Leonardtown, Maryland 20650, or at such alternate address as shall be specified by the County in disclosures made pursuant to Section 4 or 5 hereof or a notice of occurrence of a Listed Event.

(b) Any suit or proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for St. Mary's County, Maryland.

SECTION 13. *Filing with Electronic Municipal Market Access System (EMMA).* Unless otherwise required by the MSRB, all filings with the MSRB shall be made with EMMA and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 14. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the County, the Dissemination Agent (if any), the Underwriter, and the holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

SECTION 15. *Severability.* In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 16. *Entire Agreement.* This Disclosure Agreement contains the entire agreement of the County with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto; provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

SECTION 17. *Captions.* The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 18. *Governing Law.* This Disclosure Agreement and any claim made with respect to the performance by the County of its obligations hereunder shall be governed by, subject to and construed in accordance with the federal securities laws, where applicable, and the laws of the State of Maryland, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the County has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

COMMISSIONERS OF ST. MARY'S COUNTY

By: _____
Chief Financial Officer

NOTICE OF SALE

ST. MARY'S COUNTY, MARYLAND

\$30,000,000*

COMMISSIONERS OF ST. MARY'S COUNTY
CONSOLIDATED PUBLIC IMPROVEMENT BONDS, SERIES 2021

Electronic Bids via **PARITY®** will be received for the purchase of the above-captioned issue of general obligation bonds (the "Bonds") of Commissioners of St. Mary's County (the "County") at the office of the Chief Financial Officer of the County, 41770 Baldrige Street, Leonardtown, Maryland 20650, until 11:00 a.m. local time on Tuesday, May 11, 2021.

Dated Date and Interest Payment Dates. The Bonds will be dated their date of initial delivery. Interest on the Bonds will be payable semiannually on each May 1 and November 1, commencing November 1, 2021, until maturity or prior redemption.

Principal Amounts and Principal Payment Dates. The Bonds will be issued in serial form in the aggregate principal amount of \$30,000,000* and will mature, subject to prior redemption, on May 1 in the following years and in the following principal amounts:

<u>Year of Maturity</u>	<u>Principal Amount*</u>	<u>Year of Maturity</u>	<u>Principal Amount*</u>
2022	\$1,180,000	2032	\$1,545,000
2023	1,185,000	2033	1,560,000
2024	1,230,000	2034	1,580,000
2025	1,280,000	2035	1,600,000
2026	1,330,000	2036	1,625,000
2027	1,385,000	2037	1,650,000
2028	1,440,000	2038	1,675,000
2029	1,470,000	2039	1,710,000
2030	1,500,000	2040	1,745,000
2031	1,530,000	2041	1,780,000

*Preliminary, subject to adjustment as provided herein.

Adjustments. The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to reduction by the County after the receipt of bids for their purchase. The final aggregate principal amount and maturity schedule for the Bonds will be communicated to the successful bidder by 5:00 p.m. local time on the date of sale and will not reduce the aggregate principal amount of the Bonds by more than the premium bid by the successful bidder. The dollar amount bid for principal and any amount bid for premium by the successful bidder will be adjusted proportionately to reflect any reduction in the aggregate principal amount of the Bonds, but the interest rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes made within these limits.

General Obligations. The Bonds will be the unconditional general obligation of the County and will be issued upon its full faith and credit, which will be irrevocably pledged to the prompt payment of the principal of and interest on the Bonds as the same become due.

Book-Entry System. The Bonds will be issued in fully registered book-entry form and The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds. One Bond representing each maturity of the Bonds will be issued to and registered in the name of Cede & Co., as nominee of DTC, as registered

owner of the Bonds and each such Bond shall be immobilized in the custody of DTC or with the Bond Registrar to be held under DTC's "FAST" system, provided that if DTC requests, certificated Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates representing each maturity with DTC.

Interest on the Bonds will be payable when due and principal and redemption price of the Bonds will be payable at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC ("Participants") will be the responsibility of Participants and other nominees of beneficial owners. The County will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC Participants or persons acting through Participants.

In the event that DTC determines not to continue to act as securities depository for the Bonds or the County determines to discontinue the book-entry system with DTC, and the County does not replace DTC with another securities depository, the County will execute and the Bond Registrar will authenticate and deliver replacement Bonds in certificated form registered in the names of the Participants or, if requested in writing by such Participants, in the names of the beneficial owners of the Bonds. Replacement Bonds issued to Participants or to beneficial owners shall be in authorized denominations and be in fully registered form in substantially the form set forth in the Resolution (defined below).

Authorization and Use of Proceeds. The issuance of the Bonds is authorized by Chapter 427 of the Laws of Maryland of 2017 and Chapter 109 of the Laws of Maryland of 2018 and Resolution No. 2021-18 adopted by the Board of County Commissioners of St. Mary's County (the "Board") on March 16, 2021 (the "Resolution"), for the purpose of financing certain public improvements in the County.

Optional Redemption. The Bonds maturing on or before May 1, 2031 are not subject to redemption prior to their maturities. The Bonds maturing on or after May 1, 2032 are subject to redemption prior to their respective maturities, at the option of the County, at any time on or after May 1, 2031, either as a whole or in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. The procedures for redemption of the Bonds, including the requirements for giving notice of such redemption, are described in the Preliminary Official Statement (hereinafter defined) and are incorporated herein by reference.

Electronic Bids. Electronic bids will be received via **PARITY®** pursuant to this Notice of Sale until 11:00 a.m. local time on the date of sale, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY®** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY®**, potential bidders may contact **PARITY®** at (212) 849-5021. Bidders may only submit bids electronically via **PARITY®**.

Each prospective bidder shall be solely responsible to submit its bids via **PARITY®** as described herein. Each prospective bidder shall be solely responsible to make necessary arrangements to access **PARITY®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor **PARITY®** shall have any duty or obligation to provide or assure access to **PARITY®** to any prospective bidder, and neither the County nor **PARITY®** shall be responsible for proper operation of, or have any liability for delays or interruptions of, or any damages caused by, **PARITY®**. The County is using **PARITY®** as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of **PARITY®** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Parameters" set forth herein. All costs and expenses incurred by prospective bidders in connection with their submissions of bids via **PARITY®** are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, such bidder should telephone **PARITY®** at Dalcomp (212) 849-5021 and notify the County's Financial Advisor, Wye River Group, Incorporated by telephone at (410) 267-8811.

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **PARITY®**. Bids will be communicated electronically to the County at 11:00 a.m. local time, on May 11, 2021. Prior to that time, a prospective

bidder may (1) submit the proposed terms of its bid via **PARITY**®, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via **PARITY**® to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. *For purposes of the electronic bidding process and the time for submitting electronic bids, the time as maintained on **PARITY**® shall constitute the official time.*

Bid Parameters. Each bidder shall submit one bid via **PARITY**® on an “all-or-none” basis. Each bid must specify the amount bid for the Bonds, which shall be not less than 100% of par. Each bid must specify in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%) the rate or rates of interest per annum which the Bonds are to bear but shall not specify (a) more than one interest rate for any Bonds having the same maturity, (b) a zero rate of interest, (c) any interest rate for any Bonds which exceeds the interest rate stated in such bid for any other Bonds by more than 3.00%, or (d) any interest rate that exceeds 5.00%.

By submitting a bid for the Bonds, the bidder agrees, if it is the successful bidder for the Bonds, (1) to provide full and complete pricing information with respect to the Bonds to the County in a timely manner so that the County may fulfill its obligation relating to the delivery of the Official Statement to the purchaser of the Bonds within seven business days following the award, including, without limitation, the offering price(s), interest rate(s), selling compensation, delivery dates and other similar information; (2) to comply with the requirements of SEC Rule 15c2-12 (“Rule 15c2-12”), applicable federal and state securities laws and the applicable rules of the Municipal Securities Rulemaking Board (the “MSRB”) in connection with the offer and sale of the Bonds; and (3) within three business days after the final Official Statement becomes available, to cause copies thereof to be filed with the MSRB.

Establishment of Issue Price. The successful bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1 or Exhibit A-2, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the County and Bond Counsel. All actions to be taken by the County under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the County by the County’s financial advisor identified herein and any notice or report to be provided to the County may be provided to the County’s financial advisor.

The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (1) the County shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

By submitting a bid, each bidder (i) confirms that its bid is a firm offer for the purchase of the Bonds identified in this Notice of Sale, on the terms set forth in its bid and this Notice of Sale, except as permitted by this Notice of Sale and (ii) represents that it has an established industry reputation for underwriting new issuances of municipal bonds.

In the event that the competitive sale requirements are not satisfied, the County shall so advise the successful bidder. The County may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale

date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the County if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The County shall promptly advise the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the County determines to apply the hold-the-offering-price rule to any maturity of the Bonds.

Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The successful bidder shall promptly advise the County when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the County the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

The County acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the

related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date that the Bonds are awarded by the County to the successful bidder.

Award of Bonds. The County will not consider and will reject any bid for the purchase of less than all of the Bonds. THE RIGHT IS RESERVED TO REJECT ANY AND ALL BIDS AND TO WAIVE ANY IRREGULARITY OR NON-CONFORMITY IN ANY BID. Bids will be opened promptly after 11:00 a.m. local time (as determined in accordance with the time as maintained on *PARITY*®) on May 11, 2021. The award, if made, will be made as promptly as possible after the bids are opened to the bidder offering the lowest true interest cost to the County in any legally acceptable bid. The lowest true interest cost shall be determined in accordance with the true interest cost (TIC) method by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the price bid. The TIC shall be as determined by the financial advisor to the County based on the terms of this Notice of Sale and all amendments thereto and on each bid as submitted. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, then such award will be made to the bidder offering the highest premium. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, with the same premium, the Bonds will be awarded by lot to one of such bidders. The judgment of the County shall be final and binding upon all bidders with respect to the form and adequacy of any bid received and as to its conformity to the terms of this Notice of Sale.

Good Faith Deposit. A good faith deposit (the “Deposit”) is required in connection with the sale and bid for the Bonds. The Deposit may be provided in the form of (i) a federal funds wire transfer in the amount of \$600,000 to be submitted to the County by the successful bidder not later than 3:00 p.m. local time (the “Deposit Deadline”) on the date of sale or (ii) a financial surety bond (a “Surety Bond”) from an insurance company acceptable to the County and licensed to issue such a bond in the State of Maryland in the amount of \$600,000, each option as described in more detail below. The Deposit of the successful bidder will be retained by the County to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of its bid, the proceeds thereof will be retained as and for full liquidated damages.

If a federal funds wire transfer is used, the County shall distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Deposit Deadline. If the Deposit is not received by the Deposit Deadline, the award of the sale of the Bonds to the successful bidder may be cancelled by the County in its discretion without any financial liability of the County to the successful bidder or any limitation whatsoever on the County's right to sell the Bonds to a different purchaser upon such terms and conditions as the County shall deem appropriate.

If a Surety Bond is used, it must be submitted to the County prior to 5:00 p.m. local time on the day prior to the date for receipt of bids, and must be in form and substance acceptable to the County, including (without limitation) identifying the bidder whose Deposit is guaranteed by such Surety Bond. If the Bonds are awarded to a bidder utilizing a Surety Bond, then such successful bidder is required to submit its Deposit to the County not later than 12:00 p.m. local time on the next business day following the award in accordance with wire instructions delivered by the County to such bidder. If such Deposit is not received by that time, the Surety Bond may be drawn by the County to satisfy the Deposit requirement.

Postponement of Sale; Change in Bid Parameters. The County reserves the right to postpone, from time to time, the date or time established for the receipt of the bids or to change the bid parameters for the Bonds. Any such postponement or change in bidding constraints will be announced on TM3 News Service by notice given not later than 1:00 p.m. local time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative sale date will be announced on TM3 News Service at least 48 hours prior to such alternative sale date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent alternative sale date. On any such alternative sale date, any bidder may submit an electronic bid via **PARITY®** for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale except for the date of sale and except for the changes announced on TM3 News Service at or before the time the sale date and time are announced.

Legal Opinion. The issuance of the Bonds will be subject to delivery of the approving opinion of McGuireWoods LLP, Baltimore, Maryland, and copies of their opinion shall be substantially in the form set forth in the Preliminary Official Statement (hereinafter defined). The opinion will be delivered, without charge, to the successful bidder for the Bonds.

CUSIP Numbers. It is anticipated that the CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

Delivery of Bonds. The Bonds will be delivered on May 25, 2021, or as soon as practicable thereafter, at the expense of the County, for the account of the successful bidder, through the facilities of DTC in New York, New York, upon payment of the amount of the successful bid (including any premium), less the Deposit theretofore made. Payment for the Bonds shall be made in federal funds. The Bonds will be issued by means of book-entry system with no physical distribution of bond certificates made to the public. The successful bidder for the Bonds, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., its partnership nominee.

Closing Documents. The Bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending against the County affecting the validity of the Bonds. It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, such successful bidder shall be furnished a certificate or certificates of the Commissioner President, the County Administrator and the Chief Financial Officer of the County to the effect that, to the best of their knowledge and belief, the Official Statement (hereinafter defined) (and any amendment or supplement thereto) (except for information relating to DTC and its book-entry system and any information furnished by the successful bidder, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as set forth or contemplated in the Official Statement (and any amendment or supplement thereto).

Preliminary Official Statement. The Preliminary Official Statement of the County concerning the Bonds (the “Preliminary Official Statement”) has been “deemed final” by the County as of its date for purposes of Rule 15c2-12 but is subject to revision, amendment and completion in the final Official Statement.

Official Statement. As soon as practicable after the award of the Bonds to the successful bidder therefor on the day of sale, the County will authorize the final Official Statement for the Bonds (the “Official Statement”). By submitting its bid for the Bonds, the successful bidder agrees to provide the County with pricing information and such other information as the County may require in order that the County may provide the successful bidder with a final Official Statement in compliance with Rule 15c2-12. Whether or not any such information is included in the Official Statement (and any amendment or supplement thereto), such successful bidder shall be responsible to the County and its officials in all respects for the accuracy, fairness and completeness of such information, and for all decisions made with respect to the use or omission of such information in any re-offering of the Bonds, including the presentation or exclusion of any such information in any documents, including the Official Statement. Within seven (7) business days after the award of the Bonds to the successful bidder, the County will deliver to the successful bidder an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement. The successful bidder will also be furnished, without cost, with an electronic copy and a reasonable number of hard copies (not to exceed 10) of the Official Statement and any amendments or supplements thereto. The successful bidder may obtain additional copies at the successful bidder’s own expense.

The County will undertake to provide the successful bidder with further additional information to be included in the Official Statement, when in the opinion of the County or of Bond Counsel, such additional information constitutes a material change to the Official Statement. The County will take such steps as are necessary to arrange for amending and supplementing the Official Statement in connection with the disclosure of such additional information; provided, however, that the County shall have no obligation to provide such additional information after the date which is 25 days after the “end of the underwriting period,” as such term is defined in Rule 15c2-12.

Continuing Disclosure Agreement. In order to assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement on or before the date of issuance of the Bonds pursuant to which the County will undertake to provide certain information annually and notices of certain events. A description of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

The Preliminary Official Statement of the County with respect to the Bonds will be supplied to prospective bidders upon request made to the Chief Financial Officer of St. Mary’s County, 41770 Baldrige Street, Leonardtown, Maryland 20650, or from the financial advisor to the County, Wye River Group, Incorporated, 122 Severn Avenue, Annapolis, Maryland 21403 or by telephone (410) 267-8811.

By order of

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

\$ _____
Commissioners of St. Mary's County
Consolidated Public Improvement Bonds, Series 2021

ISSUE PRICE CERTIFICATE
(Qualified Competitive Bid)

The undersigned, on behalf of [NAME OF PURCHASER] (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Issuer* means Commissioners of St. Mary's County.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 11, 2021.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Non-Arbitrage Certificate and Tax Covenants and with respect to compliance with the federal income tax rules affecting the Bonds, and by McGuireWoods LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER], as Purchaser

By: _____

Title: _____

Dated: _____, 2021

SCHEDULE A
Expected Offering Prices of the Bonds

SCHEDULE B
Copy of Bid

\$ _____
Commissioners of St. Mary's County
Consolidated Public Improvement Bonds, Series 2021

ISSUE PRICE CERTIFICATE
(Nonqualified Competitive Bid)

The undersigned, on behalf of [NAME OF PURCHASER] (the "Purchaser"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. ***Sale of the 10% Maturities.*** As of the date of this Certificate, for each Maturity of the 10% Maturities Bonds, the first price at which a Substantial Amount of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Undersold Maturities.***

(a) Each Underwriter offered the Undersold Maturities to the Public for purchase at the respective initial offering prices listed in Schedule B (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule C.

(b) As set forth in the Notice of Sale and bid award, each Underwriter has agreed in writing that, (i) for each Maturity of the Undersold Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Offering Period for such Maturity, nor would it permit a related party to do so (the "hold-the-price rule") and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Undersold Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Offering Period.

3. ***Defined Terms.***

(a) ***10% Maturities*** means those Maturities of the Bonds shown in Schedule A hereto as the "10% Maturities."

(b) ***Issuer*** means Commissioners of St. Mary's County.

(c) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) ***Offering Period*** means, with respect to an Undersold Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____, 2021), or (ii) the date on which the Purchaser has sold a Substantial Amount of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.

(e) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) ***Sale Date*** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 11, 2021.

(g) *Substantial Amount* means ten percent (10%).

(h) *Undersold Maturities* means those Maturities of the Bonds shown in Schedule B hereto as the “Undersold Maturities.”

(i) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Non-Arbitrage Certificate and Tax Covenants and with respect to compliance with the federal income tax rules affecting the Bonds, and by McGuireWoods LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER], as
Purchaser

By: _____
Title: _____

Dated: _____, 2021

SCHEDULE A
Sale Prices of the 10% Maturities

SCHEDULE B
Initial Offering Prices of the Undersold Maturities

SCHEDULE C
Pricing Wire