

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

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

**For the Year Ended June 30, 2021**

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**JUNE 30, 2021**

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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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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



### ***Opinions***

In our opinion, 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 units, each major fund, and the aggregate remaining fund information, of the County, as of June 30, 2021, 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 and required supplementary information, 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, budget and actual schedules, 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, budget and actual schedules, 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, budget and actual schedules, 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  
November 24, 2021

*SB & Company, LLC*

## COMMISSIONERS OF ST. MARY'S COUNTY

### Management's Discussion and Analysis June 30, 2021

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, 2021. 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 \$341.4 million (net position). Approximately \$17.3 million, or 5.05%, 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 FY2021 is \$12.8 million, a change from the FY2020 (\$17.7 million), an increase of approximately \$30.6 million. Net position includes approximately \$271.5 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 \$59.7 million compared to the prior year.
- Governmental activities' total indebtedness increased by approximately \$24.6 million during the fiscal year ended June 30, 2021. General Obligation Bonds was sold in FY2021 for \$30 million (plus the premium amount for \$4.1 million) for capital improvement projects and approximately \$1 million was financed for equipment. Payments on the debt totaled approximately \$10 million. The estimated post-closure costs of the landfill decreased by approximately \$0.2 million and there was an increase in the accrual for compensated absences of approximately \$0.2 million.
- As of June 30, 2021, the County's governmental funds reported combined fund balances of \$132.3 million, an increase of \$28.3 million compared to the prior year. The general fund reflected an increase of \$22.4 million. The capital projects fund reflected an increase of \$5.5 million. The fund balance for the non-major funds increased by \$0.4 million. The County's governmental fund balances as of June 30, 2021 include \$42.6 million for capital projects, \$88.1 million in general funds, and \$1.6 million for the other non-major funds. The general fund balance of \$88.1 million includes: \$2.1 million that is nonspendable and restricted, as well as, \$30.9 million which is committed to the following: \$16.7 million for the Bond Rating Reserve, \$1.625 million for County's Rainy-Day Fund and \$12.6 million for use of non-recurring in the FY2022 Budget. In addition, the general fund reflects assigned designations of approximately \$3.9 million which includes encumbrances.



## COMMISSIONERS OF ST. MARY'S COUNTY

### Management's Discussion and Analysis June 30, 2021

#### Financial Highlights (continued)

- With the FY2021 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 \$4.9 million 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 \$30,984. Fee-based recreation activities posted a decrease of \$560,490. This decrease reflects the full year impact from COVID-19. 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 \$450,740 with Environmental Service fee set at \$94.68. The Wicomico Golf Course reflects an increase \$78,766 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 FY2022, 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, 2021, the unassigned fund balance for the general fund (primary operating fund) was \$51.2 million, or 19.5% of general fund expenditures. Assigned fund balance of the general fund was \$3.9 million, or 2.9% of the 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, 2021

### 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, and recreation and parks. The business-type activities of the County include Recreation Activity, Wicomico Golf Course and Solid Waste & Recycling.

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, 2021

### 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 services 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 services 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 26 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 Recreation Activity Fund, Wicomico Golf Course and the Solid Waste & Recycling Fund. The proprietary fund financial statements can be found on pages 27 to 29 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 Length of Service Awards for Fire & Rescue and the Retiree Benefit Trust of St. Mary's County, Maryland, which addresses the County's retiree health benefits. The basic fiduciary fund financial statements can be found on pages 30 and 31 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 32 to 113 of this report.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Management's Discussion and Analysis June 30, 2021

#### 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 115 to 122 of this report. Combining and Individual Fund Statements on pages 124 and 125. Other supplementary information can be found on pages 128 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 \$341.4 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. \$271.5 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 16.7% 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 \$12.8 million.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Management's Discussion and Analysis June 30, 2021

### Government-wide Financial Analysis (continued)

<b>BALANCE SHEET</b>						
<b>June 30, 2021 and 2020</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>						
Current Assets	\$ 215,495,353	\$ 173,413,486	\$ 1,457,126	\$ 1,256,623	\$ 216,952,479	\$ 174,670,109
Other Non-Current Assets	16,916,974	3,609,098	-	-	16,916,974	3,609,098
Capital assets	395,854,196	360,639,170	17,672,142	17,843,281	413,526,338	378,482,451
<b>Total Assets</b>	<b>628,266,523</b>	<b>537,661,754</b>	<b>19,129,268</b>	<b>19,099,904</b>	<b>647,395,791</b>	<b>556,761,658</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>						
Pension	9,588,766	10,632,887	-	-	9,588,766	10,632,887
OPEB	12,277,790	-	-	-	12,277,790	-
<b>Total Deferred Outflow of Resources</b>	<b>21,866,556</b>	<b>10,632,887</b>	<b>-</b>	<b>-</b>	<b>21,866,556</b>	<b>10,632,887</b>
<b>Total Assets &amp; Deferred Outflow of Resources</b>	<b>650,133,079</b>	<b>548,294,641</b>	<b>19,129,268</b>	<b>19,099,904</b>	<b>669,262,347</b>	<b>567,394,545</b>
<b>LIABILITIES</b>						
Current liabilities	48,062,449	43,316,897	1,026,723	1,080,551	49,089,172	44,397,448
Non-Current Liabilities	220,241,816	219,055,315	848,781	734,605	221,090,597	219,789,920
<b>Total Liabilities</b>	<b>268,304,265</b>	<b>262,372,212</b>	<b>1,875,504</b>	<b>1,815,156</b>	<b>270,179,769</b>	<b>264,187,368</b>
<b>DEFERRED INFLOW OF RESOURCES</b>						
Pension	21,477,187	8,295,027	-	-	21,477,187	8,295,027
OPEB	36,202,931	13,174,103	-	-	36,202,931	13,174,103
<b>Total Deferred Inflow of Resources</b>	<b>57,680,118</b>	<b>21,469,130</b>	<b>-</b>	<b>-</b>	<b>57,680,118</b>	<b>21,469,130</b>
<b>Total Liabilities &amp; Deferred Inflow of Resources</b>	<b>325,984,383</b>	<b>283,841,342</b>	<b>1,875,504</b>	<b>1,815,156</b>	<b>327,859,887</b>	<b>285,656,498</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	254,045,452	243,479,547	17,427,845	17,675,846	271,473,297	261,155,393
Restricted	57,106,583	38,316,266	-	-	57,106,583	38,316,266
Unrestricted	12,996,661	(17,342,514)	(174,081)	(391,098)	12,822,580	(17,733,612)
<b>Total Net Position</b>	<b>324,148,696</b>	<b>264,453,299</b>	<b>17,253,764</b>	<b>17,284,748</b>	<b>341,402,460</b>	<b>281,738,047</b>
<b>Total Liabilities, Deferred Inflow of Resources and Net Position</b>	<b>\$ 650,133,079</b>	<b>\$ 548,294,641</b>	<b>\$ 19,129,268</b>	<b>\$ 19,099,904</b>	<b>\$ 669,262,347</b>	<b>\$ 567,394,545</b>

As of June 30, 2021, the Commissioners of St. Mary's County reports positive balances in all three categories of net position.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Management's Discussion and Analysis June 30, 2021

### 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	
	2021	2020	2021	2020	2021	2020
<b>Program Revenues:</b>						
Charges for Services	\$ 6,629,924	\$ 3,723,760	\$ 2,629,255	\$ 3,773,971	\$ 9,259,179	\$ 7,497,731
Environmental/Solid Waste Fees	-	-	4,343,254	4,173,148	4,343,254	4,173,148
Operating Grants and Contributions	24,753,407	11,620,570	-	29,781	24,753,407	11,650,351
Capital Grants and Dedicated Fees or Taxes	5,614,729	8,933,693	-	-	5,614,729	8,933,693
<b>General Revenues:</b>						
Property taxes	115,718,458	113,230,333	-	-	115,718,458	113,230,333
Income taxes	136,341,525	117,739,704	-	-	136,341,525	117,739,704
Other Taxes	25,950,140	21,585,045	-	-	25,950,140	21,585,045
Investment Earnings	156,355	1,437,906	-	-	156,355	1,437,906
Roads Constructed by Third Parties	8,187,020	9,483,502	-	-	8,187,020	9,483,502
Miscellaneous, Principally Capital Projects Funding	-	-	631,520	600	631,520	600
<b>Total Revenues</b>	<b>323,351,558</b>	<b>287,754,513</b>	<b>7,604,029</b>	<b>7,977,500</b>	<b>330,955,587</b>	<b>295,732,013</b>
<b>Program Expenses:</b>						
General Government	29,424,432	24,534,794	-	-	29,424,432	24,534,794
Public Safety	74,775,900	57,512,547	-	-	74,775,900	57,512,547
Public Works	20,586,319	25,631,935	5,317,715	4,735,059	25,904,034	30,366,994
Health	3,929,912	3,656,714	-	-	3,929,912	3,656,714
Social Services	4,373,790	4,283,394	-	-	4,373,790	4,283,394
Primary and Secondary Education	102,409,311	108,833,498	-	-	102,409,311	108,833,498
Post-Secondary Education	4,600,971	4,849,585	-	-	4,600,971	4,849,585
Parks, Recreation and Culture	5,598,670	11,280,290	2,317,298	3,556,275	7,915,968	14,836,565
Libraries	3,168,988	3,158,634	-	-	3,168,988	3,158,634
Conservation of Natural Resources	356,372	361,975	-	-	356,372	361,975
Economic Development and Opportunity	5,199,924	2,554,190	-	-	5,199,924	2,554,190
Interest on Debt	2,403,351	1,363,042	-	-	2,403,351	1,363,042
Other, Principally Retiree's Health	6,828,221	3,828,053	-	-	6,828,221	3,828,053
<b>Total Expenses</b>	<b>263,656,161</b>	<b>251,848,651</b>	<b>7,635,013</b>	<b>8,291,334</b>	<b>271,291,174</b>	<b>260,139,985</b>
<b>Change in Net Position</b>	<b>59,695,397</b>	<b>35,905,862</b>	<b>(30,984)</b>	<b>(313,834)</b>	<b>59,664,413</b>	<b>35,592,028</b>
<b>Net Position – beginning of year</b>	<b>264,453,299</b>	<b>228,547,437</b>	<b>17,284,748</b>	<b>17,598,582</b>	<b>281,738,047</b>	<b>246,146,019</b>
<b>Net Position – End of year</b>	<b>\$ 324,148,696</b>	<b>\$ 264,453,299</b>	<b>\$ 17,253,764</b>	<b>\$ 17,284,748</b>	<b>\$ 341,402,460</b>	<b>\$ 281,738,047</b>

**Governmental activities:** Governmental activities reflected an increase in net position of approximately \$59.7 million.

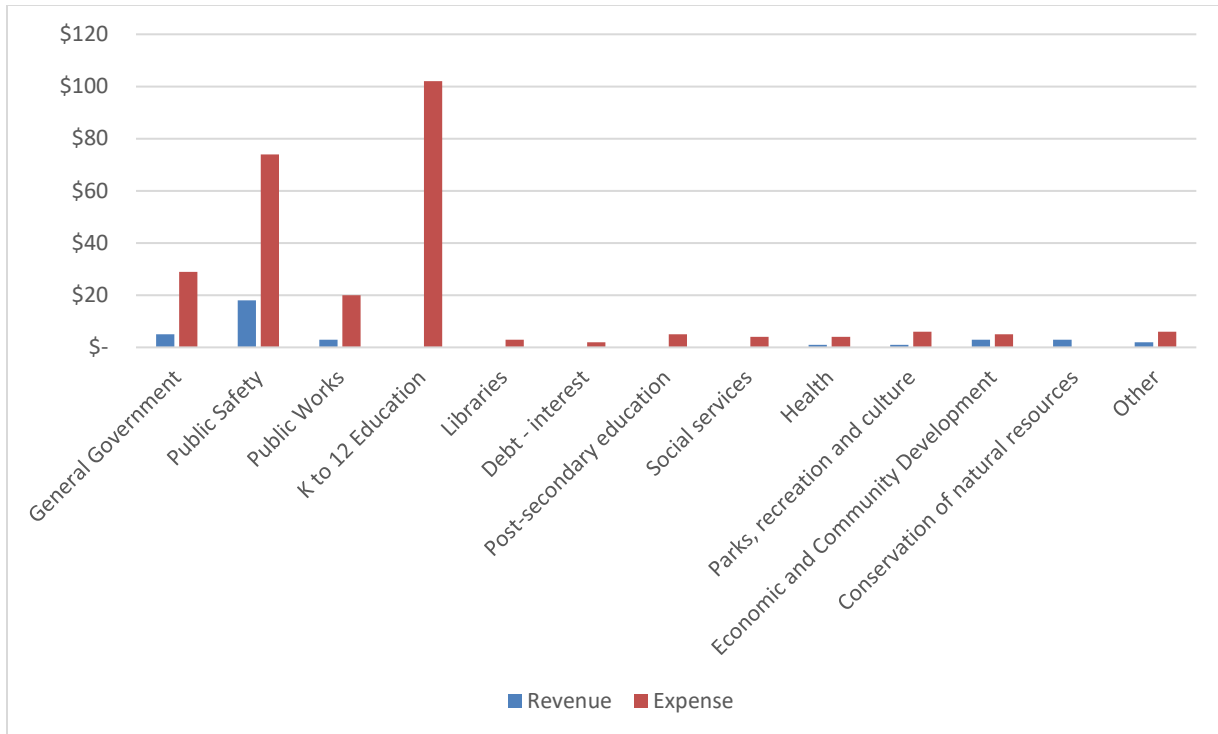
**Business-type activities:** Business-type activities reflected a decrease in net position of \$30,984.

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

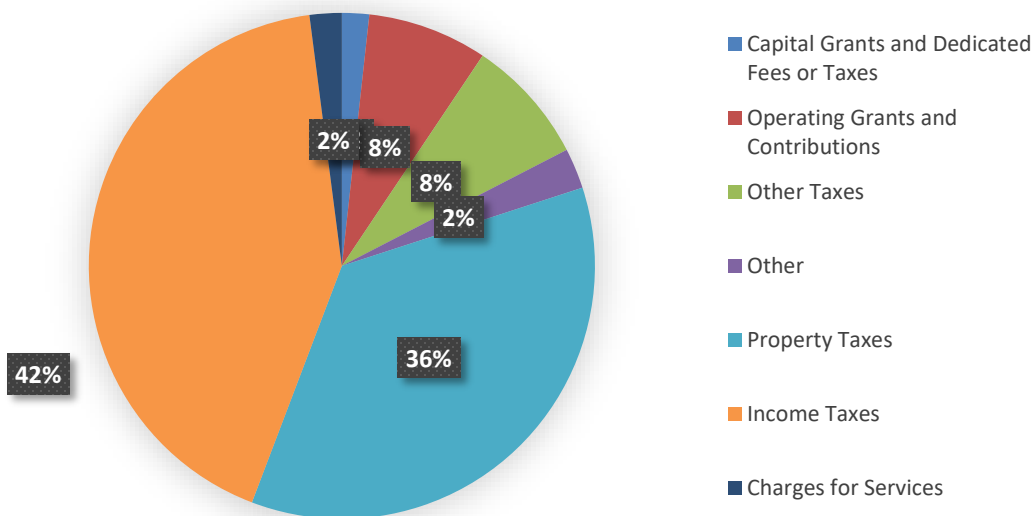
**Management’s Discussion and Analysis  
June 30, 2021**

**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, 2021

### 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, 2021, the Commissioners of St. Mary's County governmental funds reported combined ending fund balances of \$132.3 million, an increase of \$28.3 million compared to the prior year. The Capital Projects fund accounts for \$42.6 million. Of the total fund balance, approximately \$51.2 million, or 39% 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 includes encumbrances and miscellaneous revolving fund reserved for specific uses. Restricted and committed fund balances include \$42.9 million for capital projects, \$16.7 million for the Bond Rating Reserve, \$1.625 million for Rainy Day Fund, and \$12.6 million for non-recurring operating and pay-go funding in the FY2022 budget. Non-spendable fund balance includes \$1.1 million committed to liquidate inventories, prepaid expenses of \$11,051 and \$516,601 in interfund advances. Unassigned fund balance represents almost 20.0% of general fund expenditures.

The fund balance of the Commissioners of St. Mary's County general fund has increased \$22.4 million in FY2021, when compared to the prior year increase of \$37,653. Unassigned fund balance used in the FY2021 budget was \$6.1 million. \$10,885,478 was used in the FY2022 approved budget. Additionally, \$1.78 million remains unspent of the approved use of fund balance for COVID-19 at June 30, 2021 for a total of \$12.6 million committed. The County uses unassigned fund balance for non-recurring expenses.

The capital projects fund has a total fund balance of \$42.6 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, 2021. These funds have been budgeted, and the capital projects are in progress. A listing of the unexpended balances appears on pages 134 through 136.

**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 (\$836,421). The Recreation Activities Fund reflected unrestricted net position of \$4,608, and the unrestricted net position of the Solid Waste and Recycling Fund amounted to \$657,732. On a combined basis, there was a \$217,017 increase in unrestricted net position over the prior year.



## COMMISSIONERS OF ST. MARY'S COUNTY

### Management's Discussion and Analysis June 30, 2021

#### 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 129 through 134 reflects the original and final budgets as well as the actual results in more detail. Variances continue in inter-governmental revenues from the CARES and other grants for COVID-19 that were originally budgeted in FY2020 but were actually spent in FY2021, this is reflected in Public Safety grants. FY2021 actual results reflect revenues that are about \$30.3 million more than the original budget; this is largely attributable to the \$19.9 million increase in the local income tax revenue. Property Taxes had a positive variance of \$948,754 and other local taxes also had a positive variance of \$2.2 million. The FY2021 budget for income tax revenue is based upon an annual growth rate of 3.5% applied to tax year 2018 results based on returns filed. The FY2021 Budget continues the income tax rate of 3.17%, which was effective on January 1, 2020. 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 FY2022. 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 2.5% 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 FY2021 there were several temporary vacancies within the county departments and elected officials that resulted in turn-over and vacancy savings of almost \$4.1 million, of which over \$2 million is from the Sheriff's Office. Savings also come from contract services, telephone and equipment of about \$1 million, combined. Variances also continue with the COVID-19 grants, like the remaining amounts budgeted in FY2020 and expensed in FY2021. 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 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, 2021

### 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 to 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. FY2021 ratio is 24%.

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, 2021, amounts to \$413.5 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, 2021 was \$35,043,887. 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	
	2021	2020	2021	2020	2021	2020
Land	\$ 45,698,388	\$ 43,844,649	\$ 1,078,666	\$ 1,078,666	\$ 46,777,054	\$ 44,923,315
Buildings and Improvements	148,090,383	145,381,214	4,776,834	4,334,174	152,867,217	149,715,388
Facilities Under Construction	42,109,073	19,223,482	-	-	42,109,073	19,223,482
Solid Waste Facilities	-	-	13,220,472	13,824,043	13,220,472	13,824,043
Infrastructure	337,704,608	317,403,198	-	-	337,704,608	317,403,198
Vehicles	22,363,891	20,281,337	3,436,064	3,165,772	25,799,955	23,447,109
Equipment	39,848,012	39,378,079	1,289,174	1,226,398	41,137,186	40,604,477
Accumulated depreciation	(239,960,159)	(224,872,789)	(6,129,068)	(5,785,772)	(246,089,227)	(230,658,561)
<b>Total</b>	<u>\$ 395,854,196</u>	<u>\$ 360,639,170</u>	<u>\$ 17,672,142</u>	<u>\$ 17,843,281</u>	<u>\$ 413,526,338</u>	<u>\$ 378,482,451</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Management's Discussion and Analysis June 30, 2021

### Capital Asset and Debt Administration (continued)

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

- Approximately \$14.6 million in road costs were capitalized, including \$8.1 million in roads developed /constructed by third parties.
- Parks & Recreation increased by \$5 million, principally from the completion of Turf Fields \$3.3 million at Chancellor's Run, Lancaster, and Chaptico Parks.
- Construction in progress totals \$42.1 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, 2021, 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, 2021</u>	<u>June 30, 2020</u>	<u>Amounts due within one year</u>
General Obligation Bonds (GOB) - County	\$ 137,876,145	\$ 112,484,000	\$ 9,977,000
State Loans	980,576	1,104,015	123,440
Exempt Financing (Equipment & Vehicles)	<u>2,952,023</u>	<u>3,571,608</u>	<u>1,565,030</u>
	<u>\$ 141,808,744</u>	<u>\$ 117,159,623</u>	<u>\$ 11,665,470</u>
<u>Business-Type Activities</u>			
Exempt Financing (Equipment)	<u>\$ 718,171</u>	<u>\$ 585,300</u>	<u>\$ 244,297</u>

The Commissioners of St. Mary's County's additions to debt included \$30 million of General Obligation Bonds – closed in May 2021 and \$1.3 million equipment financing – closed in December 2020.

As of June 30, 2021, 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 2021. 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, 2021

#### 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 FY2022 expenditure budget is \$288.6 million; this budget includes the use of unassigned fund balance, \$10.8 million for non-recurring expenditures and capital improvement expenditures, committed in fund balance and \$11.1 million of the American Rescue Plan Act. The property tax income is based on information provided by the State as to estimated taxable assessed value of \$13.6 billion, a 3.6% increase over the prior year's estimate of \$13.1 billion. The impact of triennial assessments shows an increase in the full value are somewhat mitigated by the County's cap of 3%. Assessments continue to reflect a slow growth, but steady; this resulted in revenue estimate at 3.7% over the prior year. Initial billings for FY2022 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 .0188. The personal property tax rate, which is 2.5 times the real property tax rate, is \$2.1195. The income taxes were budgeted at \$120.7 million, with reduced rate to 3.10% of net taxable income as of January 1, 2022 using 4% growth in local tax returns. This represents a revenue increase of 11.8% over the FY2021 budget and reflects both the estimated County specific tax returns as well as \$6.0 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 86% of the total revenues, will be a major part of the FY2023 budget development, any indications of reduction will be offset by reduced expenditures.
- FY2021 includes the full year impact of the COVID-19 with final spending of the CARES grant funding. The Recreation & Parks Activity fund – felt the biggest impact due to closures, reducing the net position to \$56,473. FY2022 budget includes the 1st half of the American Rescue Plan Act of \$11.1 million with the second half in FY2023. Current allocations include funding for broadband, water & sewer infrastructure, and Health Department funding for nurses and COVID-19 surge response.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Management's Discussion and Analysis June 30, 2021

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

- With the approval of the FY2022 Budget, revenues related to tourism and interest income were reduced to reflect lower receipts in FY2021. The Recreation and Parks Activity fund was budgeted consistent with past years with the hope revenues increase with reopening of County activities. New program started in September for the enterprise fund at College of Southern MD's Wellness Activity Center – which makes available a pool and activity space in Leonardtown. As we go through FY2022 we will 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 20,200 workers support the base.
- The Airport Innovation District Plan final report was adopted. This plan includes new technology and innovation initiatives to position the County to be more competitive in attracting the best and brightest of future generations. The plan builds on the County's growing commercial aviation sector, providing a framework and road map to leverage existing assets to fully realize the potential for a more diversified economy.
- The population growth continues and was 113,777 for the 2020 census, an increase of 8.2% since 2010.
- 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. With the re-opening after closures from COVID-19, the County's accommodations tax is expected to increase, to include additional collections from short-term rentals. 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.

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

### **Management's Discussion and Analysis June 30, 2021**

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

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.

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

#### **Requests for Information**

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

# COMMISSIONERS OF ST. MARY'S COUNTY

## Statement of Net Position As of June 30, 2021

	Primary Government			Component Units			Total
	Governmental activities	Business-type activities	Total	Public Schools	Library	Metropolitan Commission	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 131,341,489	\$ 10,000	\$ 131,351,489	\$ 42,445,358	\$ 743,266	\$ 39,492,568	\$ 214,032,681
Internal balances	(486,757)	486,757	-	-	-	-	-
Restricted cash and investments	18,492,704	792,935	19,285,639	-	94,455	-	19,380,094
Taxes receivable	2,008,332	-	2,008,332	-	-	-	2,008,332
Income tax reserve, funds held by the state	38,187,692	-	38,187,692	-	-	-	38,187,692
Due from other governments	-	-	-	15,134,796	-	-	15,134,796
Special assessments receivable	708,725	-	708,725	-	-	-	708,725
Notes receivable, Fire and Rescue loans	578,266	-	578,266	-	-	-	578,266
Accounts receivable	23,221,615	132,541	23,354,156	13,085	-	20,849,866	44,217,107
Inventory	1,192,528	34,893	1,227,421	149,444	8,863	417,830	1,803,558
Other	250,759	-	250,759	-	-	96,797	347,556
Fire and rescue loans, net of short term portion	3,049,638	-	3,049,638	-	-	-	3,049,638
Net OPEB asset	13,867,336	-	13,867,336	-	-	-	13,867,336
Capital assets	635,814,355	23,801,210	659,615,565	448,749,987	5,876,850	260,548,457	1,374,790,859
Accumulated depreciation	(239,960,159)	(6,129,068)	(246,089,227)	(188,582,487)	(5,411,944)	(88,925,740)	(529,009,398)
Capital assets, net of accumulated depreciation	395,854,196	17,672,142	413,526,338	260,167,500	464,906	171,622,717	845,781,461
<b>TOTAL ASSETS</b>	<b>628,266,523</b>	<b>19,129,268</b>	<b>647,395,791</b>	<b>317,910,183</b>	<b>1,311,490</b>	<b>232,479,778</b>	<b>1,199,097,242</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension	9,588,766	-	9,588,766	2,956,168	-	1,257,427	13,802,361
OPEB	12,277,790	-	12,277,790	128,924,058	1,718,158	728,907	143,648,913
Bond refunding	-	-	-	-	-	326,796	326,796
<b>Total assets and deferred outflows of resources</b>	<b>\$ 650,133,079</b>	<b>\$ 19,129,268</b>	<b>\$ 669,262,347</b>	<b>\$ 449,790,409</b>	<b>\$ 3,029,648</b>	<b>\$ 234,792,908</b>	<b>\$ 1,356,875,312</b>

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Net Position  
As of June 30, 2021

	Primary Government			Component Units			Total
	Governmental activities	Business-type activities	Total	Public Schools	Library	Metropolitan Commission	
<b>LIABILITIES</b>							
Accounts payable	\$ 10,610,637	\$ 473,967	\$ 11,084,604	\$ 7,245,242	\$ 192,446	\$ 1,630,056	\$ 20,152,348
Compensation related liabilities	13,593,611	306,765	13,900,376	18,271,142	78,883	-	32,250,401
Unearned revenue	15,571,523	245,991	15,817,514	6,622,928	-	30,013	22,470,455
Other liabilities	8,286,678	-	8,286,678	19,970	-	3,717,888	12,024,536
Non-current liabilities:							
Due within one year	11,700,607	244,297	11,944,904	969,158	5,600	6,322,091	19,241,753
Due in more than one year	140,458,395	604,484	141,062,879	5,155,243	157,283	83,448,558	229,823,963
Net pension liability	68,082,814	-	68,082,814	15,058,899	-	5,579,007	88,720,720
Net OPEB liability	-	-	-	497,160,412	3,318,623	1,974,430	502,453,465
<b>TOTAL LIABILITIES</b>	<u>268,304,265</u>	<u>1,875,504</u>	<u>270,179,769</u>	<u>550,502,994</u>	<u>3,752,835</u>	<u>102,702,043</u>	<u>927,137,641</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension	21,477,187	-	21,477,187	990,601	-	441,800	22,909,588
OPEB	36,202,931	-	36,202,931	26,069,012	298,167	1,359,840	63,929,950
 Total liabilities and deferred inflows of resources	<u>325,984,383</u>	<u>1,875,504</u>	<u>327,859,887</u>	<u>577,562,607</u>	<u>4,051,002</u>	<u>104,503,683</u>	<u>1,013,977,179</u>
<b>NET POSITION</b>							
Net investment in capital assets	254,045,452	17,427,845	271,473,297	259,405,833	464,906	101,286,182	632,630,218
Restricted for:							
Capital asset purchases	43,239,247	-	43,239,247	-	-	-	43,239,247
Capital projects	-	-	-	92,764	-	-	92,764
Other purposes	13,867,336	-	13,867,336	-	94,455	16,813,388	30,775,179
Unrestricted	12,996,661	(174,081)	12,822,580	(387,270,795)	(1,580,715)	12,189,655	(363,839,275)
<b>TOTAL NET POSITION</b>	<u>\$ 324,148,696</u>	<u>\$ 17,253,764</u>	<u>\$ 341,402,460</u>	<u>\$ (127,772,198)</u>	<u>\$ (1,021,354)</u>	<u>\$ 130,289,225</u>	<u>\$ 342,898,133</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, 2021

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	\$ 29,424,432	\$ 2,264,410	\$ 1,240,373	\$ 1,498,359	\$ (24,421,290)	\$ -	\$ (24,421,290)	\$ -	\$ -	\$ -	\$ (24,421,290)
Public safety	74,775,900	1,952,229	15,844,822	-	(56,978,849)	-	(56,978,849)	-	-	-	(56,978,849)
Public works	20,586,319	390,000	2,779,501	7,524	(17,409,294)	-	(17,409,294)	-	-	-	(17,409,294)
Health	3,929,912	25,958	643,589	-	(3,260,365)	-	(3,260,365)	-	-	-	(3,260,365)
Social services	4,373,790	-	1,375,818	-	(2,997,972)	-	(2,997,972)	-	-	-	(2,997,972)
Primary and secondary education	102,409,311	-	-	-	(102,409,311)	-	(102,409,311)	-	-	-	(102,409,311)
Post-secondary education	4,600,971	-	-	-	(4,600,971)	-	(4,600,971)	-	-	-	(4,600,971)
Parks, recreation and culture	5,598,670	203,771	24,587	1,098,716	(4,271,596)	-	(4,271,596)	-	-	-	(4,271,596)
Libraries	3,168,988	-	-	-	(3,168,988)	-	(3,168,988)	-	-	-	(3,168,988)
Conservation of natural resources	356,372	-	-	2,938,003	2,581,631	-	2,581,631	-	-	-	2,581,631
Economic development and opportunity	5,199,924	2,500	2,844,717	-	(2,352,707)	-	(2,352,707)	-	-	-	(2,352,707)
Interest on long-term debt	2,403,351	-	-	-	(2,403,351)	-	(2,403,351)	-	-	-	(2,403,351)
Other, including OPEB	6,828,221	1,791,056	-	72,127	(4,965,038)	-	(4,965,038)	-	-	-	(4,965,038)
Total governmental activities	263,656,161	6,629,924	24,753,407	5,614,729	(226,658,101)	-	(226,658,101)	-	-	-	(226,658,101)
Business-type activities											
Recreation activity	1,207,194	646,704	-	-	-	(560,490)	(560,490)	-	-	-	(560,490)
Wicomico	1,110,104	1,188,870	-	-	-	78,766	78,766	-	-	-	78,766
Solid waste/recycling	5,317,715	793,681	-	-	-	(4,524,034)	(4,524,034)	-	-	-	(4,524,034)
Total business-type activities	7,635,013	2,629,255	-	-	-	(5,005,758)	(5,005,758)	-	-	-	(5,005,758)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 271,291,174</b>	<b>\$ 9,259,179</b>	<b>\$ 24,753,407</b>	<b>\$ 5,614,729</b>	<b>(226,658,101)</b>	<b>(5,005,758)</b>	<b>(231,663,859)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(231,663,859)</b>
Component unit:											
Public schools	\$ 306,474,160	\$ 134,185	\$ 61,279,814	\$ 14,763,431	-	-	-	(230,296,730)	-	-	(230,296,730)
Library	6,287,926	37,820	163,324	-	-	-	-	-	(6,086,782)	-	(6,086,782)
MetCom	25,451,767	15,860,880	-	199,000	-	-	-	-	-	(9,391,887)	(9,391,887)
Total Component Units	\$ 338,213,853	\$ 16,032,885	\$ 61,443,138	\$ 14,962,431	-	-	-	(230,296,730)	(6,086,782)	(9,391,887)	(245,775,399)
Property taxes	-	-	-	-	115,718,458	-	115,718,458	-	-	-	115,718,458
Income taxes	-	-	-	-	136,341,525	-	136,341,525	-	-	-	136,341,525
Other taxes	-	-	-	-	25,950,140	-	25,950,140	-	-	-	25,950,140
Investment earnings	-	-	-	-	156,355	-	156,355	82,749	64	184,001	423,169
Grants and contributions not restricted to specific purposes	-	-	-	-	-	-	-	209,177,749	5,713,696	-	214,891,445
Environmental/solid waste fees	-	-	-	-	4,343,254	4,343,254	4,343,254	-	-	-	4,343,254
Roads constructed by third parties	-	-	-	-	8,187,020	8,187,020	8,187,020	-	-	-	8,187,020
Miscellaneous	-	-	-	-	631,520	631,520	631,520	1,792,828	-	12,311,453	14,735,801
<b>TOTAL GENERAL REVENUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>286,353,498</b>	<b>4,974,774</b>	<b>291,328,272</b>	<b>211,053,326</b>	<b>5,713,760</b>	<b>12,495,454</b>	<b>520,590,812</b>
CHANGE IN NET POSITION	-	-	-	-	59,695,397	(30,984)	59,664,413	(19,243,404)	(373,022)	3,103,567	43,151,554
NET POSITION - BEGINNING OF YEAR	-	-	-	-	264,453,299	17,284,748	281,738,047	(108,528,794)	(648,332)	127,185,658	299,746,579
NET POSITION - END OF YEAR	-	-	-	-	<b>\$ 324,148,696</b>	<b>\$ 17,253,764</b>	<b>\$ 341,402,460</b>	<b>\$ (127,772,198)</b>	<b>\$ (1,021,354)</b>	<b>\$ 130,289,225</b>	<b>\$ 342,898,133</b>

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, 2021

	General Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 131,341,489	\$ -	\$ -	\$ 131,341,489
Due from other funds	658,756	45,263,754	1,613,551	47,536,061
Restricted cash and investments	18,492,704	-	-	18,492,704
Taxes receivable	1,961,710	-	46,622	2,008,332
Income tax reserve, funds held by the state	38,187,692	-	-	38,187,692
Special tax assessments receivable	-	-	66,730	66,730
Notes receivable, Fire and Rescue loans	-	-	578,266	578,266
Accounts receivable	19,718,568	3,503,047	-	23,221,615
Inventory	1,192,528	-	-	1,192,528
Other	250,759	-	-	250,759
Note receivable, fire and rescue loans, (net of current portion)	-	-	3,049,638	3,049,638
Special tax assessments receivable, (net of current portion)	-	-	641,995	641,995
<b>TOTAL ASSETS</b>	<b>\$ 211,804,206</b>	<b>\$ 48,766,801</b>	<b>\$ 5,996,802</b>	<b>\$ 266,567,809</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 5,183,165	\$ 5,404,406	\$ 23,066	\$ 10,610,637
Compensation-related liabilities	13,584,297	-	9,314	13,593,611
Unearned revenue	11,230,417	-	4,341,106	15,571,523
Other liabilities	7,477,039	809,639	-	8,286,678
Due to other funds	48,022,818	-	-	48,022,818
<b>TOTAL LIABILITIES</b>	<b>85,497,736</b>	<b>6,214,045</b>	<b>4,373,486</b>	<b>96,085,267</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable income tax distribution	38,187,692	-	-	38,187,692
<b>FUND BALANCES</b>				
Nonspendable	1,720,180	-	-	1,720,180
Restricted	382,700	42,856,547	-	43,239,247
Committed	30,961,769	-	1,623,316	32,585,085
Assigned	3,875,220	-	-	3,875,220
Unassigned	51,178,909	(303,791)	-	50,875,118
<b>TOTAL FUND BALANCES</b>	<b>88,118,778</b>	<b>42,552,756</b>	<b>1,623,316</b>	<b>132,294,850</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 211,804,206</b>	<b>\$ 48,766,801</b>	<b>\$ 5,996,802</b>	<b>\$ 266,567,809</b>

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

## COMMISSIONERS OF ST. MARY'S COUNTY

### Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position As of June 30, 2021

Fund balance of governmental funds	\$ 132,294,850
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	395,854,196
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	
	38,187,692
Deferred outflow and inflow of resources related net deferred pension activity are not financial resources and therefore are not reported in the funds	
	(35,813,562)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(141,808,744)
Compensated absences	(7,099,258)
Landfill post-closure costs	(3,251,000)
Net pension liability	(68,082,814)
Net OPEB asset	<u>13,867,336</u>
Net position of governmental activities	<u>\$ 324,148,696</u>

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2021

	General Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
<b>REVENUE</b>				
Property taxes	\$ 115,718,458	\$ -	\$ -	\$ 115,718,458
Income taxes	127,908,783	-	-	127,908,783
Energy taxes	882,000	-	-	882,000
Recordation taxes	8,911,778	-	-	8,911,778
Transfer taxes	-	10,271,414	-	10,271,414
Agricultural/development taxes	-	34,850	-	34,850
Impact fees	-	2,097,619	-	2,097,619
Other local taxes	2,122,997	-	-	2,122,997
Highway user revenues	1,856,482	-	-	1,856,482
Licenses and permits	869,164	-	-	869,164
Intergovernmental	23,801,412	6,874,293	-	30,675,705
Charges for services	3,885,094	-	-	3,885,094
Fines and forfeitures	19,990	-	-	19,990
Special assessments	-	-	72,127	72,127
Other revenues	2,610,861	-	3,507,456	6,118,317
<b>Total Revenue</b>	<u>288,587,019</u>	<u>19,278,176</u>	<u>3,579,583</u>	<u>311,444,778</u>
<b>EXPENDITURES</b>				
General government	27,877,254	18,603,068	-	46,480,322
Public safety	67,426,938	-	3,786,175	71,213,113
Public works	11,573,933	12,665,890	-	24,239,823
Health	3,929,912	-	-	3,929,912
Social services	3,846,926	-	-	3,846,926
Primary and secondary education	111,930,187	9,520,876	-	121,451,063
Post-secondary education	4,558,686	-	-	4,558,686
Parks, recreation and culture	4,162,878	11,522,087	-	15,684,965
Libraries	2,966,364	-	-	2,966,364
Conservation of natural resources	356,372	-	-	356,372
Economic development and opportunity	5,197,468	-	-	5,197,468
Agriculture	79,474	-	-	79,474
Debt service - principal and interest	12,505,995	139,815	97,705	12,743,515
Intergovernmental	43,446	-	-	43,446
Other	5,939,831	48,036	-	5,987,867
<b>Total Expenditures</b>	<u>262,395,664</u>	<u>52,499,772</u>	<u>3,883,880</u>	<u>318,779,316</u>
<b>Excess (Deficiency) Of Revenue Over Expenditures</b>	<u>26,191,355</u>	<u>(33,221,596)</u>	<u>(304,297)</u>	<u>(7,334,538)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bonds	-	30,000,000	-	30,000,000
Premium from bonds	-	4,065,145	-	4,065,145
Capital lease	924,140	-	-	924,140
Fire & rescue loan repayments	-	-	689,366	689,366
Capital projects - general fund pay-go	(4,680,000)	4,680,000	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(3,755,860)</u>	<u>38,745,145</u>	<u>689,366</u>	<u>35,678,651</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>22,435,495</u>	<u>5,523,549</u>	<u>385,069</u>	<u>28,344,113</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>65,683,283</u>	<u>37,029,207</u>	<u>1,238,247</u>	<u>103,950,737</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 88,118,778</u>	<u>\$ 42,552,756</u>	<u>\$ 1,623,316</u>	<u>\$ 132,294,850</u>

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

# COMMISSIONERS OF ST. MARY'S COUNTY

## Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2021

Net changes in fund balances in governmental funds \$ 28,344,113

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	\$ 51,702,245	
Depreciation and loss on disposal	<u>(16,487,219)</u>	35,215,026

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	\$ 12,409,127	
Compensated absences and pension liability	(265,490)	
Landfill post closure cost	209,000	
Issuance of debt	(30,000,000)	
Premium on bonds	(4,065,145)	
Capital lease	(924,140)	
Payments of debt principal	<u>10,340,164</u>	(12,296,484)

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>8,432,742</u>
Change in net position of governmental activities		<u>\$ 59,695,397</u>

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

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

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual (Budgetary Basis) – General Fund  
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		Variance
<b>REVENUES</b>				
Property taxes	\$ 114,769,704	\$ 114,769,704	\$ 115,718,458	\$ 948,754
Income taxes	107,975,165	107,975,165	127,908,783	19,933,618
Other Local taxes	9,640,000	9,640,000	11,916,775	2,276,775
Highway user revenues	1,791,108	1,791,108	1,856,482	65,374
Licenses and permits	585,820	585,820	867,118	281,298
Charges for services	3,086,708	3,085,719	3,349,726	264,007
Fines and forfeitures	24,500	24,500	19,009	(5,491)
State/Federal Grants	8,538,956	16,543,779	23,733,309	7,189,530
Other revenue	1,838,045	1,837,520	1,167,886	(669,634)
<b>TOTAL GENERAL FUND REVENUES</b>	<b>248,250,006</b>	<b>256,253,315</b>	<b>286,537,546</b>	<b>30,284,231</b>
<b>EXPENDITURES</b>				
General government	28,381,430	28,364,289	26,628,509	1,735,780
Public safety	55,962,675	53,714,358	68,066,935	(14,352,577)
Public works	10,906,657	16,068,755	12,404,377	3,664,378
Health	3,199,536	8,345,004	3,312,740	5,032,264
Social services	4,812,772	4,782,006	4,555,587	226,419
Primary and secondary education	111,927,374	112,014,057	111,939,862	74,195
Post-secondary education	4,583,686	4,583,686	4,583,686	-
Parks, recreation and culture	4,383,812	4,293,930	4,210,215	83,715
Libraries	2,966,362	2,966,362	2,966,364	(2)
Conservation of natural resources	683,465	690,190	663,529	26,661
Economic development and opportunity	2,090,700	4,700,501	4,857,904	(157,403)
Debt service	12,539,808	12,539,808	12,505,995	33,813
Inter-governmental	43,446	43,446	43,446	-
Other	5,150,000	3,974,325	4,002,806	(28,481)
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>247,631,723</b>	<b>257,080,717</b>	<b>260,741,955</b>	<b>(3,661,238)</b>
<b>OTHER FINANCING SOURCES AND USES</b>				
Fund balance	4,961,717	6,101,890	-	(6,101,890)
Reserves - grants (expenditures)				-
Reserves - emergency appropriations	(500,000)	(194,488)	-	194,488
Reserves - bond rating	(400,000)	(400,000)	(1,955,000)	(1,555,000)
General fund transfer/pay-go - capital projects	(4,680,000)	(4,680,000)	(4,680,000)	-
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>(618,283)</b>	<b>827,402</b>	<b>(6,635,000)</b>	<b>(7,462,402)</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>				
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,160,591</b>	<b>\$ 19,160,591</b>
Reconciliation to GAAP Basis Financial Statements				
Bond reserve			1,955,000	
Effect of encumbrances and other transfers			1,319,904	
			<u>\$ 22,435,495</u>	

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

# COMMISSIONERS OF ST. MARY'S COUNTY

## Statement of Net Position - Proprietary Funds As of June 30, 2021

	Business-Type Activities			Total
	Recreation Activity Fund	Wicomico	Solid Waste / Recycling	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ -	\$ 10,000	\$ -	\$ 10,000
Due from other funds	416,048	-	729,465	1,145,513
Restricted cash from investments	-	-	792,935	792,935
Accounts receivable	3,998	132,884	76,102	212,984
Inventory	-	34,893	-	34,893
Total current assets	420,046	177,777	1,598,502	2,196,325
<b>Noncurrent Assets</b>				
Capital assets	313,302	6,669,330	16,818,578	23,801,210
Accumulated depreciation	(261,437)	(3,236,914)	(2,630,717)	(6,129,068)
Capital assets, net	51,865	3,432,416	14,187,861	17,672,142
Total Assets	471,911	3,610,193	15,786,363	19,868,467
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	174,623	99,881	199,463	473,967
Compensation-related liabilities	-	126,544	180,221	306,765
Due to other funds	-	222,598	-	222,598
Unearned revenue	240,815	5,176	-	245,991
Total current liabilities	415,438	454,199	379,684	1,249,321
<b>Noncurrent Liabilities</b>				
Due within one year:				
Financing agreements	-	34,830	209,467	244,297
Due from general fund	-	80,443	-	80,443
Due in more than one year:				
Financing agreements	-	-	473,874	473,874
Advance from general fund	-	436,158	-	436,158
Compensated absences	-	43,398	87,212	130,610
Total noncurrent liabilities	-	594,829	770,553	1,365,382
<b>Total Liabilities</b>	415,438	1,049,028	1,150,237	2,614,703
<b>NET POSITION</b>				
Net investment in capital assets	51,865	3,397,586	13,978,394	17,427,845
Unrestricted	4,608	(836,421)	657,732	(174,081)
Total Net Position	\$ 56,473	\$ 2,561,165	\$ 14,636,126	\$ 17,253,764

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, 2021

	Business-Type Activities			Total
	Recreation Activity Fund	Wicomico	Solid Waste / Recycling	
<b>OPERATING REVENUE</b>				
Charges for services	\$ 646,704	\$ 1,188,870	\$ 793,681	\$ 2,629,255
Environmental/solid waste fees	-	-	4,343,254	4,343,254
<b>TOTAL OPERATING REVENUE</b>	<u>646,704</u>	<u>1,188,870</u>	<u>5,136,935</u>	<u>6,972,509</u>
<b>OPERATING EXPENSES</b>				
Personal services	881,861	411,757	1,130,420	2,424,038
Operating supplies	52,845	242,199	74,452	369,496
Professional services	61,147	28,545	542,426	632,118
Communications	10,257	49,236	215,140	274,633
Transportation	1,223	70,321	1,496,916	1,568,460
Rentals	36	79,331	68,311	147,678
Public utilities	172,032	36,082	9,433	217,547
Other operating costs	4,425	24,081	70,970	99,476
Tipping fees	-	-	1,438,088	1,438,088
Retiree health benefits (OPEB)	-	36,000	23,000	59,000
Equipment	5,526	15,333	40,323	61,182
Depreciation	17,842	117,219	208,236	343,297
<b>TOTAL OPERATING EXPENSES</b>	<u>1,207,194</u>	<u>1,110,104</u>	<u>5,317,715</u>	<u>7,635,013</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(560,490)</u>	<u>78,766</u>	<u>(180,780)</u>	<u>(662,504)</u>
<b>OTHER INCOME (EXPENSE)</b>				
Use of exempt financing	-	-	631,520	631,520
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>-</u>	<u>-</u>	<u>631,520</u>	<u>631,520</u>
<b>NET CHANGES IN NET POSITION</b>	<u>(560,490)</u>	<u>78,766</u>	<u>450,740</u>	<u>(30,984)</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>616,963</u>	<u>2,482,399</u>	<u>14,185,386</u>	<u>17,284,748</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 56,473</u>	<u>\$ 2,561,165</u>	<u>\$ 14,636,126</u>	<u>\$ 17,253,764</u>

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, 2021

	Recreation Activity		Solid Waste /	
	Fund	Wicomico	Recycling	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 682,022	\$ 992,463	\$ 5,121,794	\$ 6,796,279
Payments to suppliers	(277,337)	(499,378)	(3,445,331)	(4,222,046)
Payments to employees	(936,527)	(434,056)	(1,139,935)	(2,510,518)
<b>Net Cash from Operating Activities</b>	<u>(531,842)</u>	<u>59,029</u>	<u>536,528</u>	<u>63,715</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Grants and other activity	-	-	553,202	553,202
Increase in due to/from other funds	531,842	143,335	108,489	783,666
<b>Net Cash from Noncapital Financing Activities</b>	<u>531,842</u>	<u>143,335</u>	<u>661,691</u>	<u>1,336,868</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal paid on long term debt	-	-	(242,989)	(242,989)
Acquisition and construction of capital assets	-	(210,721)	(189,147)	(399,868)
<b>Net Cash from Capital and Related Financing Activities</b>	<u>-</u>	<u>(210,721)</u>	<u>(432,136)</u>	<u>(642,857)</u>
Net change in cash	-	(8,357)	766,083	757,726
Cash, Beginning of Year	-	18,357	26,852	45,209
<b>Cash, End of Year</b>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 792,935</u>	<u>\$ 802,935</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ (560,490)	\$ 78,766	\$ (180,780)	\$ (662,504)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	17,842	117,219	208,236	343,297
Loss on disposal	-	-	603,671	603,671
Changes in assets and liabilities:				
Accounts receivable	522	(132,884)	(15,141)	(147,503)
Inventory	-	(11,970)	-	(11,970)
Accounts payable	30,154	46,373	(92,843)	(16,316)
Compensation-related liabilities	(54,666)	37,753	8,128	(8,785)
Unearned revenue	34,796	(63,523)	-	(28,727)
Compensated absences	-	(24,052)	5,357	(18,695)
<b>Net Cash from Operating Activities</b>	<u>\$ (531,842)</u>	<u>\$ 59,029</u>	<u>\$ 536,628</u>	<u>\$ 63,815</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, 2021**

	<u>Sheriff's Office Retirement Plan</u>	<u>Length of Service Awards Program</u>	<u>Retiree Benefit Trust of St. Mary's County</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ -	\$ 3,038	\$ -	\$ 3,038
Investments	130,242,749	6,190,846	118,871,863	255,305,458
<b>NET POSITION</b>				
Held in trust for pension and OPEB	<u>\$ 130,242,749</u>	<u>\$ 6,193,884</u>	<u>\$ 118,871,863</u>	<u>\$ 255,308,496</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, 2021**

	<u>Sheriff's Office Retirement Plan</u>	<u>Length of Service Awards Program</u>	<u>Retiree Benefit Trust of St. Mary's County</u>	<u>Total</u>
<b>ADDITIONS</b>				
Contributions- employer	\$ 6,926,000	\$ 2,148,908	\$ 3,950,813	\$ 13,025,721
Contributions- employee	1,383,000	-	-	1,383,000
Interest and dividends	-	1,080,861	-	1,080,861
Net realized and unrealized gains	28,260,000	-	30,068,973	58,328,973
<b>Total additions</b>	<b>36,569,000</b>	<b>3,229,769</b>	<b>34,019,786</b>	<b>73,818,555</b>
<b>DEDUCTIONS</b>				
Benefits	5,036,116	1,148,908	3,950,813	10,135,837
Administrative expenses	136,000	23,549	573,005	732,554
<b>TOTAL DEDUCTIONS</b>	<b>5,172,116</b>	<b>1,172,457</b>	<b>4,523,818</b>	<b>10,868,391</b>
<b>CHANGES IN NET POSITION</b>	<b>31,396,884</b>	<b>2,057,312</b>	<b>29,495,968</b>	<b>62,950,164</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>98,845,865</b>	<b>4,136,572</b>	<b>89,375,895</b>	<b>192,358,332</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 130,242,749</b>	<b>\$ 6,193,884</b>	<b>\$ 118,871,863</b>	<b>\$ 255,308,496</b>

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

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2021

### 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, 2021

### 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, 2021

### 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, 2021

### 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, 2021

### 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, 2021

### 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, 2021

### 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, 2021

### 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, 2021

### 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, 2021

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

#### **Long-term receivables**

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

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

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

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

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

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

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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, 2021

### 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, 2021

### 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 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, 2021

### 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, 2021, the carrying amount of the County's deposits was \$150,624,543 (in addition, petty cash totaling approximately \$13,000 at various County departments) and the collected bank balance was \$152,694,498. Of the collected bank balance, \$2,443,489 was covered by Federal Deposit Insurance Corporation (FDIC), and \$150,251,009 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, 2021

#### 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, 2021

### 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, 2021.

#### Primary Government

	Level 1	Level 2	Level 3	Balance
<b><u>Investments at fair value level</u></b>				
Retiree Benefit Trust (OPEB):				
Money market funds	\$ 3,038,133	\$ -	\$ -	\$ 3,038,133
Common stock/equity funds	-	63,400,632	-	63,400,632
Bond funds	-	20,562,012	-	20,562,012
Venture/lt. partnership/closely held	-	-	31,871,086	31,871,086
Length of Service Awards Trust (LOSAP):				
Money market funds	46,495	-	-	46,495
Bond funds	-	2,306,852	-	2,306,852
Equity funds	-	3,837,499	-	3,837,499
Pension Fund: Sheriff's Office Retirement Plan:				
Money market funds	3,565,751	-	-	3,565,751
Bond funds	-	19,288,203	-	19,288,203
Common stock	-	-	-	-
Venture/lt. partnership/closely held	-	-	23,735,695	23,735,695
Equity funds	-	83,049,669	-	83,049,669
Real estate funds	-	603,431	-	603,431
Total investments at fair value	<u>\$ 6,650,379</u>	<u>\$ 193,048,298</u>	<u>\$ 55,606,781</u>	<u>\$ 255,305,458</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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.

##### 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, 2021, 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. As of June 30, 2021, the carrying amount of the School System's deposits was \$20,159,149 and the bank balance was \$20,937,761.

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

###### Short -term 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. As of June 30, 2021, 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 \$21,760,186, \$431,162, and \$99,442 for governmental activities, business-type activity, and fiduciary responsibilities, respectively.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Notes to the Financial Statements

June 30, 2021

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

##### Component Units (continued)

##### Short-Term 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.

##### Long-Term Investments

As of June 30, 2021, the Capital Projects Fund's long-term investment consisted of a certificate of deposit which had a maturity of greater than one year but less than five years.

The Retiree Benefit Trust Fund (OPEB)'s investments are invested in the Maryland Association of Board of Educations Pooled OPEB Trust (MABE Trust). The MABE Trust is administered by the Maryland Association of Board of Education and is a wholly-owned instrumentality of its members. The nine members who are the sole contributors to the MABE Trust are the boards of education of the following counties in Maryland: Allegany, Caroline, Cecil, Charles, Harford, Kent, Prince George's, St. Mary's, and Washington.

The investments of the MABE Trust are stated at fair value and are managed by Wells Fargo Advisors and consist of money market funds, U.S. government and agency fixed income and asset backed securities, equity securities, mutual funds and exchange traded funds, and corporate bonds and corporate asset backed securities. The MABE Trust 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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Although all of the investments in the MABE Trust are considered Level 1 and Level 2, the School Systems membership investment in the MABE Trust is considered Level 2. As of June 30, 2021, the pooled net position of the MABE Trust was \$589,129,491, in total, of which the School System's allocated investment balance was \$66,500,211. The School System places no limits on the amount they may be invested with any one issuer. The School System may terminate its membership in the MABE Trust and withdrawal its allocated investment balance by providing written notice six months prior to the intended date of withdrawal.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

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

#### Component Units (continued)

##### 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, 2021, the carrying amount of the Library's cash was \$347,790, and the bank balances totaled \$344,627. The Library's bank balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2021, there was no uninsured or uncollateralized bank balance.

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	<u>\$ 395,476</u>	<u>\$ 395,476</u>
Restricted		
The Vanguard Group	<u>\$ 94,455</u>	<u>\$ 94,455</u>

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, 2021**

**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 \$39,492,568 as of June 30, 2021 and the bank balance was \$39,433,310. Of the bank balances, \$500,000 was covered by federal depository insurance as of June 30, 2021 with the remaining \$38,992,568, adequately covered by collateral.

Cash and cash equivalents consisted of the following:

MLGIP	\$ 9,823,874
Broker Deposits-CDRS	11,000,000
Insured cash sweep	18,550,395
Cash	118,299
	<u>\$ 39,492,568</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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, 2021, 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, 2021 was \$9,840,784.



# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2021

### 3. CAPITAL ASSETS

#### Primary Government

A summary of changes in capital assets is as follows:

	Balance June 30, 2020	Additions	Transfers/ Disposals	Balance June 30, 2021
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 43,844,649	\$ 1,871,334	\$ (17,595)	\$ 45,698,388
Construction in progress	19,223,482	36,787,780	(13,902,189)	42,109,073
911 system & equipment	1,423,733	-	-	1,423,733
<b>Total capital assets not being depreciated</b>	<b>64,491,864</b>	<b>38,659,114</b>	<b>(13,919,784)</b>	<b>89,231,194</b>
<b>Capital assets being depreciated:</b>				
Buildings & improvements	145,381,214	2,709,169	-	148,090,383
Computer equipment	2,733,547	-	-	2,733,547
Other equipment	329,583	-	-	329,583
Vehicles - licensed	17,383,749	2,463,026	(761,038)	19,085,737
Off-road vehicles	2,897,588	512,607	(132,041)	3,278,154
Miscellaneous equipment	9,740,827	959,108	(489,175)	10,210,760
Roads	259,267,448	14,612,951	-	273,880,399
Curbing	946,791	-	-	946,791
Sidewalks	1,128,839	-	-	1,128,839
Guardrails	1,843,092	60,944	-	1,904,036
Airport infrastructure	8,824,588	-	-	8,824,588
Airport equipment	579,104	-	-	579,104
Baseball fields	802,670	-	-	802,670
Bridges	9,602,882	527,200	-	10,130,082
Parks & recreation	24,523,695	5,040,315	-	29,564,010
Marinas & docks	8,393,600	-	-	8,393,600
Irrigation systems	241,853	-	-	241,853
Signage	535,433	60,000	-	595,433
Parking lots	1,292,307	-	-	1,292,307
911 system & equipment	24,571,285	-	-	24,571,285
<b>Total capital assets being depreciated</b>	<b>521,020,095</b>	<b>26,945,320</b>	<b>(1,382,254)</b>	<b>546,583,161</b>
<b>Accumulated depreciation for:</b>				
Buildings & improvements	(54,839,452)	(3,326,167)	-	(58,165,619)
Computer equipment	(2,578,755)	(85,442)	-	(2,664,197)
Other equipment	(243,099)	(7,892)	-	(250,991)
Vehicles - licensed	(11,177,943)	(1,725,944)	626,313	(12,277,574)
Off-road vehicles	(1,904,268)	(127,626)	132,041	(1,899,853)
Miscellaneous equipment	(5,904,235)	(729,167)	486,648	(6,146,754)
Roads	(111,735,919)	(7,254,168)	-	(118,990,087)
Curbing	(819,286)	(10,692)	-	(829,978)
Sidewalks	(633,721)	(21,640)	-	(655,361)
Guardrails	(722,421)	(40,183)	-	(762,604)
Airport infrastructure	(4,924,364)	(413,697)	-	(5,338,061)
Airport equipment	(574,738)	(4,367)	-	(579,105)

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements  
June 30, 2021

3. CAPITAL ASSETS (continued)

	Balance June 30, 2020	Additions	Transfers/ Disposals	Balance June 30, 2021
<b>Accumulated depreciation for: (continued)</b>				
Baseball fields	(527,355)	(14,209)	-	(541,564)
Bridges	(3,650,640)	(195,539)	-	(3,846,179)
Parks & recreation	(7,784,110)	(982,679)	-	(8,766,789)
Marinas & docks	(6,286,889)	(136,418)	-	(6,423,307)
Irrigation systems	(159,798)	(5,787)	-	(165,585)
Signage	(461,543)	(12,475)	-	(474,018)
Parking lots	(717,396)	(80,332)	-	(797,728)
911 equipment	(9,226,857)	(1,157,948)	-	(10,384,805)
<b>Total accumulated depreciation</b>	<u>(224,872,789)</u>	<u>(16,332,372)</u>	<u>1,245,002</u>	<u>(239,960,159)</u>
<b>Total capital assets being depreciated, net</b>	<u>296,147,306</u>	<u>10,612,948</u>	<u>(137,252)</u>	<u>306,623,002</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 360,639,170</u>	<u>\$ 49,272,062</u>	<u>\$ (14,057,036)</u>	<u>\$ 395,854,196</u>
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,078,666	\$ -	\$ -	1,078,666
Solid waste facilities	<u>13,824,043</u>	<u>-</u>	<u>(603,571)</u>	<u>13,220,472</u>
<b>Total capital assets not being depreciated</b>	<u>14,902,709</u>	<u>-</u>	<u>-</u>	<u>14,299,138</u>
<b>Capital assets being depreciated:</b>				
Buildings & improvements	4,334,174	442,660	-	4,776,834
Computer equipment	57,188	-	-	57,188
Other equipment	39,359	-	-	39,359
Vehicles - licensed	1,968,947	188,500	-	2,157,447
Off-road vehicles	1,196,825	81,792	-	1,278,617
Miscellaneous equipment	619,865	-	-	619,865
Irrigation systems	<u>509,986</u>	<u>62,776</u>	<u>-</u>	<u>572,762</u>
<b>Total capital assets being depreciated</b>	<u>8,726,344</u>	<u>775,728</u>	<u>-</u>	<u>9,502,072</u>
<b>Accumulated depreciation for:</b>				
Buildings & improvements	(2,076,408)	(115,970)	-	(2,192,378)
Computer equipment	(57,188)	-	-	(57,188)
Other equipment	(39,359)	-	-	(39,359)
Vehicles - licensed	(1,590,870)	(122,860)	-	(1,713,730)
Off-road vehicles	(1,057,017)	(66,327)	-	(1,123,344)
Miscellaneous equipment	(535,783)	(16,961)	-	(552,744)
Irrigation systems	<u>(429,147)</u>	<u>(21,178)</u>	<u>-</u>	<u>(450,325)</u>
<b>Total accumulated depreciation</b>	<u>(5,785,772)</u>	<u>(343,296)</u>	<u>-</u>	<u>(6,129,068)</u>
<b>Total capital assets being depreciated, net</b>	<u>2,940,572</u>	<u>432,432</u>	<u>-</u>	<u>3,373,004</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 17,843,281</u>	<u>\$ 432,432</u>	<u>\$ -</u>	<u>\$ 17,672,142</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2021

### 3. CAPITAL ASSETS (continued)

#### Governmental activities

General Government	\$ 1,547,178
Public Safety	3,562,787
Public Works	9,012,386
Social Services	526,864
Post-Secondary Education	42,285
Parks, Recreation, and Culture	1,435,792
Libraries	202,624
Economic Development and Opportunity	2,456

#### **Total Depreciation - Governmental Activities**

\$ 16,332,372

#### Business-type activities

Recreation Activity Fund	\$ 17,841
Solid Waste/Recycling	208,236
Wicomico	117,220

#### **Total Depreciation - Business-Type Activities**

\$ 343,297

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements  
June 30, 2021

3. CAPITAL ASSETS (continued)

Component units

St. Mary's County Public Schools

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

	<u>Balance, June 30, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance, June 30, 2021</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 3,734,759	\$ -	\$ -	\$ 3,734,759
Construction in progress	17,600,233	13,403,164	(469,768)	30,533,629
	<u>21,334,992</u>	<u>13,403,164</u>	<u>(469,768)</u>	<u>34,268,388</u>
Capital assets, being depreciated				
Building and improvements	400,313,871	-	469,768	400,783,639
Furniture and equipment	10,681,239	1,308,584	(211,364)	11,778,459
Total capital assets, being depreciated	410,995,110			412,562,098
Less: accumulated depreciation	(177,976,487)	(9,105,478)	95,634	(186,986,331)
<b>Net capital assets being depreciated</b>	<u>233,018,623</u>	<u>(9,105,478)</u>	<u>95,634</u>	<u>225,575,767</u>
<b>Governmental activities, capital assets, net</b>	<u>\$ 254,353,615</u>	<u>\$ 4,297,686</u>	<u>\$ (374,134)</u>	<u>\$ 259,844,155</u>
<b>Business-type activities</b>				
Capital assets, being depreciated				
Furniture and equipment	1,906,897	25,418	(12,814)	1,919,501
Less: accumulated depreciation	(1,535,526)	(73,444)	12,814	(1,596,156)
<b>Business-type activities capital assets, net</b>	<u>\$ 371,371</u>	<u>\$ (48,026)</u>	<u>\$ -</u>	<u>\$ 323,345</u>

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

<b>Governmental activities</b>	
Administration	\$ 25,536
Mid-level administration	46,263
Other instructional costs	111,473
Special education	4,374
Student personnel services	682
Student health services	1,779
Student transportation services	140,256
Operation of plant	8,746,965
Maintenance of plant	28,150
	<u>9,105,478</u>
Total governmental activities	<u>\$ 9,105,478</u>
<b>Business-type activities</b>	
Food service	<u>\$ 73,444</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2021

### 3. CAPITAL ASSETS (continued)

#### Component units

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

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
<b>Capital assets:</b>				
Furnishings and equipment	\$ 1,111,487	\$ -	\$ -	\$ 1,111,487
Leasehold improvements	87,735	-	-	87,735
Books	4,295,042	382,586	-	4,677,628
	<u>5,494,264</u>	<u>382,586</u>	<u>-</u>	<u>5,876,850</u>
<b>Accumulated depreciation</b>				
Furnishings and equipment	1,027,330	43,522	-	1,070,852
Leasehold improvements	17,547	1,175	-	18,722
Books	3,891,196	431,174	-	4,322,370
	<u>4,936,073</u>	<u>475,871</u>	<u>-</u>	<u>5,411,944</u>
<b>Net Capital assets</b>	<u>\$ 558,191</u>	<u>\$ (93,285)</u>	<u>\$ -</u>	<u>\$ 464,906</u>

Governmental activities depreciation expense of \$457,871 was charged to Library services.

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

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
<b>Capital assets:</b>				
Utility plants	\$ 153,685,133	\$ 1,203,493	\$ 62,544	\$ 154,826,082
Water plant systems	68,954,293	2,958,557	-	71,912,850
Equipment	9,885,504	390,890	67,926	10,208,468
Capitalized interest	818,201	-	-	818,201
Buildings	3,946,003	-	-	3,946,003
	<u>237,289,134</u>	<u>4,552,940</u>	<u>130,470</u>	<u>241,711,604</u>
<b>Not being depreciated:</b>				
Utility plant construction in process	8,400,014	3,322,820	1,330,458	10,392,376
Water plant construction in process	4,535,069	4,916,074	2,943,769	6,507,374
Land/land rights	1,937,103	-	-	1,937,103
	<u>252,161,320</u>	<u>12,791,834</u>	<u>4,404,697</u>	<u>260,548,457</u>
<b>Accumulated depreciation</b>				
Utility plants	53,823,810	3,647,377	7,958	57,463,229
Water plant systems	18,550,754	2,330,446	-	20,881,200
Equipment	7,217,101	497,469	1,569	7,713,001
Capitalized interest	417,282	-	-	417,282
Buildings	2,290,797	160,231	-	2,451,028
	<u>82,299,744</u>	<u>6,635,523</u>	<u>9,527</u>	<u>88,925,740</u>
<b>Net Capital assets</b>	<u>\$ 169,861,576</u>	<u>\$ 6,156,311</u>	<u>\$ 4,395,170</u>	<u>\$ 171,622,717</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2021

### 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, 2021, was \$0.8478 per \$100 of assessed value based on the full valuation method. The Constant Yield tax rate for FY2021 was \$0.8359. The personal property tax rate during the year ended June 30, 2021 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, 2021, net of the allowance for uncollectible receivables of \$276,658, is \$1,428,265 (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, 2021

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

#### Primary Government (continued)

As of June 30, 2021, there were no delinquent special assessment receivables due from taxpayers.

#### 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, 2021, of \$4,301,872.

##### Capital projects fund

Unearned revenue consists of prefunding in the amount of \$2,043,929 for construction projects at Spring Ridge Middle School and Safety and Security Initiatives.

##### Enterprise fund

Unearned revenue of \$277,127 represents student lunch ticket sales collected in advance which will be consumed by students in fiscal year 2022.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements  
June 30, 2021

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	\$ 112,484,000	\$ 30,000,000	\$ 8,673,000	\$ 133,811,000	\$ 9,977,000
Premium	-	4,065,145	-	4,065,145	-
State loans	1,104,015	-	123,439	980,576	123,440
Exempt financing	<u>3,571,608</u>	<u>924,140</u>	<u>1,543,725</u>	<u>2,952,023</u>	<u>1,565,030</u>
	<u>117,159,623</u>	<u>34,989,285</u>	<u>10,340,164</u>	<u>141,808,744</u>	<u>11,665,470</u>
Landfill post-closure costs	3,460,000	-	209,000	3,251,000	-
Compensated absences	<u>6,833,768</u>	<u>265,490</u>	<u>-</u>	<u>7,099,258</u>	<u>35,137</u>
Total	<u>\$ 127,453,391</u>	<u>\$ 35,254,775</u>	<u>\$ 10,549,164</u>	<u>\$ 152,159,002</u>	<u>\$ 11,700,607</u>
<i>Business-type activities</i>					
Exempt financing	\$ 585,300	\$ 375,860	\$ 242,989	\$ 718,171	\$ 244,297
Compensated absences	<u>149,305</u>	<u>-</u>	<u>18,695</u>	<u>130,610</u>	<u>-</u>
Total	<u>\$ 734,605</u>	<u>\$ 375,860</u>	<u>\$ 261,684</u>	<u>\$ 848,781</u>	<u>\$ 244,297</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, 2021

### 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, 2021

### 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%.

On May 11, 2021, the County issued General Obligation Bonds of \$30,000,000. The premium received was \$4,065,145. The Consolidated Public Improvement Bonds will mature on May 1, in 20 installments, beginning in the year 2022 and ending in 2041. Interest on the Bonds is payable semiannually on each May 1 and November 1 to maturity with a true interest rate of 1.6216%.

#### 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, 2021, 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>
2022	\$ 812,089	\$ 14,461	\$ 826,550
	<u>\$ 812,089</u>	<u>\$ 14,461</u>	<u>\$ 826,550</u>

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

**Notes to the Financial Statements  
June 30, 2021**

**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 \$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, 2021, 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>
2022	<u>\$ 166,205</u>	<u>\$ 4,421</u>	<u>\$ 170,626</u>
	<u>\$ 166,205</u>	<u>\$ 4,421</u>	<u>\$ 170,626</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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, 2021, 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>
2022	\$ 404,832	\$ 21,096	\$ 425,928
2023	411,746	14,183	425,929
2024	<u>418,777</u>	<u>7,151</u>	<u>425,928</u>
	<u>\$ 1,235,355</u>	<u>\$ 42,430</u>	<u>\$ 1,277,785</u>

##### 2021 Exempt Financing Equipment Lease

On December 1, 2020, Commissioners of St. Mary's County entered into an agreement with Banc of America Public Capital Corp. to borrow \$1,300,000 for the purchase of vehicles and other replacement equipment. The lease bears interest at a rate of 0.9796% per annum, payable annually through 2025. 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 2021 exempt financing equipment lease as of June 30, 2021, based on the total final lease amount of \$1,300,000 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 181,903	\$ 7,233	\$ 189,136
2023	183,685	5,451	189,136
2024	185,484	3,652	189,136
2025	<u>187,301</u>	<u>1,835</u>	<u>189,136</u>
	<u>\$ 738,373</u>	<u>\$ 18,171</u>	<u>\$ 756,544</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2021

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

#### Primary Government (continued)

#### Governmental Activities (continued)

Long-term obligations at June 30, 2021 consist of the following:

Description	Due	Rate	Amount
MD Water quality loans and other state loans:			
Holly Point Shores	2008-2032	None	\$ 110,313
Murray Road Revetment	2004-2028	None	25,424
Piney Point Lighthouse	2009-2026	None	168,185
Villas on Waters Edge	2009-2032	None	239,756
Kingston Creek II	2010-2037	None	168,695
North Patuxent Beach Road	2009-2025	None	113,212
Thomas Road	2016-2030	None	88,800
Gibson Road	2017-2031	None	66,191
Total state loans			980,576
General obligation bonds			
2009 Refunding Bonds, Series C	2010-2022	2-5%	1,860,000
2011 Refunding Bonds	2012-2024	2.25-2.41%	4,868,000
2014 Refunding Bonds	2016-2025	2.32%	4,438,000
2016 Consolidated Public Improvement Bonds	2017-2037	2.25%	21,460,000
2017 Refunding	2020-2029	1.89%	14,155,000
2018 Consolidated Public Improvement Bonds	2019-2038	3.17%	28,050,000
2020 Consolidated Public Improvement Bond	2021-2040	2.21%	28,980,000
2021 Consolidated Public Improvement	2022-2041	1.62%	30,000,000
Total general obligation bonds			133,811,000
Long term obligations as of June 30, 2021 consist of the following			
Total state loans and bonds			134,791,576
Premium			4,065,145
Accrued landfill closure and post closure costs			3,251,000
Exempt financing			2,952,023
Accumulated unpaid annual leave			7,099,258
Total			\$ 152,159,002

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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, 2021, 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>
2022	\$ 49,647	\$ 866	\$ 50,513
	<u>\$ 49,647</u>	<u>\$ 866</u>	<u>\$ 50,513</u>

##### 2020 Exempt Financing Equipment Lease

The annual requirements to amortize the business-type activities portion of the 2021 exempt financing equipment lease as of June 30, 2021, 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>
2022	\$ 120,666	\$ 6,288	\$ 126,954
2023	122,727	4,227	126,954
2024	124,825	2,132	126,957
	<u>\$ 368,218</u>	<u>\$ 12,647</u>	<u>\$ 380,865</u>

##### 2021 Exempt Financing Equipment Lease

The annual requirements to amortize the business-type activities portion of the 2021 exempt financing equipment lease as of June 30, 2021, based on the total final lease amount of \$1,300,000 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 73,982	\$ 2,942	\$ 76,924
2023	74,707	2,217	76,924
2024	75,439	1,485	76,924
2025	76,178	746	76,924
	<u>\$ 300,306</u>	<u>\$ 7,390</u>	<u>\$ 307,696</u>

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

**Notes to the Financial Statements  
June 30, 2021**

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

**Primary Government (continued)**

Special Assessment Debt

Special assessment fund debt payable as of June 30, 2021 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.	\$110,313
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	239,756
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>168,695</u>
	<u>\$518,764</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, 2021 including interest of \$38,668,370 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
2022	\$ 10,100,440	\$ 4,520,741	\$ 14,621,181
2023	8,480,440	4,244,389	12,724,829
2024	8,789,440	3,910,751	12,700,191
2025	7,404,440	3,598,288	11,002,728
2026	6,460,137	3,327,788	9,787,925
2027-2031	34,821,604	11,921,563	46,743,167
2032-2036	33,809,545	5,743,734	39,553,279
2037-2041	<u>24,925,530</u>	<u>1,401,116</u>	<u>26,326,645</u>
Subtotal	134,791,576	<u>\$ 38,668,370</u>	<u>\$ 173,459,945</u>
Plus: premium	4,065,145		
Total	<u>\$ 138,856,721</u>		

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements  
June 30, 2021

6. LONG-TERM OBLIGATIONS (continued)

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

	General Obligation		Special Assessment	
	Bonds	State Loans	Fund	Total
Principal	\$ 133,811,000	\$ 461,811	\$ 518,764	\$ 134,791,575
Interest	38,668,370	-	-	38,668,370
	<u>\$ 172,479,370</u>	<u>\$ 461,811</u>	<u>\$ 518,764</u>	<u>\$ 173,459,945</u>

Component Units

St. Mary's County Public Schools

Long-term debt at June 30, 2021, 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, 2021:

	<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	\$ 1,155,840	\$ -	\$ 394,173	\$ 761,667	\$ 394,173
Compensated absences	5,217,629	364,015	408,454	5,173,190	561,515
Net OPEB liability	418,344,770	78,815,642	-	497,160,412	-
Net pension liability	13,253,801	1,805,098	-	15,058,899	-
	<u>\$ 437,972,040</u>	<u>\$ 80,984,755</u>	<u>\$ 802,627</u>	<u>\$ 518,154,168</u>	<u>\$ 955,688</u>
<i>Business-type activities</i>					
Compensated absences	<u>\$ 208,716</u>	<u>\$ -</u>	<u>\$ 19,172</u>	<u>\$ 189,544</u>	<u>\$ 13,470</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, 2021**

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

**Component Units (continued)**

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, 2021, under these equipment financing agreements are as follows:

<u>Years ending June 30,</u>	
2022	\$ 394,173
2023	392,717
2024	45,982
	<u>832,872</u>
Less: amount representing interest	<u>(71,205)</u>
Present value of minimum lease payments	<u>\$ 761,667</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, 2021:

<u>Balance June 30, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2021</u>	<u>Amount due within one year</u>
\$ 124,990	\$ 116,722	\$ 78,829	\$ 162,883	\$ 5,600

St. Mary’s County Metropolitan Commission

Long-term bonds payable as of June 30, 2021 are as follows:

<u>Bond Payable Description</u>	<u>Due</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
Thirtieth issue	2012-2029	2.96 - 3.4%	\$ 737,805	\$ 119,359
Thirty-first issue	2013-2032	0.61 - 3.42%	5,275,000	1,122,686
Thirty-sixth issue	2014-2033	4.31%	10,830,500	3,695,013
Thirty-eighth issue	2015-2034	3.51%	15,704,500	4,603,197
Fortieth issue	2015-2027	2.08%	4,070,000	301,662
Forty-eighth Issue	2019-2049	3.39%	6,946,000	5,214,112
Forty-ninth Issue	2019-2029	1.82%	241,000	47,861
Fiftieth issue	2020-2030	0.96%	<u>5,062,000</u>	<u>1,126,119</u>
			48,866,805	16,230,009
Less current portion			<u>3,492,893</u>	<u>1,849,572</u>
			<u>\$ 45,373,912</u>	<u>\$ 14,380,437</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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, 2021 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 3,492,893	\$ 1,849,572	\$ 5,342,465
2023	3,592,971	1,747,335	5,340,306
2024	3,699,125	1,636,701	5,335,826
2025	3,821,947	1,516,471	5,338,418
2026	4,041,397	1,400,010	5,441,407
2027-2031	17,638,473	4,654,969	22,293,442
2032-2036	8,171,500	1,654,343	9,825,843
2037-2041	1,300,500	833,010	2,133,510
2042-2046	1,592,500	812,227	2,404,727
2047-2051	1,515,499	125,371	1,640,870
Total	<u>\$ 48,866,805</u>	<u>\$ 16,230,009</u>	<u>\$ 65,096,814</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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, 2021

### 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, 2021, the unspent proceeds was \$3,218,064.

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, 2021, the unspent proceeds was \$7,893,321.

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.

##### 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.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Notes to the Financial Statements

June 30, 2021

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

##### Component Units (continued)

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

##### Forty-eighth Issue

On November 21, 2019, the Commission issued \$7,152,371 of Infrastructure Financing Bonds, 2019, Series BII, in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2021, the unspent proceeds were \$5,396,361.

The bonds mature on April 1, 2049 in 30 annual installments, beginning in 2020 and ending in 2049. The average interest yield on these bonds is 3.39%. Interest was payable on April 1, 2020 and semiannually thereafter on each April 1 and October 1 to maturity. The bonds may be prepaid in whole or in part, at any time after June 1, 2029.

##### Forty-ninth Issue

On November 21, 2019, the Commission issued \$279,594 of Infrastructure Financing Bonds, 2019, Series BI, in conjunction with the Maryland Community Development Administration (CDA). There were no unspent proceeds as of June 30, 2020.

The bonds mature on April 1, 2029 in 10 annual installments, beginning in 2020 and ending in 2029. The average interest yield on these bonds is 1.82%. Interest was payable on April 1, 2020 and semiannually thereafter on each April 1 and October 1 to maturity.

##### Fiftieth Issue

On August 11, 2020, MetCom issued Refinancing Bonds Series 2020-A1 in the principal amount of \$5,411,345, after a premium discount of \$980,662. These bonds were issued with a true interest cost of .96% to refund certain maturities of MetCom's 2010 Series A Bonds, the Twenty-seventh Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from .75% to 4.31% on the refunded bonds.

These bonds were issued to take advantage of a favorable interest rate environment, and to reduce its total debt service payments in excess of \$1,000,000.

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

**Notes to the Financial Statements  
June 30, 2021**

**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, 2021 are as follows:

<b>Loans Payable Description</b>	<b>Due</b>	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>
MD Water Quality Loan #16	2023	1.20%	\$ 10,144	\$ 1,715
MD Water Quality Loan #18	2025	1.10%	1,026,672	78,511
MD Water Quality Loan #19	2024	1.10%	167,854	12,056
MD Water Quality Loan #22	2027	1.10%	308,946	23,119
MD Water Quality Loan #25	2029	1.00%	84,515	8,281
MD Water Quality Loan #26	2030	1.00%	276,528	28,457
MD Water Quality Loan #28	2030	2.20%	233,163	39,990
MD Water Quality Loan #32	2034	1.80%	3,414,765	611,556
MD Water Quality Loan #33	2033	1.70%	262,621	43,625
MD Water Quality Loan #34	2035	2.10%	15,649,639	3,535,026
MD Water Quality Loan #35	2035	2.10%	3,912,410	1,505,581
MD Water Quality Loan #37	2034	2.00%	1,702,138	314,577
Leonardtown #41	2037	1.80%	1,253,012	238,535
MD Water Quality Loan #42	2038	1.50%	2,736,428	521,171
MD Water Quality Loan #43	2038	1.50%	1,853,349	383,400
MD Water Quality Loan #44	2039	1.60%	4,421,541	2,459,269
MD Water Quality Loan #45	2039	1.70%	1,544,798	249,375
MD Water Quality Loan #46	2039	1.70%	1,149,502	216,154
MD Water Quality Loan #47	2049	1.70%	895,819	462,324
			40,903,844	10,732,722
Less current portion			2,829,198	997,408
			<u>\$ 38,074,646</u>	<u>\$ 9,735,314</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2021

### 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, 2021, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,829,198	\$ 997,408	\$ 3,826,606
2023	2,869,379	942,898	3,812,277
2024	2,920,639	895,652	3,816,291
2025	2,955,119	841,387	3,796,506
2026	2,635,217	771,681	3,406,898
2027-2031	13,860,034	2,975,344	16,835,378
2032-2036	11,468,420	3,054,496	14,522,916
2037-2041	1,159,935	189,027	1,348,962
2042-2046	156,713	48,347	205,060
2047-2049	49,190	16,482	65,672
Total	<u>\$ 40,903,844</u>	<u>\$ 10,732,722</u>	<u>\$ 51,636,566</u>

As of June 30, 2021, MetCom has nineteen loans from the Maryland Water Quality Financing Administration.

- 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. 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.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

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

#### Component Units (continued)

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

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

- 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.
- 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, 2021 were as follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2021</u>	<u>Amounts due within one year</u>
Bonds payable	\$ 54,093,144	\$ 5,411,345	\$10,023,884	\$ 49,480,605	\$ 3,492,893
Notes, leases, and loans payable	42,616,731	-	2,326,687	40,290,044	2,829,198
Total long-term debt	<u>\$ 96,709,875</u>	<u>\$ 5,411,345</u>	<u>\$12,350,571</u>	<u>\$ 89,770,649</u>	<u>\$ 6,322,091</u>



# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2021

### 7. FUND BALANCES

A summary of the nonspendable, restricted, committed, assigned and unassigned fund balances as of June 30, 2021 are as follows:

	General Fund	Special Revenue Funds		Debt Service	Capital Projects Fund
		Fire & Rescue Revolving	Emergency Support	Special Assessments	
<b>Nonspendable</b>					
Inventory	\$ 1,192,528	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	11,051				
Interfund advance (Wicomico)	516,601	-	-	-	-
<b>Total nonspendable</b>	<u>1,720,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Restricted</b>					
Domestic Violence Programs	-	-	-	-	-
County matching funds for approved grants	382,700	-	-	-	-
Funding sources specified for capital projects					
Land preservation	-	-	-	-	1,966,237
Various capital projects - transfer tax	-	-	-	-	20,609,833
County pay-go	-	-	-	-	12,082,852
Roads- impact fees	-	-	-	-	985,735
Roads- mitigation	-	-	-	-	364,460
Parks- impact fees	-	-	-	-	405,450
Parks- mitigation	-	-	-	-	753
Schools-impact fees	-	-	-	-	6,407,102
Schools-mitigation	-	-	-	-	34,125
<b>Total restricted</b>	<u>382,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,856,547</u>
<b>Committed</b>					
Bond rating reserve	16,670,000	-	-	-	-
Rainy day fund	1,625,000	-	-	-	-
Operating Budget, non-recurring items	12,666,769	-	-	-	-
Other, net, including grants	-	978,797	126,127	518,392	-
<b>Total committed</b>	<u>30,961,769</u>	<u>978,797</u>	<u>126,127</u>	<u>518,392</u>	<u>-</u>
Assigned	3,875,220	-	-	-	-
Unassigned	51,178,909	-	-	-	(303,791)
<b>Total fund balances</b>	<u>\$ 88,118,778</u>	<u>\$ 978,797</u>	<u>\$ 126,127</u>	<u>\$ 518,392</u>	<u>\$ 42,552,756</u>

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, 2021

### 7. FUND BALANCES (continued)

The non-spendable fund balance includes:

Inventory - The amount of inventory at June 30, 2021, 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 FY2021, but for which the period extends beyond June 30, 2021. 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	\$	1,207,456
Miscellaneous revolving fund		1,067,764
Contingency reserve		1,600,000
	\$	<u>3,875,220</u>

When unassigned fund balance is used, it is used for one-time, non-recurring expenses. In May 2021, as part of the approval of the fiscal year 2022 budget, the Board approved to use Fiscal year 2020 unassigned fund balance for operating non-recurring \$3,619,285 and Pay-Go To other funds of \$7,266,193. Additionally, on April 21, 2020, the Board approved \$3,000,000 Supplemental appropriation for COVID-19 related expenses, as of June 30, 2021 \$1,781,290 remains unspent. \$20,818,408 remains unused of the fiscal year 2020 unassigned fund balance; to help avoid sudden disruption or elimination of services, by allowing time for a plan to be developed to address such changes, revenue shortfalls or cost shifts.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Notes to the Financial Statements

June 30, 2021

#### 7. FUND BALANCES (continued)

And, given the still uncertain economy and the federal budget situation and its impact on the County's largest employment sector, it can help the County to weather negative revenue results for a limited period.

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

#### 8. RETIREMENT PLANS

##### Maryland State Retirement and Pension System

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

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

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

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

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

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

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

## COMMISSIONERS OF ST. MARY'S COUNTY

### Notes to the Financial Statements

June 30, 2021

#### 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 \$2.9 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 \$2.9 million for the year ended June 30, 2021.

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

As of June 30, 2021, the County reported a liability of approximately \$25.8 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, 2021, the County's proportion for the System was 0.1 percent, which was substantially the same as its proportion measured as of June 30, 2020.

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

**Notes to the Financial Statements  
June 30, 2021**

**8. RETIREMENT PLANS (continued)**

Maryland State Retirement and Pension System (continued)

For the year ended June 30, 2021, the County recognized pension expense for the System of \$2,879,484 million. As of June 30, 2021, 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	\$ 2,903,407	\$ -
Changes in assumptions	314,363	-
Difference between projected and actual investment earnings	2,304,645	-
Difference between actual and expected experience	-	845,089
Total	<u>\$ 5,522,415</u>	<u>\$ 845,089</u>

\$4.6 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>
2022	\$ 425,886
2023	460,835
2024	465,042
2025	430,502
2026	(8,346)
Total	<u>\$ 1,773,919</u>

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

*Sensitivity of the County’s proportionate share of the net pension liability to changes in the discount rate.* The County’s proportionate share of the System net pension liability calculated using the discount rate of 7.40 percent is \$25,828,781. 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 \$36,771,451, or 1-percentage-point higher (8.40 percent) is \$16,714,565.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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, 2021 was as follows:

Retirees and beneficiaries currently receiving benefits	124
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	210

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, 2021

### 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, 2021

### 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 employed 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, 2021

#### 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, 2021

### 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, 2021, were as follows:

Total pension liability	\$ 154,001,224
Plan fiduciary net position	<u>130,242,749</u>
County's net pension liability	<u>\$ 23,758,475</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>84.57%</u>

#### Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2020 rolled forward to June 30, 2021 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</u> 6.25%	<u>Current Discount</u> Rate 7.25%	<u>1% Increase</u> 8.25%
Sheriff's Plan net pension liability	<u>\$ 47,205,812</u>	<u>\$ 23,758,475</u>	<u>\$ 4,934,298</u>

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

**Notes to the Financial Statements  
June 30, 2021**

**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, 2021

### 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, 2021, the Sheriff's office retirement plan reported a net pension liability of \$23,758,475. 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, 2021.

For the year ended June 30, 2021, the Sheriff's office retirement plan recognized pension expense of \$3,052,107 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	\$ 2,649,551	\$ -
Net difference between projected and actual earnings on pension plan investments	-	14,677,562
Difference between actual and expected experience	1,416,800	4,052,572
Total	<u>\$ 4,066,351</u>	<u>\$ 18,730,134</u>

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

Years ended June 30,	Amount
2022	\$ (3,361,520)
2023	(3,376,991)
2024	(4,224,561)
2025	(3,948,314)
2026	247,603
Total	<u>\$ (14,663,783)</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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 \$17,357,000. The following employer contributions were made during the fiscal year ended June 30, 2021:

	<u>Contributions</u>	<u>% of Covered Payroll</u>
Actuarially determined	\$ 6,926,000	39.90%

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

##### Plan Description

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

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2021

### 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, 2021

#### 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, 2021

### 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, 2021 was approximately \$2.1 million.

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, 2021, were as follows:

Total pension liability	\$ 24,689,442
Plan fiduciary net position	<u>6,193,884</u>
County's net pension liability	<u>\$ 18,495,558</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>25.09%</u>



# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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, 2020 rolled forward to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
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 6.00%, 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>\$ 22,251,169</u>	<u>\$ 18,495,558</u>	<u>\$ 15,497,978</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, 2021**

**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, 2021, the LOSAP plan reported a net pension liability of \$18,495,558. 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, 2021.

For the year ended June 30, 2021, the LOSAP plan recognized pension expense of \$1,303,339 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	\$ -	\$ 1,305,872
Changes in assumptions	-	102,954
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>493,138</u>
Total	<u>\$ -</u>	<u>\$ 1,901,964</u>

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

**Notes to the Financial Statements  
June 30, 2021**

**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:

<u>Years ended June 30,</u>	<u>Amount</u>
2022	\$ (341,227)
2023	(360,137)
2024	(361,253)
2025	(404,055)
2026	(217,645)
Thereafter	<u>(217,647)</u>
Total	(1,901,964)

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, 2021

#### 8. RETIREMENT PLANS (continued)

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

required contributions totaling \$6,740,929 or 4.63% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling \$13,038,575 or 8.96% of current covered payroll for fiscal year 2021. 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, 2021, the School System reported a liability of \$15,058,899 or 0.067% of the total liability of \$22,601,360,000.

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

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2021, the Library's total payroll and payroll for covered employees was \$2,564,314. No contributions were made by the Library for the year ended June 30, 2021.

For fiscal year 2021, the State contributed \$341,780 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 \$616,923 for year ended June 30, 2021.

As of June 30, 2021, MetCom reported a liability of \$5,579,007 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, MetCom's proportion was .027%.

##### 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, 2021

### 9. INTERFUND BALANCES

Individual fund interfund receivable and payable balances are composed of the following as of June 30, 2021:

<u>Primary Government</u>	<u>Due From</u>	<u>Due to</u>
<u>General Fund</u>		
Fire & Rescue Revolving Loan Fund	\$ -	\$ 978,797
Special Assessments	-	522,869
Emergency Services Support Fund	-	111,885
Capital Projects Fund	-	45,263,754
Enterprise Fund	658,756	1,145,513
<u>Special Revenue Funds</u>		
<u>General Fund</u>	1,090,682	-
<u>Special Assessments</u>		
<u>General Fund</u>	522,869	-
<u>Capital Projects Fund</u>		
<u>General Fund</u>	45,263,754	-
<u>Enterprise Fund</u>		
<u>General Fund</u>	1,145,513	658,756
Total due from/due to	<u>\$48,681,574</u>	<u>\$48,681,574</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, 2021

### 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, 2021, 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 \$18,166,638.

#### 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, 2021, management anticipates a refund in the amount of \$2,638,100.

## COMMISSIONERS OF ST. MARY'S COUNTY

### Notes to the Financial Statements

June 30, 2021

#### 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 has 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, 2021

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

#### PRIMARY GOVERNMENT (continued)

As of June 30, 2021, membership consisted of:

Retirees and beneficiaries currently receiving benefits	495
Active plan members	778

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 \$3,359,000. The County contributed the pay-go amount of \$3,950,813 to the OPEB Trust during the year ended June 30, 2021.

#### 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, 2021, the annual money weighted rate of return of the OPEB Trust was 33.6%.



# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2021

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

#### PRIMARY GOVERNMENT (continued)

The components of the net OPEB liability of the County as of June 30, 2021, were as follows:

Total OPEB liability	\$ 105,004,529
Plan fiduciary net position	118,871,865
County's net OPEB liability (asset)	<u>\$ (13,867,336)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>113.21%</u>

#### Actuarial assumptions:

The total OPEB liability as determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll
Remaining amortization period	17 for FYE 2021
Asset valuation method	Market Value Assets
Investment rate of return	6.00%
Payroll growth rate	3.50%
Inflation	2.30%
Healthcare cost trend rate	5.8% trending to 4.0% (pre-Medicare) and 3.9% (post-Medicare)
Discount Rate	7.50%

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

**Notes to the Financial Statements  
June 30, 2021**

**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 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net OPEB liability (asset)	<u>\$ 2,221,082</u>	<u>\$ (13,867,336)</u>	<u>\$ (26,837,502)</u>
	<u>1% Decrease 3.00%</u>	<u>Medical Trend 4.00%</u>	<u>1% Increase 5.00%</u>
Net OPEB liability (asset)	<u>\$ (28,759,298)</u>	<u>\$ (13,867,336)</u>	<u>\$ 4,979,899</u>

For the year ended June 30, 2021, the County recognized OPEB expense of \$4,890,391. As of June 30, 2021, 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>
Net difference between actual and expected experience	\$ 12,277,790	\$ 2,369,934
Changes in assumptions	-	15,043,441
Net difference between projected and actual earnings on OPEB plan investments	-	18,789,556
Total	<u>\$ 12,277,790</u>	<u>\$ 36,202,931</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>
2022	\$ (7,103,112)
2023	(6,444,368)
2024	(6,063,070)
2025	(4,854,796)
2026	(132,752)
Thereafter	672,952
Total	<u>\$ (23,925,146)</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2021

### 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, 2021, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21
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, 2021, the annual money weighted rate of return of the OPEB Trust was 24.24%.

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements June 30, 2021

### 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, 2021, were as follows:

Total OPEB liability	\$ 4,690,850
Plan fiduciary net position	<u>1,372,227</u>
County's net OPEB liability	<u>\$ 3,318,623</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>29.25%</u>

#### Actuarial assumptions:

The total OPEB liability as determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increase	3.50%
Investment rate of return	7.00%
Discount Rate	2.35%
Healthcare cost trend rate	4.90%
Mortality	PR 2014 not generational

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 2.35% as of June 30, 2021. 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, 2021**

**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 <u>1.35%</u>	Current Discount Rate <u>2.35%</u>	1% Increase <u>3.35%</u>
Net OPEB liability	<u>\$ 4,376,536</u>	<u>\$ 3,318,623</u>	<u>\$ 2,494,634</u>
	1% Decrease <u>3.00%</u>	Medical Trend <u>4.00%</u>	1% Increase <u>5.00%</u>
Net OPEB liability	<u>\$ 2,298,680</u>	<u>\$ 3,318,623</u>	<u>\$ 4,742,211</u>

For the year ended June 30, 2021, the Library recognized OPEB expense of \$426,176. As of June 30, 2021, 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
Difference between actual and expected experience	\$ 365,744	\$ 86,450
Changes in assumptions	1,352,414	43,565
Difference between projected and actual earnings on pension plan investments	-	<u>168,152</u>
Total	<u>\$ 1,718,158</u>	<u>\$ 298,167</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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>
2022	\$ 204,344
2023	207,080
2024	208,037
2025	199,660
2026	279,323
Thereafter	321,547
Total	<u>\$ 1,419,991</u>

#### 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, 2021

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

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

As of June 30, 2021, membership consisted of:

Retirees and beneficiaries currently receiving benefits	27
Active plan members	<u>73</u>
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, 2021, the annual money weighted rate of return of the OPEB Trust was 24.23%.

The components of the net OPEB liability of MetCom as of June 30, 2021, were as follows:

	<u>2021</u>
Total OPEB liability	\$ 10,702,919
Plan fiduciary net position	<u>(8,728,489)</u>
Net OPEB liability	<u>\$ 1,974,430</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>81.55%</u>

#### Actuarial assumptions:

The total OPEB liability as determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	7/1/2020
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Payroll
Remaining amortization period	17 years for FYE 2021
Asset valuation method	Market Value of Assets
Investment rate of return	6.50%
Payroll growth rate	3.00%
Inflation	2.00%
Healthcare cost trend rate	The trend for 2020 is 5.3%. The ultimate trend is 3.9% for pre-Medicare and 3.80% for post-Medicare.

The long-term nominal expected rate of return on OPEB plan investments of 6.5% 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, 2021**

**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, 2021. 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 3.00%	Medical Trend 4.00%	1% Increase 5.00%
Net OPEB Liability	\$133,889	\$ 1,974,430	\$4,257,365

	1% Decrease 5.68%	Discount Rate 6.68%	1% Increase 7.68%
Net OPEB Liability	\$3,985,455	\$ 1,974,430	\$313,711

For the year ended June 30, 2021, the County recognized OPEB expense of \$225,585. As of June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 728,907	\$ -
Changes of assumptions	-	673,712
Net difference between projected and actual earnings on OPEB plan Investments	-	686,128
	<u>\$ 728,907</u>	<u>\$ 1,359,840</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>
2022	\$ (139,709)
2023	(156,337)
2024	(169,800)
2025	(234,506)
2026	(3,609)
Thereafter	73,028
<b>Total</b>	<u>\$ (630,933)</u>



# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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, 2021, the date of the last actuarial valuation, approximately 917 retirees were receiving benefits, and 1,676 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 6.98% of annual covered payroll. The School System contributed \$10,165,280, for the year ended June 30, 2021, consisting of contributions towards current healthcare and life insurance premiums accounted for in the general fund with \$2,000,000 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, 2021 are as follows:

Total OPEB liability	\$ 563,660,623
Plan fiduciary net position	66,500,211
County's net OPEB liability	<u>\$ 497,160,412</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>11.80%</u>

# COMMISSIONERS OF ST. MARY'S COUNTY

## Notes to the Financial Statements

June 30, 2021

### 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, 2020, rolled forward to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increase	3.50%
Investment rate of return	7.00%
Discount Rate	2.35%
Healthcare cost trend rate	4.90%
Mortality	PR 2014 not generational

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, 2021, was 24.02%.

*Discount rate.* The discount rate used to measure the total OPEB liability was 2.19 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, 2021**

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

St. Mary's County Public Schools (continued)

	1% Decrease 1.19%	Current Discount Rate 2.19%	1% Increase 3.19%
Net OPEB liability	<u>\$ 641,160,981</u>	<u>\$ 497,160,412</u>	<u>\$ 389,247,732</u>
	1% Decrease 3.0%	Medical Trend 4.00%	1% Increase 5.0%
Net OPEB liability	<u>\$ 384,086,601</u>	<u>\$ 497,160,412</u>	<u>\$ 654,777,967</u>

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2021, the Board recognized OPEB expense of \$40,175,908. As of June 30, 2021, 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 experience	\$ 51,467,272	\$ 18,729,916
Changes in assumptions	77,456,786	1,421,632
Projected and actual earnings	-	5,917,464
Total	<u>\$ 128,924,058</u>	<u>\$ 26,069,012</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,	
2022	\$ 14,196,857
2023	14,227,992
2024	14,243,275
2025	13,828,356
2026	15,603,491
Thereafter	<u>30,755,075</u>
	<u>\$ 102,855,046</u>

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, 2021

#### 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 \$3,251,000 reported as landfill closure and post-closure care liability at June 30, 2021, 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, 2021**

#### **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, 2021. The unpaid claims also include liabilities for incurred but not reported (IBNR) claims as of June 30, 2021.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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, 2021**

	<u>2021</u>	<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%	0.10%	0.05%	0.09%
County's proportionate share of the System net pension liability	<u>\$ 25,828,781</u>	<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>\$ 25,828,781</u>	<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	\$ 30,017,844	\$ 24,077,933	\$ 24,077,933	\$ 23,960,863	\$ 22,117,812	\$ 20,945,112	\$ 20,945,112
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	86.04%	90.96%	90.65%	89.23%	108.07%	103.83%	79.46%
Plan fiduciary net position as a percentage of the total pension liability	72.34%	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, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,903,407	\$ 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>(2,903,407)</u>	<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>	<u>\$ -</u>
County's covered-employee payroll	\$ 30,017,844	\$ 24,077,933	\$ 23,960,863	\$ 23,960,863	\$ 22,117,812	\$ 20,945,112	\$ 20,945,112
Contributions as a percentage of covered-employee payroll	9.67%	8.62%	9.10%	8.56%	9.10%	9.42%	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, 2021 (Amounts in 000's)**

	<u>2021</u>	<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	\$ 4,834	\$ 3,944	\$ 3,829	\$ 4,129	\$ 3,979	\$ 3,826	\$ 3,687	\$ 3,475
Interest	10,153	9,532	9,180	8,576	7,867	7,317	6,564	6,286
Differences between expected and actual experience	1,486	-	(8,105)	-	626	-	-	-
Changes of assumptions	-	-	4,551	-	1,308	-	3,445	-
Benefit payments, including refunds of member contributions	<u>(5,034)</u>	<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	11,439	8,701	5,025	8,381	10,108	7,707	10,503	6,899
Total pension liability – beginning	<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>	<u>85,238</u>
Total pension liability – ending (a)	<u>\$ 154,001</u>	<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	\$ 6,926	\$ 6,071	\$ 5,644	\$ 5,147	\$ 5,149	\$ 4,816	\$ 5,197	\$ 5,605
Contributions – member	1,383	1,181	1,103	1,055	1,085	1,011	945	1,082
Net investment income	28,260	5,126	3,434	5,661	7,724	(1,803)	(465)	8,480
Benefit payments, including refunds of member contributions	(5,034)	(4,775)	(4,430)	(4,324)	(3,672)	(3,436)	(3,193)	(2,862)
Administrative expense	<u>(138)</u>	<u>(40)</u>	<u>(162)</u>	<u>(114)</u>	<u>(93)</u>	<u>(122)</u>	<u>(79)</u>	<u>(78)</u>
Net change in plan fiduciary net position	31,398	7,564	5,589	7,425	10,193	466	2,405	12,227
Plan fiduciary net position – beginning	<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>	<u>52,977</u>
Plan fiduciary net position – ending (b)	<u>\$ 130,243</u>	<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>\$ 23,758</u>	<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	84.57%	69.33%	68.19%	66.51%	64.98%	61.69%		70.77%
Covered employee payroll	\$ 17,357	\$ 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	136.88%	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, 2021 (Amounts in 000’s)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 6,926	\$ 6,071	\$ 5,644	\$ 5,147	\$ 5,149	\$ 4,816	\$ 5,197	\$ 5,144
Contributions related to the actuarially determined contribution	6,926	6,071	5,644	5,147	5,149	4,816	5,197	5,605
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (461)</u>
Covered employee payroll	\$ 17,357	\$ 15,216	\$ 14,216	\$ 12,965	\$ 13,981	\$ 12,740	\$ 12,774	\$ 13,537
Contributions as a percentage of covered employee payroll	39.90%	39.90%	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 (closed)
Remaining amortization period	Varies, 16 - 20 years
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, 2021 (Amounts in 000's)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability:				
Service cost	\$ 497	\$ 482	\$ 608	\$ 608
Interest	1,402	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	(1,149)	(1,097)	(1,015)	(964)
Net change in total pension liability	750	(899)	993	793
Total pension liability – beginning	23,940	24,839	23,846	23,053
Total pension liability – ending (a)	<u>\$ 24,690</u>	<u>\$ 23,940</u>	<u>\$ 24,839</u>	<u>\$ 23,846</u>
Plan fiduciary net position:				
Contributions – employer	\$ 2,149	\$ 2,097	\$ 1,815	\$ 1,566
Contributions – member	-	-	-	-
Net investment income	1,081	4	151	19
Benefit payments, including refunds of member contributions	(1,149)	(1,097)	(1,015)	(964)
Administrative expense	(24)	(12)	(22)	(9)
Net change in plan fiduciary net position	2,057	992	929	612
Plan fiduciary net position – beginning	4,137	3,144	2,215	1,603
Plan fiduciary net position – ending (b)	<u>\$ 6,194</u>	<u>\$ 4,137</u>	<u>\$ 3,144</u>	<u>\$ 2,215</u>
County's Net Pension Liability – ending (a) – (b)	<u>\$ 18,496</u>	<u>\$ 19,803</u>	<u>\$ 21,695</u>	<u>\$ 21,631</u>
Plan fiduciary net position as a percentage of the total pension liability	25.09%	17.28%	12.66%	9.29%
Covered employee payroll	n/a	n/a	n/a	n/a
County's net pension liability as a percentage of covered employee payroll	n/a	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, 2021 (Amounts in 000’s)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 2,482	\$ 2,576	\$ 2,576	\$ 2,325
Contributions related to the actuarially determined contribution	2,149	2,097	1,815	1,566
Contribution deficiency (excess)	<u>333</u>	<u>479</u>	<u>761</u>	<u>759</u>
Covered employee payroll	n/a	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	n/a	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	Range from 14 to 20 years
Asset valuation method	Market value
Inflation	3.00 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, 2021 (Amounts in 000's)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:					
Service cost	\$ 2,051	\$ 2,162	\$ 2,083	\$ 2,268	\$ 2,233
Interest	6,636	6,671	6,311	6,624	6,250
Differences between expected and actual experience	13,902	265	212	(5,530)	183
Changes of assumptions	(9,191)	(5,904)	-	(6,080)	(1,199)
Benefit payments, including refunds of member contributions	<u>(3,951)</u>	<u>(3,707)</u>	<u>(3,391)</u>	<u>(3,134)</u>	<u>(3,009)</u>
Net change in total OPEB liability	9,447	(513)	5,215	(5,852)	4,458
Total OPEB liability – beginning	<u>95,557</u>	<u>96,070</u>	<u>90,855</u>	<u>96,707</u>	<u>92,249</u>
Total OPEB liability – ending (a)	<u>\$ 105,004</u>	<u>\$ 95,557</u>	<u>\$ 96,070</u>	<u>\$ 90,855</u>	<u>\$ 96,707</u>
Plan fiduciary net position:					
Contributions – employer	\$ 3,951	\$ 3,707	\$ 3,391	\$ 3,134	\$ 3,009
Contributions – member	-	-	-	-	-
Net investment income	30,069	3,820	6,804	8,360	8,203
Benefit payments, including refunds of member contributions	(3,951)	(3,707)	(3,391)	(3,134)	(3,009)
Administrative expense	<u>(573)</u>	<u>(392)</u>	<u>(575)</u>	<u>(396)</u>	<u>(51)</u>
Net change in plan fiduciary net position	29,496	3,428	6,229	7,964	8,152
Plan fiduciary net position – beginning	<u>89,375</u>	<u>85,947</u>	<u>79,718</u>	<u>71,754</u>	<u>63,602</u>
Plan fiduciary net position – ending (b)	<u>\$ 118,871</u>	<u>\$ 89,375</u>	<u>\$ 85,947</u>	<u>\$ 79,718</u>	<u>\$ 71,754</u>
County's Net OPEB Liability (asset) – ending (a) – (b)	<u>\$ (13,867)</u>	<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	113.21%	93.53%	89.46%	87.74%	74.20%
Covered employee payroll	47,375	43,741	40,075	39,830	39,756
County's net OPEB liability (asset) as a percentage of covered employee payroll	(29.27%)	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, 2021 (Amounts in 000’s)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 3,359	\$ 3,252	\$ 6,097	\$ 5,879	\$ 5,217
Contributions related to the actuarially determined contribution	3,951	3,707	3,391	3,134	3,009
Contribution deficiency (excess)	<u>\$ (592)</u>	<u>\$ (455)</u>	<u>\$ 2,706</u>	<u>\$ 2,745</u>	<u>\$ 2,208</u>
Covered employee payroll	\$ 47,375	\$ 43,741	\$ 40,075	\$ 39,830	\$ 39,756
Contributions as a percentage of covered employee payroll	8.34%	8.47%	8.46%	7.87%	7.57%

Methods and assumptions used to determine contribution rates:

Valuation Date	6/1/2020
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll
Remaining amortization period	17 for FYE 2021
Asset valuation method	Market Value Assets
Investment rate of return	6.00%
Payroll growth rate	3.50%
Inflation	2.30%
Healthcare cost trend rate	5.8% trending to 4.0% (pre-medicate) and 3.9% (post-Medicare)
Discount Rate	7.50%

**COMBINING AND INDIVIDUAL FUND STATEMENTS**

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

**Combining Balance Sheet – Non-Major Governmental Funds  
As of June 30, 2021**

	<u>Special Assessments</u>	<u>Fire and Rescue Revolving Loan Fund</u>	<u>Emergency Services Support Fund</u>	<u>Total Non-Major Funds</u>
<b>ASSETS</b>				
Due from other funds	\$ 522,869	\$ 978,797	\$ 111,885	\$ 1,613,551
Special tax assessments receivable, current portion	66,730	-	-	66,730
Note receivable, fire and rescue loans, current portion	-	578,266	-	578,266
Emergency support services taxes receivable	-	-	46,622	46,622
Special tax assessments receivable, (net of current portion)	641,995	-	-	641,995
Note receivable, fire and rescue loans, (net of current portion)	-	3,049,638	-	3,049,638
<b>TOTAL ASSETS</b>	<u>\$ 1,231,594</u>	<u>\$ 4,606,701</u>	<u>\$ 158,507</u>	<u>\$ 5,996,802</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 23,066	\$ 23,066
Unearned revenue	713,202	3,627,904	-	4,341,106
Compensation-related liabilities	-	-	9,314	9,314
<b>TOTAL LIABILITIES</b>	<u>713,202</u>	<u>3,627,904</u>	<u>32,380</u>	<u>4,373,486</u>
<b>FUND BALANCES</b>				
Committed	<u>518,392</u>	<u>978,797</u>	<u>126,127</u>	<u>1,623,316</u>
<b>TOTAL FUND BALANCES</b>	<u>518,392</u>	<u>978,797</u>	<u>126,127</u>	<u>1,623,316</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,231,594</u>	<u>\$ 4,606,701</u>	<u>\$ 158,507</u>	<u>\$ 5,996,802</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, 2021**

	Special Assessments	Fire and Rescue Revolving Loan Fund	Emergency Services Support Fund	Total Non-Major Funds
<b>REVENUE</b>				
Special Assessments	\$ 72,127	\$ -	\$ -	\$ 72,127
Emergency services support tax	-	-	3,201,869	3,201,869
Other	-	-	305,587	305,587
<b>TOTAL REVENUE</b>	<u>72,127</u>	<u>-</u>	<u>3,507,456</u>	<u>3,579,583</u>
<b>EXPENDITURES</b>				
Debt service:				
Debt service	42,368	-	55,337	97,705
Public safety:				
LOSAP, pension, and OPEB	-	-	1,311,100	1,311,100
Fire & rescue operating allocations	-	-	1,595,407	1,595,407
Advanced life support	-	-	839,008	839,008
Emergency services committee	-	-	40,660	40,660
<b>TOTAL EXPENDITURES</b>	<u>42,368</u>	<u>-</u>	<u>3,841,512</u>	<u>3,883,880</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	29,759	-	(334,056)	(304,297)
<b>OTHER FINANCING SOURCES AND USES</b>				
Fire and rescue loan repayments	-	689,366	-	689,366
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>689,366</u>	<u>-</u>	<u>689,366</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>29,759</u>	<u>689,366</u>	<u>(334,056)</u>	<u>385,069</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>488,633</u>	<u>289,431</u>	<u>460,183</u>	<u>1,238,247</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 518,392</u>	<u>\$ 978,797</u>	<u>\$ 126,127</u>	<u>\$ 1,623,316</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, 2021

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
<b>PROPERTY TAXES</b>				
Real property taxes	\$ 108,907,164	\$ 108,907,164	\$ 108,664,677	\$ (242,487)
Payments in lieu of taxes	318,948	318,948	253,617	(65,331)
Personal property	180,158	180,158	207,182	27,024
Public utilities	2,759,441	2,759,441	2,790,422	30,981
Ordinary business corporations	3,422,993	3,422,993	3,918,534	495,541
Additions and abatements	(600,000)	(600,000)	(135,028)	464,972
Penalties and interest	870,000	870,000	889,282	19,282
State homeowners credit (circuit breaker)	(950,000)	(950,000)	(793,256)	156,744
Homeowners tax credit (county)	950,000	950,000	793,256	(156,744)
Other tax credits	(1,089,000)	(1,089,000)	(870,228)	218,772
<b>Total property taxes</b>	<b>114,769,704</b>	<b>114,769,704</b>	<b>115,718,458</b>	<b>948,754</b>
<b>Income Tax</b>				
Local income tax	107,975,165	107,975,165	127,908,783	19,933,618
<b>Other Local Taxes</b>				
Recordation taxes	6,200,000	6,200,000	8,911,778	2,711,778
Energy taxes	1,050,000	1,050,000	882,000	(168,000)
Public accommodations tax	950,000	950,000	742,240	(207,760)
Trailer park tax	310,000	310,000	328,597	18,597
CATV franchise fees	1,000,000	1,000,000	1,022,090	22,090
Admissions and amusement	130,000	130,000	30,070	(99,930)
<b>Total other local taxes</b>	<b>9,640,000</b>	<b>9,640,000</b>	<b>11,916,775</b>	<b>2,276,775</b>
State-shared taxes - highway users	1,791,108	1,791,108	1,856,482	65,374
<b>TOTAL TAXES</b>	<b>234,175,977</b>	<b>234,175,977</b>	<b>257,400,498</b>	<b>23,224,521</b>
<b>LICENSES AND PERMITS</b>				
Business	317,200	317,200	682,402	365,202
Marriage/animal licenses	6,500	6,500	7,725	1,225
Traders Licence	165,000	165,000	162,887	(2,113)
Other	97,120	97,120	14,104	(83,016)
<b>TOTAL LICENSES AND PERMITS</b>	<b>585,820</b>	<b>585,820</b>	<b>867,118</b>	<b>281,298</b>
<b>INTER-GOVERNMENTAL</b>				
General government	1,252,454	1,240,894	1,221,128	(19,766)
Public safety	3,023,568	290,970	15,294,084	15,003,114
Public works	1,345,936	5,390,312	2,706,326	(2,683,986)
Social services	918,280	1,024,006	1,139,774	115,768
Health	473,718	5,596,561	502,574	(5,093,987)
Parks, recreation and culture	25,000	30,000	24,587	(5,413)
Economic development & opportunity	-	2,610,311	2,844,836	234,525
Appropriation	1,500,000	360,725	-	(360,725)
<b>TOTAL INTER-GOVERNMENTAL</b>	<b>8,538,956</b>	<b>16,543,779</b>	<b>23,733,309</b>	<b>7,189,530</b>

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Revenues and Other Financings Sources-Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
<b>CHARGES FOR SERVICES</b>				
General government	\$ 1,104,469	\$ 1,094,068	\$ 1,513,345	\$ 419,277
Public safety	569,597	579,609	616,878	37,269
Public works	839,659	839,659	550,997	(288,662)
Social services	135,542	135,542	213,297	77,755
Parks, recreation and culture	437,441	436,841	455,209	18,368
<b>TOTAL CHARGES FOR SERVICES</b>	<b>3,086,708</b>	<b>3,085,719</b>	<b>3,349,726</b>	<b>264,007</b>
<b>FINES AND FORFEITURES</b>				
General government	18,500	18,500	15,139	(3,361)
Public safety	6,000	6,000	3,870	(2,130)
<b>TOTAL FINES AND FORFEITURES</b>	<b>24,500</b>	<b>24,500</b>	<b>19,009</b>	<b>(5,491)</b>
<b>OTHER REVENUES</b>				
<b>General Government</b>				
Interest and dividend	1,100,000	1,100,000	137,137	(962,863)
Disposal of fixed assets	75,000	75,000	389,745	314,745
Grant reserve	587,940	587,940	612,131	24,191
Contributions and donations	75,105	74,580	28,873	(45,707)
<b>TOTAL OTHER REVENUES</b>	<b>1,838,045</b>	<b>1,837,520</b>	<b>1,167,886</b>	<b>(669,634)</b>
<b>TOTAL, BEFORE PASS-THROUGH PROCEEDS</b>	<b>248,250,006</b>	<b>256,253,315</b>	<b>286,537,546</b>	<b>30,284,231</b>
Pass-through proceeds	-	-	-	
<b>OTHER FINANCING SOURCES</b>				
Appropriation of fund balance	4,961,718	6,101,890	-	(6,101,890)
<b>TOTAL REVENUES INCLUDING PASS-THROUGHS</b>	<b>\$ 253,211,724</b>	<b>\$ 262,355,205</b>	<b>\$ 286,537,546</b>	<b>\$ 24,182,341</b>

# COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

## Schedule of Expenditures - Budget and Actual General Fund For the Year Ended June 30, 2021

	Budgeted Amounts		Actual
	Original	Final	
<b>GENERAL GOVERNMENT</b>			
<b>Legislative/county commissioners</b>			
Legislative/county commissioners	\$ 478,609	\$ 533,743	\$ 492,760
County administrator	432,473	378,203	349,296
Public information	280,974	227,240	226,738
County attorney	1,045,291	1,065,229	969,661
<b>Legislative/county commissioners</b>	<b>2,237,347</b>	<b>2,204,415</b>	<b>2,038,455</b>
<b>Department of finance</b>			
Administration/budget	776,300	795,270	772,960
Accounting	773,675	783,028	768,912
Auditing	50,000	50,000	33,990
Procurement	383,725	385,725	376,584
<b>Department of finance</b>	<b>1,983,700</b>	<b>2,014,023</b>	<b>1,952,446</b>
<b>Department of informaton &amp; technology</b>			
Technology	4,185,751	4,255,413	3,936,415
<b>Department of human resources</b>			
Human resources	1,004,104	992,564	930,410
Risk management	775,815	824,092	768,644
Grants	-	-	3,415
<b>Department of human resources</b>	<b>1,779,919</b>	<b>1,816,656</b>	<b>1,702,469</b>
<b>Department of public works &amp; transportation</b>			
Development review	306,466	339,468	270,473
Mailroom/messenger services	130,852	131,517	123,959
Vehicle maintenance shop	1,570,333	1,515,715	1,564,967
Building Services	4,132,000	4,140,573	3,906,496
<b>Department of public works &amp; transportation</b>	<b>6,139,651</b>	<b>6,127,273</b>	<b>5,865,895</b>
<b>Department of land use &amp; growth management</b>			
Administration	918,595	901,892	858,471
Board of electrical examiners	14,300	14,300	13,215
Comprehensive planning	342,712	340,712	331,787
Development services	427,410	355,402	320,773
Inspections & compliance	448,534	434,534	402,770
Permit services	337,739	284,739	245,461
Zoning administration	326,630	291,630	221,524
Building code appeals board	2,900	2,900	80
Commission on the environment	2,475	2,475	142
Plumbing & gas board	1,750	1,750	-
Planning commission	26,363	26,463	24,455
Boards and commissions	19,636	19,736	16,439
Historical preservation	3,430	8,430	5,400
Grants	2,000	2,000	1,272
<b>Department of land use &amp; growth management</b>	<b>2,874,474</b>	<b>2,686,963</b>	<b>2,441,789</b>
<b>Circuit Court</b>			
Administration	1,139,394	1,142,115	987,762
Law library	40,850	40,850	35,065
Grants	718,041	699,009	795,998
Orphan's court	59,478	62,978	65,429
<b>Circuit court</b>	<b>1,957,763</b>	<b>1,944,952</b>	<b>1,884,254</b>
<b>Office of the state's attorney</b>			
Judicial	3,751,652	3,800,097	3,542,352
Grants	753,492	769,736	677,727
<b>Office of the state's attorney</b>	<b>4,505,144</b>	<b>4,569,833</b>	<b>4,220,079</b>
<b>County treasurer</b>	<b>518,820</b>	<b>527,102</b>	<b>507,515</b>
<b>Alcohol beverage board</b>	<b>386,888</b>	<b>396,117</b>	<b>377,453</b>
<b>Board of elections</b>	<b>1,358,560</b>	<b>1,367,560</b>	<b>1,325,591</b>
<b>Ethics commission</b>	<b>833</b>	<b>1,402</b>	<b>656</b>
<b>SDAT - Leonardtown Office</b>	<b>452,580</b>	<b>452,580</b>	<b>375,492</b>
<b>Total general government</b>	<b>\$ 28,381,430</b>	<b>\$ 28,364,289</b>	<b>\$ 26,628,509</b>

# COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

## Schedule of Expenditures - Budget and Actual General Fund For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
<b>PUBLIC SAFETY</b>				
<b>Department of Emergency Services</b>				
Emergency management	\$ 591,759	\$ 588,698	\$ 519,005	\$ 69,693
Animal control	1,038,973	1,060,907	997,436	63,471
Emergency communications center	3,599,415	3,604,338	3,253,067	351,271
Emergency radio communications	1,343,749	1,350,931	1,289,337	61,594
Grants	1,040,000	(2,761,031)	14,911,902	(17,672,933)
<b>Department of Emergency Services</b>	<b>7,613,896</b>	<b>3,843,843</b>	<b>20,970,747</b>	<b>(17,126,904)</b>
<b>Office of the sheriff</b>				
Law enforcement	31,652,795	31,846,559	30,586,789	1,259,770
Corrections	13,890,980	14,140,116	13,389,941	750,175
Training	377,877	401,007	322,072	78,935
Canine	33,400	33,400	31,034	2,366
Court security	994,929	996,010	922,372	73,638
Grants	1,398,798	2,453,423	1,843,980	609,443
<b>Office of the sheriff</b>	<b>48,348,779</b>	<b>49,870,515</b>	<b>47,096,188</b>	<b>2,774,327</b>
<b>Total public safety</b>	<b>\$ 55,962,675</b>	<b>\$ 53,714,358</b>	<b>\$ 68,066,935</b>	<b>\$ (14,352,577)</b>
<b>PUBLIC WORKS</b>				
<b>Department of PW and transportation</b>				
Administration	394,945	383,384	368,883	14,501
Engineering services	985,501	927,057	934,743	(7,686)
Construction & inspections	806,802	944,738	932,305	12,433
County highways	4,937,864	5,978,089	6,526,198	(548,109)
MS4 Program	567,439	538,040	409,353	128,687
St Mary's county airport	185,579	154,618	108,343	46,275
St. Mary's transit system	3,028,527	7,142,829	3,124,552	4,018,277
<b>Department of PW and transportation</b>	<b>10,906,657</b>	<b>16,068,755</b>	<b>12,404,377</b>	<b>3,664,378</b>
<b>Total public works</b>	<b>\$ 10,906,657</b>	<b>\$ 16,068,755</b>	<b>\$ 12,404,377</b>	<b>\$ 3,664,378</b>
<b>Department of Agriculture</b>	<b>\$ 91,000</b>	<b>\$ 93,625</b>	<b>\$ 79,474</b>	<b>\$ 14,151</b>
<b>HEALTH</b>				
<b>Operating allocation</b>				
Health department	2,633,716	2,633,716	2,633,729	(13)
<b>Operating allocation</b>	<b>2,633,716</b>	<b>2,633,716</b>	<b>2,633,729</b>	<b>(13)</b>
<b>Human services</b>				
Human Services-Admin Grants	143,102	95,736	89,031	6,705
Grants	331,718	5,521,927	510,506	5,011,421
<b>Human services</b>	<b>474,820</b>	<b>5,617,663</b>	<b>599,537</b>	<b>5,018,126</b>
<b>Total health</b>	<b>\$ 3,199,536</b>	<b>\$ 8,345,004</b>	<b>\$ 3,312,740</b>	<b>\$ 5,032,264</b>
<b>SOCIAL SERVICES</b>				
<b>Department on aging &amp; human services</b>				
Aging Administration	\$ 2,253,277	\$ 2,120,419	\$ 1,872,081	\$ 248,338
Non-profit allocation	785,677	785,677	785,677	-
Grants	1,138,278	1,240,370	1,266,778	(26,408)
<b>Department on aging &amp; human services</b>	<b>4,177,232</b>	<b>4,146,466</b>	<b>3,924,536</b>	<b>221,930</b>
<b>Department of social services</b>	<b>475,940</b>	<b>475,940</b>	<b>471,451</b>	<b>4,489</b>

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

**Schedule of Expenditures - Budget and Actual General Fund  
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual
	Original	Final	
<b>Operating allocation</b>			
Tri-County Community Action (SMTCCAC, Inc.)	\$ 16,000	\$ 16,000	\$ 16,000
Tri-County Youth Services Bureau	143,600	143,600	143,600
<b>Operating allocation</b>	<b>159,600</b>	<b>159,600</b>	<b>159,600</b>
<b>Non-profit Allocations</b>			
<b>Total social services</b>	<b>\$ 4,812,772</b>	<b>\$ 4,782,006</b>	<b>\$ 4,555,587</b>
<b>PRIMARY AND SECONDARY EDUCATION</b>			
<b>Board of Education</b>	<b>109,542,921</b>	<b>109,542,921</b>	<b>109,542,921</b>
<b>Non-public school bus transportation</b>	<b>2,374,778</b>	<b>2,461,461</b>	<b>2,387,266</b>
<b>Operating allocation</b>			
Non Profit Allocation	9,675	9,675	9,675
<b>Total primary and secondary education</b>	<b>\$ 111,927,374</b>	<b>\$ 112,014,057</b>	<b>\$ 111,939,862</b>
<b>POST-SECONDARY EDUCATION</b>			
<b>College of Southern Maryland - general operations</b>	<b>4,518,686</b>	<b>4,518,686</b>	<b>4,518,686</b>
<b>Operating allocation</b>			
University System of Maryland at Southern Maryland (USMSM)	40,000	40,000	40,000
Non-profit allocation	25,000	25,000	25,000
<b>Total post-secondary education</b>	<b>\$ 4,583,686</b>	<b>\$ 4,583,686</b>	<b>\$ 4,583,686</b>
<b>PARKS, RECREATION AND CULTURE</b>			
<b>Department of recreation and parks</b>			
Administration	1,282,973	1,058,679	1,042,288
Parks maintenance	2,265,933	2,382,827	2,340,598
Museum division	674,306	686,824	683,207
Non Profit Agency - Miscellaneous	135,600	135,600	119,705
Grants	25,000	30,000	24,417
<b>Department of recreation and parks</b>	<b>4,383,812</b>	<b>4,293,930</b>	<b>4,210,215</b>
<b>Operating Allocation</b>			
<b>Total parks, recreation and culture</b>	<b>\$ 4,383,812</b>	<b>\$ 4,293,930</b>	<b>\$ 4,210,215</b>
<b>LIBRARIES</b>			
<b>County funding - general operations</b>	<b>\$ 2,966,362</b>	<b>\$ 2,966,362</b>	<b>\$ 2,966,364</b>
<b>CONSERVATION OF NATURAL RESOURCES</b>			
University of MD Extension-St. Mary's	270,802	270,802	262,485
Soil Conservation District	81,497	87,097	78,087
<b>Conservation of natural resources</b>	<b>352,299</b>	<b>357,899</b>	<b>340,572</b>
<b>Allocation of agriculture and seafood (Division of DED)</b>	<b>292,866</b>	<b>293,991</b>	<b>284,657</b>
<b>Operating allocation</b>			
Watermen's Association of St. Mary's Co., Inc.	22,500	22,500	22,500
SMC Forest Conservation District Board	2,500	2,500	2,500
Southern Md. Resource Conservation/Dev.	13,300	13,300	13,300
<b>Operating allocation</b>	<b>38,300</b>	<b>38,300</b>	<b>38,300</b>
<b>Total conservation of natural resources</b>	<b>\$ 683,465</b>	<b>\$ 690,190</b>	<b>\$ 663,529</b>



# COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

## Schedule of Expenditures - Budget and Actual General Fund For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
<b>ECONOMIC DEVELOPMENT AND OPPORTUNITY</b>				
<b>Department of economic development</b>				
Administration/office of the director	\$ 441,911	\$ 440,626	\$ 413,155	\$ 27,471
Tourism development	400,194	400,194	400,194	-
Agriculture & seafood development	390,488	391,988	379,543	12,445
Less Allocation	(292,866)	(293,991)	(284,657)	(9,334)
Business development	451,337	451,337	432,856	18,481
Non-Profit Allocation	41,330	41,330	41,330	-
Grants	-	2,610,311	2,844,724	(234,413)
<b>Department of economic development</b>	<b>1,432,394</b>	<b>4,041,795</b>	<b>4,227,145</b>	<b>(185,350)</b>
<b>Office of Community Services</b>				
Office of community services	522,156	522,556	501,912	20,644
Commission for the disabled-HR	2,300	2,300	2,268	32
Commission for women	7,000	7,000	1,579	5,421
Human relations commission	1,850	1,850	-	1,850
	<b>535,156</b>	<b>535,556</b>	<b>505,759</b>	<b>29,797</b>
<b>Human Resources</b>				
Tri-County Council	125,000	125,000	125,000	-
<b>Operating allocation</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>-</b>
<b>Total economic development and opportunity</b>	<b>\$ 2,094,850</b>	<b>\$ 4,704,651</b>	<b>\$ 4,860,172</b>	<b>\$ (155,521)</b>
<b>DEBT SERVICE</b>				
<b>Debt service</b>	<b>\$ 12,539,808</b>	<b>\$ 12,539,808</b>	<b>\$ 12,505,995</b>	<b>\$ 33,813</b>
<b>INTER-GOVERNMENTAL</b>				
<b>Leonardtown tax rebate</b>	<b>43,446</b>	<b>43,446</b>	<b>43,446</b>	<b>-</b>
<b>Total inter-governmental</b>	<b>\$ 43,446</b>	<b>\$ 43,446</b>	<b>\$ 43,446</b>	<b>\$ -</b>
<b>OTHER</b>				
Employer contributions-retiree health benefits	3,600,000	3,600,000	3,950,813	(350,813)
Unemployment compensation	25,000	25,000	(4,544)	29,544
Bank service fees	25,000	25,000	56,537	(31,537)
<b>Total other</b>	<b>\$ 5,150,000</b>	<b>\$ 3,974,325</b>	<b>\$ 4,002,806</b>	<b>(28,481)</b>
<b>Total expenditures, before pass-throughs</b>	<b>247,631,723</b>	<b>257,080,717</b>	<b>260,744,223</b>	<b>(3,647,087)</b>
<b>Pass-through expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures, including pass-throughs</b>	<b>\$ 247,631,723</b>	<b>\$ 257,080,717</b>	<b>\$ 260,744,223</b>	<b>\$ (3,661,238)</b>
<b>Reserves</b>				
Appropriation reserve	1,500,000	324,325	-	324,325
Reserve - bond rating	400,000	400,000	1,955,000	(1,555,000)
Reserve - emergency appropriations	500,000	194,488	-	194,488
<b>Reserves</b>	<b>2,400,000</b>	<b>918,813</b>	<b>1,955,000</b>	<b>(1,036,187)</b>
<b>Total reserves</b>	<b>\$ 2,400,000</b>	<b>\$ 918,813</b>	<b>\$ 1,955,000</b>	<b>\$ (1,036,187)</b>
<b>Total expenditures, including pass-throughs and reserves</b>	<b>\$ 248,531,723</b>	<b>\$ 257,675,205</b>	<b>\$ 262,699,223</b>	<b>\$ (5,021,750)</b>
<b>Transfer</b>				
<b>Capital projects - general fund transfer/pay-go</b>	<b>4,680,000</b>	<b>4,680,000</b>	<b>4,680,000</b>	<b>-</b>
<b>Total expenditures and other financing uses</b>	<b>\$ 253,211,723</b>	<b>\$ 262,355,205</b>	<b>\$ 267,379,223</b>	<b>\$ (5,021,750)</b>

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

**Schedule of Unexpended Appropriations for Capital Projects  
For the Year Ended June 30, 2021**

**LAND PRESERVATION**

Agriculture Preservation	\$	6,442,447	
Critical Area Planting		88,318	
Rural Legacy Program		9,421,677	\$ 15,952,442
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**HIGHWAYS**

4 Way Inter MD4/Wildewood		50,000	
Asphalt Overlay		809,534	
Bridge/Culvert Replace.		506,449	
Buck Hewitt Rd Sidewalk-Northside		438,868	
Buck Hewitt Road		1,600,570	
County Bridge Replace/Repair		1,348,004	
FDR Blvd MD4 to Pegg Rd		13,277,170	
Federal Bridge Replace		50,000	
Johnson Farm Pond		392,083	
Mattapany Road		48,037	
Mt. Wolfe Roundabout		839,993	
Neighborhood Drainage Imp		1,036,470	
Pax Pk Neighborhood Preservation		4,304,671	
Regional Water Quality&Nutrient		426,589	
Removal of Roadside Obstacles		22,162	
Retrofit Sidewalk Program		820,510	
Ricky Drive Drainage Improve		51,807	
Roadway Base Widening & Repairs		31,641	
Roadway Safety Improvement		139,587	
Roadwork Maintenance		1,727,556	
South Shangri-La Drive Side		43,390	
Southhampton Neighborhood		643,129	
Streetscape Improvement		387,105	
Transportation Plan Update		100,000	
Water Qlty&Nutr Remov Grant		377,187	29,472,512
		<hr/>	

**MARINE**

Ellis Road Revetment		333,080	
Myrtle Point Shoreline		55,000	
Piney Point Lighthouse Museum		60,000	
Piney Point Museum Pier		1,989	
Piney Point Rd Shore Erosion		22,740	
South Sandgates Revetment		670,090	
St. Jerome's Creek Jetties		210,580	
St. Patrick Creek Maintenance		100,000	1,453,479
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**COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND**

**Schedule of Unexpended Appropriations for Capital Projects (continued)  
For the Year Ended June 30, 2021**

**PUBLIC WORKS**

911 Back Up Center	\$	43,479	
Adult Det Center Upgrades		7,468,221	
Airport Improvements		11,090,265	
Airport Master Plan		1,458,142	
Airport Wetlands Mitigation		107,986	
Animal Shelter New Building		6,145,119	
Bldg Maint & Repair Proj-Critical		173,870	
Bldg Maint & Repair Proj-Program		538,804	
Charlotte Hall Farmers Market		1,702,317	
Emerg Comm Cntr Exp		390,000	
Energy Efficiency & Conservation		20,212	
Facilities Master Plan Update		100,000	
Health Department Renovations		100,000	
Home Grown Farmers Market		595	
HVAC Chiller Replacement		400,000	
Leonardtown Lib/Garvey Sr. Center		245,081	
New EMS Admin Building		1,520	
Northern Senior Activity Cnt Add		939,985	
Parking and Site Improvements		302,593	
Public Administration Enterprise		1,495,259	
Public Safety Comp. Aided Disp		2,509,892	
Regional Meat Processing		975,940	
Salt Storage Facility Replacement		2,295,806	
Sheriff's District 1 Office		335,000	
Sheriff's District 3 Office		117,203	
Sheriff's District 4 Office		7,924	
Sheriff's Headquarters		1,800,000	40,765,213

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

**Schedule of Unexpended Appropriations for Capital Projects (continued)  
For the Year Ended June 30, 2021**

**PIERS AND BOAT RAMPS**

St. Inigoes Landing Boating Facility	<u>\$ 250,000</u>	\$ 250,000
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**PUBLIC SCHOOLS**

Aging School Program	21,133	
Bldg Infrastructure-Critical	1,003,054	
Bldg Infrastructure-Programmatic	903,240	
Chopticon HS Soil Erosion	247,396	
DSS IT & Warehouse Facility	83,548	
Dynard ES-Roof/HVAC/Emerg Pwr	2,984,863	
Great Mills HS-Partial Roof Repl	68,897	
Green Holly ES Pa	125,139	
Green Holly ES-Switch Gear/HVAC	4,073,317	
Hollywood ES Roof/HVAC	246,840	
Lettie Dent Modernization	35,732	
Mechanicsville ES Modernization	293,940	
Park Hall ES Roof/HVAC	338,785	
Relocatables for Various Sites	374,868	
Safety&Security Init.	3,353,854	
School Capacity Study K-12	175,000	
Site Acquisition-Future Schools	128,279	
Town Creek ES HVAC	<u>24,000</u>	14,481,885

**RECREATION & PARKS**

Elms Beach Park Improvement	1,608,637	
Great Mills Prop Master	100,000	
Leonardtown Park	36,420	
Lexington Manor Passive Park	644,468	
Multi-Purpose Turf Fields	102,943	
Myrtle Point Park	275,000	
Park Planning Grant	25,000	
Parks Land Acquisition	1,014,109	
Rec Facility & Park Improvements	1,143,954	
Recreation/Community Center	10,000	
Shannon Farm Property	286,462	
Snow Hill Park	568,800	
St. Clements Isl Mus Renov	1,750,689	
Three Notch Trail, Phase 7	5,728,593	
Three Notch Trail, Phase 8	<u>350,000</u>	13,645,075

**SOLID WASTE**

Clements Convenience Center	694,832	
Convenience Center Repair	262,078	
Landfill Mitigation	18,628	
St. Andrews Landfill	<u>585,000</u>	<u>1,560,538</u>

Total		<u>\$ 117,581,144</u>
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