

COMMISSIONERS OF ST. MARY'S COUNTY

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

For the Year Ended June 30, 2022

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JUNE 30, 2022

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

Commissioners of St. Mary's County

Opinions

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 County (the County) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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.

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



Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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



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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.

Supplementary 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.

The accompanying 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 21, 2022

S B & Company, LLC

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

This section of the Annual Financial Report of St. Mary's County, Maryland (the County) presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2022. 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 \$389.0 million (net position). Approximately \$17.6 million, or 4.5%, 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 FY2022 is \$82.7 million, a change from FY2021 (\$56.1 million), an increase of approximately \$26.6 million. Net position includes approximately \$303.5 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 County's overall net asset position reflects an increase of \$47.6 million compared to the prior year.
- Governmental activities' total indebtedness decreased by approximately \$11.8 million during the fiscal year ended June 30, 2022. No additional debt was added in FY2022. Payments on the debt totaled approximately \$11.8 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 \$0.075 million.
- As of June 30, 2022, the County's governmental funds reported combined fund balances of \$123.0 million, a decrease of \$9.3 million compared to the prior year. The general fund reflected an increase of \$2.8 million. The capital projects fund reflected a decrease of \$13.4 million. The fund balance for the non-major funds increased by \$1.4 million. The County's governmental fund balances as of June 30, 2022 include \$29.1 million for capital projects, \$90.9 million in general funds, and \$3.0 million for the other non-major funds. The general fund balance of \$90.9 million includes: \$2.2 million that is nonspendable and restricted, as well as \$44.6 million which is committed to the following: \$17.9 million for the Bond Rating Reserve, \$1.625 million for County's Rainy-Day Fund and \$25 million for use of non-recurring in the FY2023 Budget. In addition, the general fund has an assigned balance of approximately \$7.2 million which includes encumbrances.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Financial Highlights (continued)

- With the FY2022 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 \$10.8 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, emergency services billing 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 increase in net position of \$350,189. Fee-based recreation activities posted a decrease of \$262,548. This decrease reflects the continuation of the impact from COVID-19 along with new aquatic center started mid-year at CSM Leonardtown campus. 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 \$479,879 with environmental service fee set at \$96.57. The Wicomico Golf Course reflects an increase of \$132,858 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 FY2023, 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, 2022, the unassigned fund balance for the general fund (primary operating fund) was \$36.8 million, or 13.5% of general fund expenditures. Assigned fund balance of the general fund was \$7.2 million, or 5.8%, 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Overview of the Financial Statements (continued)

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.

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 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, 2022

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 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 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 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 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 107 of this report.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

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 County's progress in funding its obligations to retiree benefits. Required supplementary information can be found on pages 109 to 116 of this report. Combining and Individual Fund Statements on pages 118 and 119. Other supplementary information can be found on pages 122 to 131.

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 the County, assets exceeded liabilities by \$389.0 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. \$303.2 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 0.7% 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 \$83.0 million.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Government-wide Financial Analysis (continued)

	BALANCE SHEET					
	June 30, 2022 and 2021					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current Assets	\$ 242,620,800	\$ 215,495,353	\$ 2,247,096	\$ 1,457,126	\$ 244,867,896	\$ 216,952,479
Other Non-Current Assets	4,833,030	16,916,974	-	-	4,833,030	16,916,974
Capital assets	415,970,019	395,854,196	17,669,598	17,672,142	433,639,617	413,526,338
Total Assets	663,423,849	628,266,523	19,916,694	19,129,268	683,340,543	647,395,791
DEFERRED OUTFLOW OF RESOURCES						
Pension	18,925,962	9,588,766	-	-	18,925,962	9,588,766
OPEB	10,197,711	12,277,790	-	-	10,197,711	12,277,790
Total Deferred Outflow of Resources	29,123,673	21,866,556	-	-	29,123,673	21,866,556
Total Assets & Deferred Outflow of Resources	692,547,522	650,133,079	19,916,694	19,129,268	712,464,216	669,262,347
LIABILITIES						
Current liabilities	66,953,940	48,062,449	1,710,471	1,026,723	68,664,411	49,089,172
Non-Current Liabilities	221,636,189	220,241,816	602,270	848,781	222,238,459	221,090,597
Total Liabilities	288,590,129	268,304,265	2,312,741	1,875,504	290,902,870	270,179,769
DEFERRED INFLOW OF RESOURCES						
Pension	16,585,183	21,477,187	-	-	16,585,183	21,477,187
OPEB	16,010,223	36,202,931	-	-	16,010,223	36,202,931
Total Deferred Inflow of Resources	32,595,406	57,680,118	-	-	32,595,406	57,680,118
Total Liabilities & Deferred Inflow of Resources	321,185,535	325,984,383	2,312,741	1,875,504	323,498,276	327,859,887
NET POSITION						
Net Investment in Capital Assets	285,986,638	254,045,452	17,472,164	17,427,845	303,458,802	271,473,297
Restricted	2,771,122	13,867,336	-	-	2,771,122	13,867,336
Unrestricted	82,604,227	56,235,908	131,789	(174,081)	82,736,016	56,061,827
Total Net Position	371,361,987	324,148,696	17,603,953	17,253,764	388,965,940	341,402,460
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 692,547,522	\$ 650,133,079	\$ 19,916,694	\$ 19,129,268	\$ 712,464,216	\$ 669,262,347

As of June 30, 2022, 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, 2022

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	
	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for Services	\$ 8,924,152	\$ 6,629,924	\$ 4,455,617	\$ 2,629,255	\$ 13,379,769	\$ 9,259,179
Environmental/Solid Waste Fees	-	-	4,336,570	4,343,254	4,336,570	4,343,254
Operating Grants and Contributions	19,843,844	24,753,407	228,283	-	20,072,127	24,753,407
Capital Grants and Dedicated Fees or Taxes	26,179,120	5,614,729	-	-	26,179,120	5,614,729
General Revenues:						
Property Taxes	118,449,980	115,718,458	-	-	118,449,980	115,718,458
Income Taxes	139,363,951	136,341,525	-	-	139,363,951	136,341,525
Other Taxes	28,651,768	25,950,140	-	-	28,651,768	25,950,140
Investment Earnings	200,336	156,355	-	-	200,336	156,355
Roads Constructed by Third Parties	4,732,320	8,187,020	-	-	4,732,320	8,187,020
Miscellaneous, Principally Capital Projects Funding	-	-	1,581,073	631,520	1,581,073	631,520
Total Revenues	346,345,471	323,351,558	10,601,543	7,604,029	356,947,014	330,955,587
Program Expenses:						
General Government	34,071,852	29,424,432	-	-	34,071,852	29,424,432
Public Safety	78,920,800	74,775,900	-	-	78,920,800	74,775,900
Public Works	25,955,265	20,586,319	6,278,997	5,317,715	32,234,262	25,904,034
Health	8,259,227	3,929,912	-	-	8,259,227	3,929,912
Social Services	5,184,734	4,373,790	-	-	5,184,734	4,373,790
Primary and Secondary Education	122,937,792	102,409,311	-	-	122,937,792	102,409,311
Post-Secondary Education	4,689,241	4,600,971	-	-	4,689,241	4,600,971
Parks, Recreation and Culture	9,878,147	5,598,670	3,972,357	2,317,298	13,850,504	7,915,968
Libraries	3,276,845	3,168,988	-	-	3,276,845	3,168,988
Conservation of Natural Resources	381,276	356,372	-	-	381,276	356,372
Economic Development and Opportunity	2,767,395	5,199,924	-	-	2,767,395	5,199,924
Interest on Debt	2,784,938	2,403,351	-	-	2,784,938	2,403,351
Other, Principally Retiree's Health	24,668	6,828,221	-	-	24,668	6,828,221
Total Expenses	299,132,180	263,656,161	10,251,354	7,635,013	309,383,534	271,291,174
Change in Net Position	47,213,291	59,695,397	350,189	(30,984)	47,563,480	59,664,413
Net Position – beginning of year	324,148,696	264,453,299	17,253,764	17,284,748	341,402,460	281,738,047
Net Position – End of year	\$ 371,361,987	\$ 324,148,696	\$ 17,603,953	\$ 17,253,764	\$ 388,965,940	\$ 341,402,460

Governmental activities: Governmental activities reflected an increase in net position of approximately \$47.2 million.

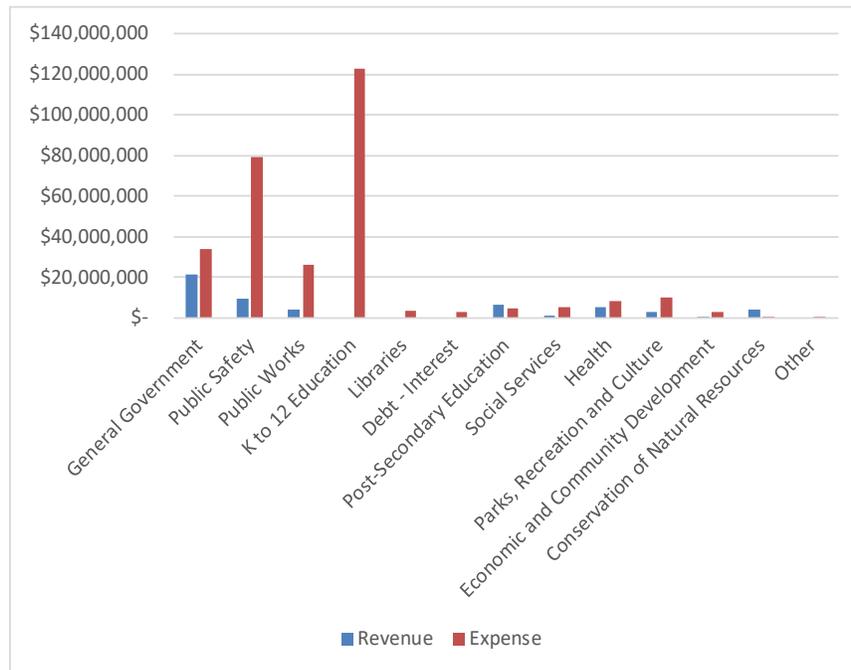
Business-type activities: Business-type activities reflected an increase in net position of \$350,189.

COMMISSIONERS OF ST. MARY’S COUNTY

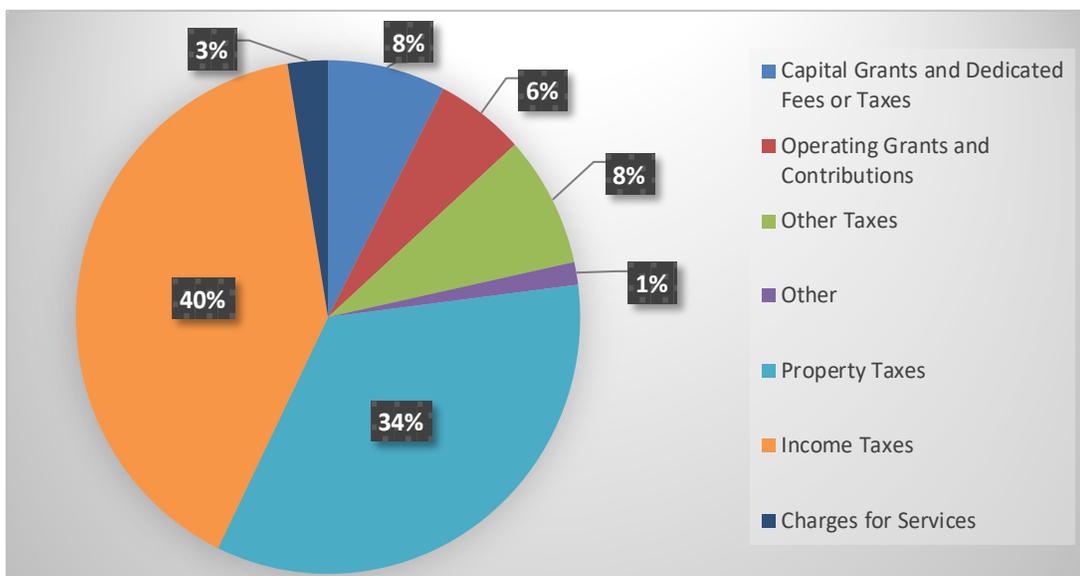
**Management’s Discussion and Analysis
June 30, 2022**

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, 2022

Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the County governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the County's 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, 2022, the County governmental funds reported combined ending fund balances of \$123.0 million, a decrease of \$9.3 million compared to the prior year. The Capital Projects fund accounts for \$29.1 million. Of the total fund balance, approximately \$36.8 million, or 30% 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 \$42.5 million for capital projects, \$17.9 million for the Bond Rating Reserve, \$1.625 million for Rainy Day Fund, and \$25.0 million for non-recurring operating and pay-go funding in the FY2023 budget. Non-spendable fund balance includes \$1.3 million committed to liquidate inventories and \$0.5 million in interfund advances. Unassigned fund balance represents almost 13.6% of general fund expenditures.

The fund balance of the County general fund has increased \$2.8 million in FY2022, compared to the prior year increase of \$22.4 million. Unassigned fund balance used in the FY2022 budget was \$10.8 million. \$25,000,000 was used in the FY2023 approved budget. June 30, 2022 total committed is \$44.6 million. The County uses unassigned fund balance for non-recurring expenses.

The capital projects fund has a total fund balance of \$29.1 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, 2022. These funds have been budgeted, and the capital projects are in progress. A listing of the unexpended balances appears on pages 128 through 131.

Proprietary funds: The 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 deficit net position of (\$621,908). The Recreation Activities Fund reflected unrestricted deficit net position of (\$240,663), and the unrestricted net position of the Solid Waste and Recycling Fund amounted to \$1.3 million. On a combined basis, there was a \$582,310 increase in unrestricted net position over the prior year.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

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 122 through 127 reflects the original and final budgets as well as the actual results in more detail. Variances continue in inter-governmental revenues from COVID-19 and American Rescue related grants where budget and actual expenditures are in different years – based on extended timing to expend. Biggest variance is seen in Public Safety grants. FY2022 actual results reflect revenues that are \$219,713 less than the original budget. Property Taxes had a negative variance of \$532,419, income tax had a positive variance of \$1.6 million and other local taxes also had a positive variance of \$2.4 million. The FY2022 budget for income tax revenue is based upon an annual growth rate of 4% applied to tax year 2019 results based on returns filed. The FY2022 Budget reduced the income tax rate to 3.10%, which was effective on January 1, 2022. 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 FY2023. 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 3.5% 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. Just like the grant revenue variances, the related expenditures are also occurring in different years compared to budget. As with past years, the biggest variance is in personal services due to the high number of temporary vacancies for departments and elected officials. The FY2022 added over 64.75 positions, and includes 22 for the new emergency billing fund. The variance in personal services totals \$5 million, of which over \$4 million is in the Sheriff's Office. Savings also came from capitalized equipment, principally new and replacement vehicles with combined savings of over \$3.7 million – due to long lead time to receive order. 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, 2022

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. The FY2022 ratio is 20%.

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

Capital Asset and Debt Administration

- Capital assets:** The County investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to \$433.6 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, 2022 was \$20,113,279. 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	
	2022	2021	2022	2021	2022	2021
Land	\$ 46,185,610	\$ 45,698,388	\$ 1,078,666	\$ 1,078,666	\$ 47,264,276	\$ 46,777,054
Buildings and Improvements	183,080,552	148,090,383	4,776,834	4,776,834	187,857,386	152,867,217
Facilities Under Construction	26,059,365	42,109,073	-	-	26,059,365	42,109,073
Solid Waste Facilities	-	-	13,220,472	13,220,472	13,220,472	13,220,472
Infrastructure	353,476,209	337,704,608	-	-	353,476,209	337,704,608
Vehicles	22,656,621	22,363,891	3,588,186	3,436,064	26,244,807	25,799,955
Equipment	40,818,019	39,848,012	1,289,174	1,289,174	42,107,193	41,137,186
Accumulated depreciation	(256,306,357)	(239,960,159)	(6,283,734)	(6,129,068)	(262,590,091)	(246,089,227)
Total	\$ 415,970,019	\$ 395,854,196	\$ 17,669,598	\$ 17,672,142	\$ 433,639,617	\$ 413,526,338

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Capital Asset and Debt Administration (continued)

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

- Approximately \$12.2 million in road costs were capitalized, including \$4.7 million in roads developed/constructed by third parties.
- Buildings & Improvements include capitalized Animal Shelter - \$7.1 million and \$22.3 million capitalized for the Adult Detention Center Upgrades.
- Construction in progress totals \$26 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: As of June 30, 2022, the 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 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, 2022</u>	<u>June 30, 2021</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds (GOB) - County	\$ 127,739,249	\$ 137,876,145	\$ 8,517,573
State Loans	857,137	980,576	123,440
Exempt Financing (Equipment & Vehicles)	<u>1,386,995</u>	<u>2,952,023</u>	<u>595,431</u>
	<u>\$ 129,983,381</u>	<u>\$ 141,808,744</u>	<u>\$ 9,236,444</u>
<u>Business-Type Activities</u>			
Exempt Financing (Equipment)	<u>\$ 473,874</u>	<u>\$ 718,171</u>	<u>\$ 197,434</u>

The County did not issue any debt in FY2022.

As of June 30, 2022, 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 June 2022 for the upcoming sale in FY2023. 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 3.15%, 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, 2022

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 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 FY2023 expenditure budget is \$324.8 million; this budget includes the use of unassigned fund balance, \$25 million for non-recurring expenditures and capital improvement expenditures, committed in fund balance and the \$11 million for the second year 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 \$14.1 billion, a 3.9% increase over the prior year's estimate of \$13.6 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 moderate growth, but steady; this resulted in revenue estimate at 4% over the prior year. Initial billings for FY2023 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 .0208. The personal property tax rate, which is 2.5 times the real property tax rate, is \$2.1195. The income taxes were budgeted at \$128.9 million, with reduced rate to 3.00% of net taxable income as of January 1, 2023 using 5% growth in local tax returns. This represents a revenue increase of 6.8% over the FY2022 budget and reflects both the estimated County specific tax returns as well as \$7.6 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. Based on increase revenues over budget for the last couple of years, an additional \$4.3 million was included based on the higher standard deduction on federal taxes. Continual monitoring of the property tax and income tax revenue, which represents approximately 85% of the total revenues, will be a major part of the FY2024 budget development, and any indications of reduction will be offset by reduced expenditures.
- FY2022 budget includes the 1st half of the American Rescue Plan Act of \$11 million with the second half in FY2023. Current allocations include funding for broadband, water & sewer infrastructure, Fire & Rescue, and Health Department funding for nurses, COVID-19 surge response and funding for Lexington Health Department Hub. As of September 2022, the Commissioners have allocated the majority of the \$22 million, with a final spend date of December 2026.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

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

- A new program started in September 2021 for the enterprise fund at College of Southern Maryland's Wellness Activity Center – which makes available a pool and activity space in Leonardtown continues. Increased activity for the enterprise funds continue to get back to pre-COVID-19 levels.
- 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.
- Airport & AeroPark Innovation District continues to expand with runway extension underway. P3 mixed-use innovation builds on existing growth of commercial aviation sector and work/life balance for residents.
- The population growth continues and is estimated to be 114,568, a 9% growth over the 2010 census.
- 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.
- County is developing Key Niche growth sectors – Leisure & Tourism, Historic Sites, Recreation, Water Sports, and Agritourism. Leisure includes Aquaculture, Wineries, and Breweries.
- Continued Real Estate Development at Lexington Exchange and St. Mary's Marketplace.

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

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

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

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

Requests for Information

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Net Position
As of June 30, 2022

	Primary Government			Component Units			Total
	Governmental activities	Business-type activities	Total	Public Schools	Library	Metropolitan Commission	
ASSETS							
Cash and cash equivalents	\$ 149,954,478	\$ 13,000	\$ 149,967,478	\$ 34,813,393	\$ 877,794	\$ 54,475,529	\$ 240,134,194
Internal balances	(1,202,931)	1,202,931	-	-	-	-	-
Restricted cash and investments	6,504,885	477,884	6,982,769	-	81,900	-	7,064,669
Taxes receivable	2,034,095	-	2,034,095	-	-	-	2,034,095
Income tax reserve, funds held by the state	64,983,327	-	64,983,327	-	-	-	64,983,327
Due from other governments	-	-	-	14,577,444	-	-	14,577,444
Special assessments receivable	643,184	-	643,184	-	-	-	643,184
Notes receivable, fire and rescue loans	399,521	-	399,521	-	-	-	399,521
Accounts receivable	16,624,533	517,189	17,141,722	1,459,678	24,269	18,651,311	37,276,980
Inventory	1,314,844	36,092	1,350,936	297,752	-	260,519	1,909,207
Other	1,364,864	-	1,364,864	-	-	18,369	1,383,233
Fire and rescue loans, net of short term portion	2,544,014	-	2,544,014	-	-	-	2,544,014
Net OPEB asset	2,289,016	-	2,289,016	-	-	-	2,289,016
Capital assets	672,276,376	23,953,332	696,229,708	468,726,863	6,384,522	268,050,703	1,439,391,796
Accumulated depreciation	(256,306,357)	(6,283,734)	(262,590,091)	(198,712,598)	(5,559,970)	(95,194,798)	(562,057,457)
Capital assets, net of accumulated depreciation	415,970,019	17,669,598	433,639,617	270,014,265	824,552	172,855,905	877,334,339
TOTAL ASSETS	663,423,849	19,916,694	683,340,543	321,162,532	1,808,515	246,261,633	1,252,573,223
DEFERRED OUTFLOWS OF RESOURCES							
Pension	18,925,962	-	18,925,962	6,175,040	-	1,868,238	26,969,240
OPEB	10,197,711	-	10,197,711	116,829,643	1,535,162	1,495,088	130,057,604
Bond refunding	-	-	-	-	-	326,796	326,796
Total Assets and Deferred Outflows of Resources	\$ 692,547,522	\$ 19,916,694	\$ 712,464,216	\$ 444,167,215	\$ 3,343,677	\$ 249,951,755	\$ 1,409,926,863

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Net Position (continued)
As of June 30, 2022

	Primary Government			Component Units			Total
	Governmental activities	Business-type activities	Total	Public Schools	Library	Metropolitan Commission	
LIABILITIES							
Accounts payable	\$ 22,820,623	\$ 934,352	\$ 23,754,975	\$ 4,463,723	\$ 217,830	\$ 521,896	\$ 28,958,424
Compensation related liabilities	14,704,389	369,006	15,073,395	18,850,213	91,739	-	34,015,347
Unearned revenue	20,071,364	407,113	20,478,477	7,331,734	-	30,013	27,840,224
Other liabilities	9,357,564	-	9,357,564	191,113	-	5,730,340	15,279,017
Non-current liabilities:							
Due within one year	9,271,209	197,434	9,468,643	1,005,192	22,396	7,963,255	18,459,486
Due in more than one year	130,771,335	404,836	131,176,171	4,960,328	139,875	88,311,963	224,588,337
Net pension liability	81,593,645	-	81,593,645	11,026,407	-	4,200,218	96,820,270
Net OPEB liability	-	-	-	357,028,835	1,815,693	3,529,350	362,373,878
TOTAL LIABILITIES	<u>288,590,129</u>	<u>2,312,741</u>	<u>290,902,870</u>	<u>404,857,545</u>	<u>2,287,533</u>	<u>110,287,035</u>	<u>808,334,983</u>
DEFERRED INFLOWS OF RESOURCES							
Pension	16,585,183	-	16,585,183	7,132,361	-	2,738,993	26,456,537
OPEB	16,010,223	-	16,010,223	165,696,936	1,741,851	587,345	184,036,355
Total Liabilities and Deferred Inflows of Resources	<u>321,185,535</u>	<u>2,312,741</u>	<u>323,498,276</u>	<u>577,686,842</u>	<u>4,029,384</u>	<u>113,613,373</u>	<u>1,018,827,875</u>
NET POSITION							
Net investment in capital assets	285,986,638	17,472,164	303,458,802	269,578,306	824,552	93,507,733	667,369,393
Restricted for:							
Capital asset purchases	482,106	-	482,106	-	-	-	482,106
Capital projects	-	-	-	93,051	-	-	93,051
Other purposes	2,289,016	-	2,289,016	-	81,900	18,475,121	20,846,037
Unrestricted	82,604,227	131,789	82,736,016	(403,190,984)	(1,592,159)	24,355,528	(297,691,599)
TOTAL NET POSITION	<u>\$ 371,361,987</u>	<u>\$ 17,603,953</u>	<u>\$ 388,965,940</u>	<u>\$ (133,519,627)</u>	<u>\$ (685,707)</u>	<u>\$ 136,338,382</u>	<u>\$ 391,098,988</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, 2022

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	\$ 34,071,852	\$ 1,724,566	\$ 1,220,450	\$ 18,278,732	\$ (12,848,104)	\$ -	\$ (12,848,104)	\$ -	\$ -	\$ -	\$ (12,848,104)
Public safety	78,920,800	-	9,596,029	-	(69,324,771)	-	(69,324,771)	-	-	-	(69,324,771)
Public works	25,955,265	514,950	2,305,871	1,270,555	(21,863,889)	-	(21,863,889)	-	-	-	(21,863,889)
Health	8,259,227	-	5,474,684	-	(2,784,543)	-	(2,784,543)	-	-	-	(2,784,543)
Social services	5,184,734	530	1,061,409	-	(4,122,795)	-	(4,122,795)	-	-	-	(4,122,795)
Primary and secondary education	122,937,792	-	-	-	(122,937,792)	-	(122,937,792)	-	-	-	(122,937,792)
Post-secondary education	4,689,241	6,343,748	-	-	1,654,507	-	1,654,507	-	-	-	1,654,507
Parks, recreation and culture	9,878,147	226,680	25,195	2,426,666	(7,199,606)	-	(7,199,606)	-	-	-	(7,199,606)
Libraries	3,276,845	-	-	-	(3,276,845)	-	(3,276,845)	-	-	-	(3,276,845)
Conservation of natural resources	381,276	-	-	4,203,167	3,821,891	-	3,821,891	-	-	-	3,821,891
Economic development and opportunity	2,767,395	113,678	160,206	-	(2,493,511)	-	(2,493,511)	-	-	-	(2,493,511)
Interest on long-term debt	2,784,938	-	-	-	(2,784,938)	-	(2,784,938)	-	-	-	(2,784,938)
Total governmental activities	<u>299,132,180</u>	<u>8,924,152</u>	<u>19,843,844</u>	<u>26,179,120</u>	<u>(244,185,064)</u>	<u>-</u>	<u>(244,185,064)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(244,185,064)</u>
Business-type activities:											
Recreation activity	2,606,063	2,115,232	228,283	-	-	(262,548)	(262,548)	-	-	-	(262,548)
Wicomico	1,366,294	1,499,152	-	-	-	132,858	132,858	-	-	-	132,858
Solid waste/recycling	6,278,997	841,233	-	-	-	(5,437,764)	(5,437,764)	-	-	-	(5,437,764)
Total business-type activities	<u>10,251,354</u>	<u>4,455,617</u>	<u>228,283</u>	<u>-</u>	<u>-</u>	<u>(5,567,454)</u>	<u>(5,567,454)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,567,454)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 309,383,534</u>	<u>\$ 13,379,769</u>	<u>\$ 20,072,127</u>	<u>\$ 26,179,120</u>	<u>(244,185,064)</u>	<u>(5,567,454)</u>	<u>(249,752,518)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(249,752,518)</u>
Component unit:											
Public schools	\$ 315,586,273	\$ 447,056	\$ 78,239,042	\$ 16,101,151	-	-	-	(220,799,024)	-	-	(220,799,024)
Library	6,063,854	41,732	330,940	-	-	-	-	(5,691,182)	-	-	(5,691,182)
MetCom	24,379,890	16,151,482	-	2,530,034	-	-	-	-	(5,698,374)	-	(5,698,374)
Total component units	<u>\$ 346,030,017</u>	<u>\$ 16,640,270</u>	<u>\$ 78,569,982</u>	<u>\$ 18,631,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(220,799,024)</u>	<u>(5,691,182)</u>	<u>(5,698,374)</u>	<u>(232,188,580)</u>
Property taxes					118,449,980	-	118,449,980	-	-	-	118,449,980
Income taxes					139,363,951	-	139,363,951	-	-	-	139,363,951
Other taxes					28,651,768	-	28,651,768	-	-	-	28,651,768
Investment earnings					200,336	-	200,336	46,340	(6,415)	103,826	344,087
Grants and contributions not restricted to specific purposes					-	-	-	214,858,338	6,033,244	-	220,891,582
Environmental/solid waste fees					-	4,336,570	4,336,570	-	-	-	4,336,570
Roads constructed by third parties					4,732,320	-	4,732,320	-	-	-	4,732,320
Miscellaneous					-	1,581,073	1,581,073	146,917	-	11,643,705	13,371,695
TOTAL GENERAL REVENUE					<u>291,398,355</u>	<u>5,917,643</u>	<u>297,315,998</u>	<u>215,051,595</u>	<u>6,026,829</u>	<u>11,747,531</u>	<u>530,141,953</u>
CHANGE IN NET POSITION					<u>47,213,291</u>	<u>350,189</u>	<u>47,563,480</u>	<u>(5,747,429)</u>	<u>335,647</u>	<u>6,049,157</u>	<u>48,200,855</u>
NET POSITION - BEGINNING OF YEAR					<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>
NET POSITION - END OF YEAR					<u>\$ 371,361,987</u>	<u>\$ 17,603,953</u>	<u>\$ 388,965,940</u>	<u>\$ (133,519,627)</u>	<u>\$ (685,707)</u>	<u>\$ 136,338,382</u>	<u>\$ 391,098,988</u>

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

COMMISSIONERS OF ST. MARY'S COUNTY

Balance Sheet – Governmental Funds As of June 30, 2022

	General Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 149,759,575	\$ -	\$ 194,903	\$ 149,954,478
Due from other funds	724,570	32,574,577	2,313,861	35,613,008
Restricted cash and investments	6,504,885	-	-	6,504,885
Taxes receivable	1,983,451	-	50,644	2,034,095
Income tax reserve, funds held by the state	64,983,327	-	-	64,983,327
Special tax assessments receivable	-	-	60	60
Notes receivable, fire and rescue loans	-	-	399,521	399,521
Accounts receivable	12,301,873	4,322,660	-	16,624,533
Inventory	1,314,844	-	-	1,314,844
Other	207,138	-	1,157,726	1,364,864
Note receivable, fire and rescue loans, net of current portion	-	-	2,544,014	2,544,014
Special tax assessments receivable, net of current portion	-	-	643,124	643,124
TOTAL ASSETS	\$ 237,779,663	\$ 36,897,237	\$ 7,303,853	\$ 281,980,753
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 15,661,295	\$ 7,112,560	\$ 46,768	\$ 22,820,623
Compensation-related liabilities	14,183,438	-	520,951	14,704,389
Unearned revenue	16,485,637	-	3,585,727	20,071,364
Other liabilities	8,715,267	642,297	-	9,357,564
Due to other funds	36,648,066	-	167,873	36,815,939
TOTAL LIABILITIES	91,693,703	7,754,857	4,321,319	103,769,879
DEFERRED INFLOWS OF RESOURCES				
Unavailable income tax distribution	55,170,428	-	-	55,170,428
FUND BALANCES				
Nonspendable	1,751,002	-	-	1,751,002
Restricted	482,106	-	-	482,106
Committed	44,615,000	42,451,372	3,136,500	90,202,872
Assigned	7,235,572	-	-	7,235,572
Unassigned	36,831,852	(13,308,992)	(153,966)	23,368,894
TOTAL FUND BALANCES	90,915,532	29,142,380	2,982,534	123,040,446
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 237,779,663	\$ 36,897,237	\$ 7,303,853	\$ 281,980,753

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, 2022

Fund balance of governmental funds	\$ 123,040,446
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	415,970,019
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	
	55,170,428
Deferred outflow and inflow of resources related net deferred pension and OPEB activity are not financial resources and therefore are not reported in the funds	
	(3,471,733)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(129,983,381)
Compensated absences	(7,024,163)
Landfill post-closure costs	(3,035,000)
Net pension liability	(81,593,645)
Net OPEB asset	<u>2,289,016</u>
Net position of governmental activities	<u>\$ 371,361,987</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, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
REVENUE				
Property taxes	\$ 118,449,980	\$ -	\$ -	\$ 118,449,980
Income taxes	122,381,215	-	-	122,381,215
Energy taxes	1,133,990	-	-	1,133,990
Recordation taxes	10,100,141	-	-	10,100,141
Transfer taxes	-	11,209,893	-	11,209,893
Agricultural/development taxes	-	74,574	-	74,574
Impact fees	-	1,532,643	-	1,532,643
Other local taxes	2,541,499	-	-	2,541,499
Highway user revenues	1,993,427	-	-	1,993,427
Licenses and permits	696,056	-	-	696,056
Intergovernmental	18,950,537	23,326,379	-	42,276,916
Charges for services	3,791,674	-	-	3,791,674
Fines and forfeitures	37,401	-	-	37,401
Special assessments	-	-	65,601	65,601
Other revenues	1,748,253	-	7,802,985	9,551,238
Total Revenue	<u>281,824,173</u>	<u>36,143,489</u>	<u>7,868,586</u>	<u>325,836,248</u>
EXPENDITURES				
General government	28,318,636	18,630,525	-	46,949,161
Public safety	63,902,328	-	11,085,141	74,987,469
Public works	12,293,725	10,625,229	-	22,918,954
Health	8,167,252	-	-	8,167,252
Social services	4,643,445	-	-	4,643,445
Primary and secondary education	117,466,739	14,280,964	-	131,747,703
Post-secondary education	4,646,956	-	-	4,646,956
Parks, recreation and culture	4,932,183	8,810,785	-	13,742,968
Libraries	3,078,258	-	-	3,078,258
Conservation of natural resources	381,276	-	-	381,276
Economic development and opportunity	2,764,346	-	-	2,764,346
Agriculture	91,975	-	-	91,975
Debt service - principal and interest	14,523,048	-	87,253	14,610,301
Intergovernmental	44,460	-	-	44,460
Other	6,108,959	160,362	-	6,269,321
Total Expenditures	<u>271,363,586</u>	<u>52,507,865</u>	<u>11,172,394</u>	<u>335,043,845</u>
Excess (Deficiency) Of Revenue Over Expenditures	<u>10,460,587</u>	<u>(16,364,376)</u>	<u>(3,303,808)</u>	<u>(9,207,597)</u>
OTHER FINANCING SOURCES (USES)				
Fire & rescue loan repayments	-	-	1,159,026	1,159,026
Transfers in/out	(7,663,833)	2,954,000	3,504,000	(1,205,833)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,663,833)</u>	<u>2,954,000</u>	<u>4,663,026</u>	<u>(46,807)</u>
NET CHANGES IN FUND BALANCE	<u>2,796,754</u>	<u>(13,410,376)</u>	<u>1,359,218</u>	<u>(9,254,404)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>88,118,778</u>	<u>42,552,756</u>	<u>1,623,316</u>	<u>132,294,850</u>
FUND BALANCES - END OF YEAR	<u>\$ 90,915,532</u>	<u>\$ 29,142,380</u>	<u>\$ 2,982,534</u>	<u>\$ 123,040,446</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, 2022**

Net changes in fund balances in governmental funds \$ (9,254,404)

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 outlays and donated capital assets exceeded depreciation in the current period.

Capital outlay and donated assets capitalized	\$ 37,787,519	
Depreciation and loss on disposal	<u>(17,671,696)</u>	20,115,823

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	7,252,678	
Compensated absences and pension liability	75,095	
Landfill post closure cost	216,000	
Payments of debt principal	<u>11,825,363</u>	19,369,136

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. 16,982,736

Change in net position of governmental activities \$ 47,213,291

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, 2022

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		Variance
REVENUES				
Property taxes	\$ 118,982,399	\$ 118,982,399	\$ 118,449,980	\$ (532,419)
Income taxes	120,750,966	120,750,966	122,381,215	1,630,249
Other Local taxes	9,900,000	11,400,000	13,775,630	2,375,630
Highway user revenues	1,682,717	1,682,717	1,993,427	310,710
Licenses and permits	662,870	662,870	696,056	33,186
Charges for services	3,700,158	3,796,189	3,830,430	34,241
Fines and forfeitures	24,750	24,750	42,266	17,516
State/Federal Grants	21,352,622	23,357,621	18,950,537	(4,407,084)
Other revenue	722,580	722,580	1,040,838	318,258
TOTAL GENERAL FUND REVENUES	277,779,062	281,380,092	281,160,379	(219,713)
EXPENDITURES				
General government	30,474,729	30,489,977	28,527,101	1,962,876
Public safety	75,163,867	75,497,984	67,084,189	8,413,795
Public works	12,649,142	13,417,065	13,996,826	(579,761)
Health	3,613,486	5,420,585	8,167,252	(2,746,667)
Social services	5,037,521	5,489,385	4,653,853	835,532
Primary and secondary education	117,327,185	117,599,079	117,466,739	132,340
Post-secondary education	4,656,631	4,656,631	4,656,631	-
Parks, recreation and culture	5,058,922	5,222,252	5,142,420	79,832
Libraries	3,078,259	3,078,259	3,078,258	1
Conservation of natural resources	714,793	724,793	704,044	20,749
Economic development and opportunity	2,311,182	2,479,868	2,472,727	7,141
Debt service	14,918,169	14,918,169	14,523,048	395,121
Inter-governmental	44,461	44,461	44,460	1
Other	3,950,000	3,950,000	4,192,472	(242,472)
TOTAL GENERAL FUND EXPENDITURES	278,998,347	282,988,508	274,710,020	8,278,488
OTHER FINANCING SOURCES AND USES				
Fund balance	10,885,478	11,869,889	-	(11,869,889)
Appropriation reserve	(1,500,000)	(1,589,386)	-	1,589,386
Reserves - emergency appropriations	(500,000)	(608,254)	-	608,254
Reserves - bond rating	(400,000)	(400,000)	(1,320,000)	(920,000)
General fund transfers/pay-go	(7,266,193)	(7,663,833)	(7,663,833)	-
TOTAL OTHER FINANCING SOURCES AND USES	1,219,285	1,608,416	(8,983,833)	(10,592,249)
EXCESS OF EXPENDITURES AND OTHER FINANCING USES OVER REVENUES AND OTHER FINANCING SOURCES				
	\$ -	\$ -	(2,533,474)	\$ (2,533,474)
Reconciliation to GAAP Basis Financial Statements				
Bond reserve			1,320,000	
Effect of encumbrances and other transfers			4,010,228	
			<u>\$ 2,796,754</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, 2022

	Business-Type Activities			Total
	Recreation Activity Fund	Wicomico	Solid Waste / Recycling	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	\$ 13,000	\$ -	\$ 13,000
Due from other funds	313,696	-	1,445,932	1,759,628
Restricted cash from investments	-	132,884	345,000	477,884
Accounts receivable	3,702	132,884	380,603	517,189
Inventory	-	36,092	-	36,092
Total current assets	317,398	314,860	2,171,535	2,803,793
Noncurrent Assets				
Capital assets	313,302	6,619,684	17,020,346	23,953,332
Accumulated depreciation	(278,714)	(3,303,753)	(2,701,267)	(6,283,734)
Capital assets, net	34,588	3,315,931	14,319,079	17,669,598
Total Assets	351,986	3,630,791	16,490,614	20,473,391
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts payable	259,275	95,811	579,266	934,352
Compensation-related liabilities	-	126,470	242,536	369,006
Due to other funds	-	120,539	-	120,539
Unearned revenue	298,786	108,327	-	407,113
Total current liabilities	558,061	451,147	821,802	1,831,010
Noncurrent Liabilities				
Due within one year:				
Financing agreements	-	-	197,434	197,434
Advance from general fund	-	22,463	-	22,463
Due in more than one year:				
Financing agreements	-	-	276,440	276,440
Advance from general fund	-	413,695	-	413,695
Compensated absences	-	49,463	78,933	128,396
Total noncurrent liabilities	-	485,621	552,807	1,038,428
Total Liabilities	558,061	936,768	1,374,609	2,869,438
NET POSITION				
Net investment in capital assets	34,588	3,315,931	14,121,645	17,472,164
Unrestricted	(240,663)	(621,908)	994,360	131,789
Total Net Position	\$ (206,075)	\$ 2,694,023	\$ 15,116,005	\$ 17,603,953

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, 2022

	Business-Type Activities			
	Recreation Activity Fund	Wicomico	Solid Waste / Recycling	Total
OPERATING REVENUE				
Charges for services	\$ 2,115,232	\$ 1,499,152	\$ 841,233	\$ 4,455,617
Federal	228,283	-	-	228,283
Environmental/solid waste fees	-	-	4,336,570	4,336,570
TOTAL OPERATING REVENUE	2,343,515	1,499,152	5,177,803	9,020,470
OPERATING EXPENSES				
Personnel services	1,667,967	603,267	1,158,708	3,429,942
Operating supplies	217,263	315,658	43,704	576,625
Professional services	266,980	95,128	1,975,826	2,337,934
Communications	11,178	3,279	498,275	512,732
Transportation	15,159	33,863	138,740	187,762
Rentals	124,840	40,782	52,690	218,312
Public utilities	234,717	75,881	26,747	337,345
Other operating costs	9,341	529	326,704	336,574
Tipping fees	-	-	1,280,305	1,280,305
Retiree health benefits (OPEB)	-	36,000	23,000	59,000
Equipment	41,340	45,423	510,276	597,039
Depreciation	17,278	116,484	244,022	377,784
TOTAL OPERATING EXPENSES	2,606,063	1,366,294	6,278,997	10,251,354
OPERATING INCOME (LOSS)	(262,548)	132,858	(1,101,194)	(1,230,884)
OTHER INCOME (EXPENSE)				
Use of exempt financing	-	-	375,240	375,240
Transfers in	-	-	1,205,833	1,205,833
TOTAL OTHER INCOME (EXPENSE)	-	-	1,581,073	1,581,073
NET CHANGES IN NET POSITION	(262,548)	132,858	479,879	350,189
NET POSITION - BEGINNING OF YEAR	56,473	2,561,165	14,636,126	17,253,764
NET POSITION - END OF YEAR	\$ (206,075)	\$ 2,694,023	\$ 15,116,005	\$ 17,603,953

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, 2022

	Recreation Activity		Solid Waste /	Total
	Fund	Wicomico	Recycling	
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,401,782	\$ 1,602,303	\$ 4,873,302	\$ 8,877,387
Payments to suppliers	(836,166)	(615,812)	(4,473,464)	(5,925,442)
Payments to employees	(1,667,967)	(633,276)	(1,127,672)	(3,428,915)
Net Cash from Operating Activities	<u>(102,351)</u>	<u>353,215</u>	<u>(727,834)</u>	<u>(476,970)</u>
Cash Flows from Noncapital Financing Activities				
Grants and other activity	-	-	375,240	375,240
Transfers from other funds	-	-	1,205,833	1,205,833
Change in due to/from other funds	102,351	(102,059)	(716,467)	(716,175)
Net Cash from Noncapital Financing Activities	<u>102,351</u>	<u>(102,059)</u>	<u>864,606</u>	<u>864,898</u>
Cash Flows from Capital and Related Financing Activities				
Principal paid on long term debt	-	(34,830)	(209,467)	(244,297)
Capital transfers	-	(80,442)	-	(80,442)
Acquisition and construction of capital assets	-	-	(375,240)	(375,240)
Net Cash from Capital and Related Financing Activities	<u>-</u>	<u>(115,272)</u>	<u>(584,707)</u>	<u>(699,979)</u>
Net change in cash	-	135,884	(447,935)	(312,051)
Cash, beginning of year	-	10,000	792,935	802,935
Cash, End of Year	<u>\$ -</u>	<u>\$ 145,884</u>	<u>\$ 345,000</u>	<u>\$ 490,884</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating income (loss)	\$ (262,548)	\$ 132,858	\$ (1,101,194)	\$ (1,230,884)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	17,278	116,484	244,022	377,784
Changes in assets and liabilities:				
Accounts receivable	296	-	(304,501)	(304,205)
Inventory	-	(1,199)	-	(1,199)
Accounts payable	84,652	(4,070)	379,803	460,385
Compensation-related liabilities	-	(74)	62,315	62,241
Unearned revenue	57,971	103,151	-	161,122
Compensated absences	-	6,065	(8,279)	(2,214)
Net Cash from Operating Activities	<u>\$ (102,351)</u>	<u>\$ 353,215</u>	<u>\$ (727,834)</u>	<u>\$ (476,970)</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, 2022**

	<u>Sheriff’s Office Retirement Plan</u>	<u>Length of Service Awards Program</u>	<u>Retiree Benefit Trust of St. Mary’s County</u>	<u>Total</u>
ASSETS				
Cash	\$ -	\$ 3,037	\$ -	\$ 3,037
Investments	<u>119,005,019</u>	<u>8,144,868</u>	<u>112,917,483</u>	<u>240,067,370</u>
NET POSITION				
Held in trust for pension and OPEB	<u>\$ 119,005,019</u>	<u>\$ 8,147,905</u>	<u>\$ 112,917,483</u>	<u>\$ 240,070,407</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, 2022**

	<u>Sheriff's Office Retirement Plan</u>	<u>Length of Service Awards Program</u>	<u>Retiree Benefit Trust of St. Mary's County</u>	<u>Total</u>
ADDITIONS				
Contributions - employer	\$ 7,004,232	\$ 4,391,998	\$ 4,121,069	\$ 15,517,299
Contributions - employee	1,156,266	-	-	1,156,266
Interest and dividends	-	(1,219,260)	-	(1,219,260)
Net realized and unrealized losses	<u>(11,680,614)</u>	<u>-</u>	<u>(5,627,049)</u>	<u>(17,307,663)</u>
Total additions	(3,520,116)	3,172,738	(1,505,980)	(1,853,358)
DEDUCTIONS				
Benefits	7,604,004	1,191,998	4,121,069	12,917,071
Administrative expenses	113,610	26,719	327,331	467,660
TOTAL DEDUCTIONS	<u>7,717,614</u>	<u>1,218,717</u>	<u>4,448,400</u>	<u>13,384,731</u>
CHANGES IN NET POSITION	(11,237,730)	1,954,021	(5,954,380)	(15,238,089)
NET POSITION - BEGINNING OF YEAR	<u>130,242,749</u>	<u>6,193,884</u>	<u>118,871,863</u>	<u>255,308,496</u>
NET POSITION - END OF YEAR	<u>\$ 119,005,019</u>	<u>\$ 8,147,905</u>	<u>\$ 112,917,483</u>	<u>\$ 240,070,407</u>

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

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 Government Accounting Standards Board (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.

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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

St. Mary's County Public Schools (the School System) – 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. The County has oversight responsibility for approval and partial funding of the school system's operating budget.

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

St. Mary's County Library (the 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, Maryland 20650

Basis of Presentation

The financial statements of 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 GASB. The accompanying financial statements include various agencies, department organizations and offices which are legally part of the County (the Primary Government) and the County's Component Units.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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.

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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements (continued)

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 Statement No. 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.

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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

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.

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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

Fiduciary Funds (continued)

Custodial 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.

- 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

- 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 general accepted accounting principles (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.

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 GAAP. 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget and Budgetary Accounting (continued)

- a. Prior to April 1 of each year, the 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 County or the Chief Financial Officer.
- 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 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Investments (continued)

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.

Long-Term Receivables

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

Annual, Personal, and Sick and Safe Leave Benefits

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

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

All employees, including exempt employees, shall be entitled to earn compensatory time off for work performed in excess of the normal work period. The maximum compensatory leave accrual for non-exempt employees is 240 hours.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual, Personal, and Sick and Safe Leave Benefits (continued)

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.

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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

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:

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, 2022

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 (the Code) 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, 2022

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, 2022, the carrying amount of the County's deposits was \$156,925,147 (in addition, petty cash totaling approximately \$25,100 at various County departments) and the collected bank balance was \$157,495,879. Of the collected bank balance, \$2,758,398 was covered by Federal Deposit Insurance Corporation (FDIC), and \$154,166,749 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 Statement No. 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, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (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.

The summary below identifies the fair market value levels of the investments of the primary government and fiduciary funds as of June 30, 2022.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

	Level 1	Level 2	Level 3	Total
<u>Investments at Fair Value</u>				
Retiree Benefit Trust (OPEB):				
Money market funds	\$ 2,184,042	\$ -	\$ -	\$ 2,184,042
Common stock/equity funds	-	51,800,386	-	51,800,386
Bond funds	-	23,612,154	-	23,612,154
Venture/ltd. partnership/closely held	-	-	35,320,901	35,320,901
Length of Service Awards Trust (LOSAP):				
Money market funds	39,870	-	-	39,870
Bond funds	-	2,707,650	-	2,707,650
Equity funds	-	5,397,348	-	5,397,348
Pension Fund: Sheriff's Office Retirement Plan:				
Money market funds	2,753,394	-	-	2,753,394
Bond funds	-	21,769,754	-	21,769,754
Venture/ltd. partnership/closely held	-	-	26,114,729	26,114,729
Equity funds	-	68,367,142	-	68,367,142
Total investments at fair value	<u>\$ 4,977,306</u>	<u>\$ 173,654,434</u>	<u>\$ 61,435,630</u>	<u>\$ 240,067,370</u>

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 FDIC insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2022, 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, 2022, the carrying amount of the School System's deposits was \$9,637,637 and the bank balance was \$12,048,171.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

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, 2022, 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 \$24,745,638, \$431,680, and \$101,123 for governmental activities, business-type activity, and fiduciary responsibilities, respectively.

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, 2022, 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Long-Term Investments (continued)

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, 2022, the pooled net position of the MABE Trust was \$537,118,808, in total, of which the School System's allocated investment balance was \$60,987,474. 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.

St. Mary's County Library

Cash Deposits and Investments

As of June 30, 2022, the carrying amount of the Library's cash was \$301,808 and the bank balances totaled \$305,428. As a government entity, the Library's bank balance is fully insured. As of June 30, 2022, 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Library (continued)

Cash Deposits and Investments (continued)

	<u>Carrying Amount</u>	<u>Market Value</u>
Unrestricted:		
Investment in the Maryland Local Government Investment Pool	\$ 575,986	\$ 575,986
Restricted:		
The Vanguard Group	\$ 81,900	\$ 81,900

None of the Library's deposits or investments are subject to concentration of credit risk, interest rate risk or foreign currency risk. The investments are not subject to custodial credit risk.

Statutes authorize the Library to invest its operating fund investments 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 \$54,475,529 as of June 30, 2022 and the bank balance was \$55,224,889. Of the bank balances, \$500,000 was covered by federal depository insurance as of June 30, 2022 with the remaining \$53,975,529 adequately covered by collateral.

Cash and cash equivalents consisted of the following:

MLGIP	\$ 5,030,163
Broker Deposits-CDRS	12,000,000
Insured cash sweep	37,333,885
Cash	111,481
	<u>\$ 54,475,529</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

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 MLGIP. 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 MLGIP 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 Standards and Poor's.

As of June 30, 2022, 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. MLGIP 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, 2022 was \$5,030,163.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

3. CAPITAL ASSETS

Primary Government

A summary of changes in capital assets is as follows:

	Balance June 30, 2021	Additions	Transfers/ Disposals	Balance June 30, 2022
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 45,698,388	\$ 845,983	\$ (358,761)	\$ 46,185,610
Construction in progress	42,109,073	28,915,248	(44,964,956)	26,059,365
911 system & equipment	1,423,733	-	-	1,423,733
Total capital assets not being depreciated	89,231,194	29,761,231	(45,323,717)	73,668,708
Capital assets being depreciated:				
Buildings & improvements	148,090,383	34,990,169	-	183,080,552
Computer equipment	2,733,547	-	-	2,733,547
Other equipment	329,583	42,919	-	372,502
Vehicles - licensed	19,085,737	1,461,884	(1,056,123)	19,491,498
Off-road vehicles	3,278,154	89,923	(202,954)	3,165,123
Miscellaneous equipment	10,210,760	993,509	(66,421)	11,137,848
Roads	273,880,399	12,241,449	-	286,121,848
Curbing	946,791	-	-	946,791
Sidewalks	1,128,839	-	-	1,128,839
Guardrails	1,904,036	2,014	-	1,906,050
Airport infrastructure	8,824,588	1,016,503	-	9,841,091
Airport equipment	579,104	-	-	579,104
Baseball fields	802,670	-	-	802,670
Bridges	10,130,082	893,000	-	11,023,082
Parks & recreation	29,564,010	1,583,835	-	31,147,845
Marinas & docks	8,393,600	-	-	8,393,600
Irrigation systems	241,853	-	-	241,853
Signage	595,433	34,800	-	630,233
Parking lots	1,292,307	-	-	1,292,307
911 system & equipment	24,571,285	-	-	24,571,285
Total capital assets being depreciated	546,583,161	53,350,005	(1,325,498)	598,607,668
Accumulated depreciation for:				
Buildings & improvements	(58,165,619)	(3,814,408)	-	(61,980,027)
Computer equipment	(2,664,197)	(41,176)	-	(2,705,373)
Other equipment	(250,991)	(7,575)	-	(258,566)
Vehicles - licensed	(12,277,574)	(1,883,508)	1,050,220	(13,110,862)
Off-road vehicles	(1,899,853)	(133,623)	202,954	(1,830,522)
Miscellaneous equipment	(6,146,754)	(748,823)	51,754	(6,843,823)
Roads	(118,990,087)	(7,728,516)	-	(126,718,603)
Curbing	(829,978)	(10,693)	-	(840,671)
Sidewalks	(655,361)	(21,641)	-	(677,002)
Guardrails	(762,604)	(40,970)	-	(803,574)
Airport infrastructure	(5,338,061)	(463,594)	-	(5,801,655)
Airport equipment	(579,105)	-	-	(579,105)

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements
June 30, 2022

3. CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance June 30, 2021	Additions	Transfers/ Disposals	Balance June 30, 2022
Accumulated depreciation for: (continued)				
Baseball fields	\$ (541,564)	\$ (14,197)	\$ -	\$ (555,761)
Bridges	(3,846,179)	(209,391)	-	(4,055,570)
Parks & recreation	(8,766,789)	(1,066,360)	-	(9,833,149)
Marinas & docks	(6,423,307)	(213,187)	-	(6,636,494)
Irrigation systems	(165,585)	(5,787)	-	(171,372)
Signage	(474,018)	(14,285)	-	(488,303)
Parking lots	(797,728)	(76,012)	-	(873,740)
911 equipment	(10,384,805)	(1,157,380)	-	(11,542,185)
Total accumulated depreciation	<u>(239,960,159)</u>	<u>(17,651,126)</u>	<u>1,304,928</u>	<u>(256,306,357)</u>
Total capital assets being depreciated, net	<u>306,623,002</u>	<u>35,698,879</u>	<u>(20,570)</u>	<u>342,301,311</u>
Governmental activities capital assets, net	<u>\$ 395,854,196</u>	<u>\$ 65,460,110</u>	<u>\$ (45,344,287)</u>	<u>\$ 415,970,019</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,078,666	\$ -	\$ -	1,078,666
Solid waste facilities	<u>13,220,472</u>	<u>-</u>	<u>-</u>	<u>13,220,472</u>
Total capital assets not being depreciated	<u>14,299,138</u>	<u>-</u>	<u>-</u>	<u>14,299,138</u>
Capital assets being depreciated:				
Buildings & improvements	4,776,834	-	-	4,776,834
Computer equipment	57,188	-	-	57,188
Other equipment	39,359	-	-	39,359
Vehicles - licensed	2,157,447	375,240	(173,472)	2,359,215
Off-road vehicles	1,278,617	-	(49,646)	1,228,971
Miscellaneous equipment	619,865	-	-	619,865
Irrigation systems	<u>572,762</u>	<u>-</u>	<u>-</u>	<u>572,762</u>
Total capital assets being depreciated	<u>9,502,072</u>	<u>375,240</u>	<u>(223,118)</u>	<u>9,654,194</u>
Accumulated depreciation for:				
Buildings & improvements	(2,192,378)	(140,301)	-	(2,332,679)
Computer equipment	(57,188)	-	-	(57,188)
Other equipment	(39,359)	-	-	(39,359)
Vehicles - licensed	(1,713,730)	(143,010)	173,472	(1,683,268)
Off-road vehicles	(1,123,344)	(52,413)	49,646	(1,126,111)
Miscellaneous equipment	(552,744)	(16,399)	-	(569,143)
Irrigation systems	<u>(450,325)</u>	<u>(25,661)</u>	<u>-</u>	<u>(475,986)</u>
Total accumulated depreciation	<u>(6,129,068)</u>	<u>(377,784)</u>	<u>223,118</u>	<u>(6,283,734)</u>
Total capital assets being depreciated, net	<u>3,373,004</u>	<u>(2,544)</u>	<u>-</u>	<u>3,370,460</u>
Business-type activities capital assets, net	<u>\$ 17,672,142</u>	<u>\$ (2,544)</u>	<u>\$ -</u>	<u>\$ 17,669,598</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

3. CAPITAL ASSETS (continued)

Primary Government (continued)

Governmental activities

General government	\$ 1,771,041
Public safety	3,933,331
Public works	9,591,002
Social services	541,289
Post-secondary education	42,285
Parks, recreation, and culture	1,570,542
Libraries	198,587
Economic development and opportunity	3,049
	<u>17,651,126</u>

Total Depreciation - Governmental Activities

\$ 17,651,126

Business-type activities

Recreation activity fund	\$ 17,278
Solid waste/recycling	244,022
Wicomico	116,484
	<u>377,784</u>

Total Depreciation - Business-Type Activities

\$ 377,784

Component Units

St. Mary's County Public Schools

Capital asset activity for the year ended June 30, 2022 is as follows:

	<u>Balance, June 30, 2021</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance, June 30, 2022</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,734,759	\$ -	\$ -	\$ 3,734,759
Construction in progress	30,533,629	11,987,950	(19,910,347)	22,611,232
	<u>34,268,388</u>	<u>11,987,950</u>	<u>(19,910,347)</u>	<u>26,345,991</u>
Capital assets, being depreciated				
Building and improvements	400,783,639	7,037,876	19,523,765	427,345,280
Furniture and equipment	11,778,459	1,707,538	(375,480)	13,110,517
Total capital assets, being depreciated	412,562,098	8,745,414	19,148,285	440,455,797
Less: accumulated depreciation	(186,986,331)	(10,525,818)	465,669	(197,046,480)
Net capital assets being depreciated	<u>225,575,767</u>	<u>(1,780,404)</u>	<u>19,613,954</u>	<u>243,409,317</u>
Governmental activities, capital assets, net	<u>\$ 259,844,155</u>	<u>\$ 10,207,546</u>	<u>\$ (296,393)</u>	<u>\$ 269,755,308</u>
Business-type activities				
Capital assets, being depreciated				
Furniture and equipment	\$ 1,919,501	\$ 5,574	\$ -	\$ 1,925,075
Less: accumulated depreciation	(1,596,156)	(69,962)	-	(1,666,118)
Business-type activities capital assets, net	<u>\$ 323,345</u>	<u>\$ (64,388)</u>	<u>\$ -</u>	<u>\$ 258,957</u>

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2022**

3. CAPITAL ASSETS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

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

Governmental activities

Administration	\$ 42,629
Mid-level administration	42,783
Other instructional costs	143,720
Special education	3,694
Student personnel services	682
Student health services	3,063
Student transportation services	147,836
Operation of plant	10,061,540
Maintenance of plant	<u>79,871</u>
Total governmental activities	<u>\$ 10,525,818</u>

Business-type activities

Food service	<u>\$ 69,962</u>
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St. Mary's County Library

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets:				
Furnishings and equipment	\$ 1,146,431	\$ -	\$ -	\$ 1,146,431
Leasehold improvements	87,735	-	-	87,735
Books	<u>4,677,628</u>	<u>472,728</u>	-	<u>5,150,356</u>
	<u>5,911,794</u>	<u>472,728</u>	-	<u>6,384,522</u>
Accumulated depreciation				
Furnishings and equipment	1,105,796	23,486	-	1,129,282
Leasehold improvements	18,722	1,175	-	19,897
Books	<u>4,322,370</u>	<u>88,421</u>	-	<u>4,410,791</u>
	<u>5,446,888</u>	<u>113,082</u>	-	<u>5,559,970</u>
Capital assets, net	<u>\$ 464,906</u>	<u>\$ 359,646</u>	<u>\$ -</u>	<u>\$ 824,552</u>

Governmental activities depreciation expense of \$113,082 was charged to Library services.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

3. CAPITAL ASSETS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets				
Utility plants	\$ 155,644,283	\$ 10,792,603	\$ 332,647	\$ 166,104,239
Water plant systems	71,912,850	1,627,382	-	73,540,232
Equipment	10,208,468	337,546	154,429	10,391,585
Buildings	3,946,003	65,106	-	4,011,109
	<u>241,711,604</u>	<u>12,822,637</u>	<u>487,076</u>	<u>254,047,165</u>
Not being depreciated				
Utility plant construction in process	10,392,376	3,054,905	9,937,675	3,509,606
Water plant construction in process	6,507,374	3,025,091	967,236	8,565,229
Land/land rights	1,937,103	55,294	63,694	1,928,703
	<u>260,548,457</u>	<u>18,957,927</u>	<u>11,455,681</u>	<u>268,050,703</u>
Accumulated depreciation				
Utility plants	57,880,511	3,646,964	225,241	61,302,234
Water plant systems	20,881,200	2,377,826	26,618	23,232,408
Equipment	7,713,001	342,642	13,257	8,042,386
Buildings	2,451,028	166,742	-	2,617,770
	<u>88,925,740</u>	<u>6,534,174</u>	<u>265,116</u>	<u>95,194,798</u>
Capital assets, net	<u>\$ 171,622,717</u>	<u>\$ 12,423,753</u>	<u>\$ 11,190,565</u>	<u>\$ 172,855,905</u>

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 the 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

4. PROPERTY TAX (continued)

The real property tax rate during the year ended June 30, 2022 was \$0.8478 per \$100 of assessed value based on the full valuation method. The Constant Yield tax rate for FY2022 was \$0.8290. The personal property tax rate during the year ended June 30, 2022 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, 2022, net of the allowance for uncollectible receivables of \$186,099, is \$1,557,278 (this amount does not include state and emergency services taxes receivable). On October 1, a 3% penalty is assessed, and interest begins accruing at a rate of 1% for each month that real and personal property taxes are delinquent (unless taxpayer has elected semiannual payment option as described above).

5. SPECIAL TAX ASSESSMENT AND UNEARNED REVENUE

Primary Government

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

As of June 30, 2022, 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, 2022 of \$5,013,493.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

5. SPECIAL TAX ASSESSMENT AND UNEARNED REVENUE (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Unearned Revenue (continued)

Capital Projects Fund

Unearned revenue consists of prefunding in the amount of \$2,069,909 for construction projects at Spring Ridge Middle School and Safety and Security Initiatives.

Enterprise Fund

Unearned revenue of \$248,332 represents student lunch ticket sales collected in advance which will be consumed by students in fiscal year 2023.

6. LONG-TERM OBLIGATIONS

Primary Government

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental activities</i>					
General obligation bonds - County	\$ 133,811,000	\$ -	\$ 9,977,000	\$ 123,834,000	\$ 8,357,000
Premium	4,065,145	-	159,896	3,905,249	160,573
State loans and special assessment	980,576	-	123,439	857,137	123,440
Exempt financing	2,952,023	-	1,565,028	1,386,995	595,431
	<u>141,808,744</u>	<u>-</u>	<u>11,825,363</u>	<u>129,983,381</u>	<u>9,236,444</u>
Landfill post-closure costs	3,251,000	-	216,000	3,035,000	-
Compensated absences	7,099,258	-	75,095	7,024,163	34,765
Total	<u>\$ 152,159,002</u>	<u>\$ -</u>	<u>\$ 12,116,458</u>	<u>\$ 140,042,544</u>	<u>\$ 9,271,209</u>
<i>Business-type activities</i>					
Exempt financing	\$ 718,171	\$ -	\$ 244,297	\$ 473,874	\$ 197,434
Compensated absences	130,610	-	2,214	128,396	-
Total	<u>\$ 848,781</u>	<u>\$ -</u>	<u>\$ 246,511</u>	<u>\$ 602,270</u>	<u>\$ 197,434</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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities

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.

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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

General Obligation Bonds (continued)

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.

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, the 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. This equipment lease was paid off during year ending June 30, 2022.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

2018 Exempt Financing Equipment Lease –Taxable

On October 27, 2017, the 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. This equipment lease was paid off during year ending June 30, 2022.

2020 Exempt Financing Equipment Lease

On October 11, 2019, the 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, 2022, based on the total final lease amount of \$2,650,000, are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 411,746	\$ 14,183	\$ 425,929
2024	418,777	7,151	425,928
	<u>\$ 830,523</u>	<u>\$ 21,334</u>	<u>\$ 851,857</u>

2021 Exempt Financing Equipment Lease

On December 1, 2020, the 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, 2022, based on the total final lease amount of \$1,300,000, are as follows:

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2022**

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

2021 Exempt Financing Equipment Lease (continued)

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 183,685	\$ 5,451	\$ 189,136
2024	185,484	3,652	189,136
2025	187,303	1,835	189,138
	<u>\$ 556,472</u>	<u>\$ 10,938</u>	<u>\$ 567,410</u>

Long-term obligations as of June 30, 2022 consist of the following:

<u>Description</u>	<u>Due</u>	<u>Rate</u>	<u>Amount</u>
MD Water quality loans and other state loans:			
Holly Point Shores	2008-2032	None	\$ 100,286
Murray Road Revetment	2004-2028	None	21,792
Piney Point Lighthouse	2009-2026	None	134,548
Villas on Waters Edge	2009-2032	None	217,960
Kingston Creek II	2010-2037	None	158,151
North Patuxent Beach Road	2009-2025	None	84,909
Thomas Road	2016-2030	None	79,920
Gibson Road	2017-2031	None	59,571
Total state loans			<u>857,137</u>
General obligation bonds			
2011 Refunding Bonds	2012-2024	2.25-2.41%	3,279,000
2014 Refunding Bonds	2016-2025	2.32%	3,365,000
2016 Consolidated Public Improvement Bonds	2017-2037	2.25%	20,485,000
2017 Refunding	2020-2029	1.89%	12,795,000
2018 Consolidated Public Improvement Bonds	2019-2038	3.17%	27,000,000
2020 Consolidated Public Improvement Bond	2021-2040	2.21%	27,940,000
2021 Consolidated Public Improvement	2022-2041	1.62%	28,970,000
Total general obligation bonds			<u>123,834,000</u>

Long term obligations as of June 30, 2022 consist of the following:

Total state loans and bonds	124,691,137
Premium	3,905,249
Accrued landfill closure and post closure costs	3,035,000
Exempt financing	1,386,995
Accumulated unpaid annual leave	7,024,163
Total	<u>\$ 140,042,544</u>

COMMISSIONERS OF ST. MARY’S COUNTY

**Notes to the Financial Statements
June 30, 2022**

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Special Assessment Debt

Special assessment fund debt payable as of June 30, 2022 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.	\$ 100,286
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.	217,960
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>158,151</u>
	<u>\$ 476,397</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, 2022 including interest of \$34,147,630 except for the accrued landfill closure and post-closure costs, accumulated unpaid leave benefits, and exempt financing, are as follows:

<u>For the years ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	6,716,500	3,021,213	9,737,713
2028-2032	34,462,473	10,427,911	44,890,384
2033-2037	34,852,707	4,794,375	39,647,082
2038-2041	<u>17,525,000</u>	<u>822,915</u>	<u>18,347,915</u>
Subtotal	124,691,137	<u>\$ 34,147,630</u>	<u>\$ 158,838,767</u>
Plus: premium	<u>3,905,249</u>		
Total	<u>\$ 128,596,386</u>		

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2022**

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

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

	General Obligation Bonds	State Loans	Special Assessment Fund	Total
Principal	\$ 123,834,000	\$ 380,741	\$ 476,396	\$ 124,691,137
Interest	34,147,630	-	-	34,147,630
	<u>\$ 157,981,630</u>	<u>\$ 380,741</u>	<u>\$ 476,396</u>	<u>\$ 158,838,767</u>

Business-Type Activities

2020 Exempt Financing Equipment

The annual requirements to amortize the business-type activities portion of the 2021 exempt financing equipment as of June 30, 2022, based on the total final financing amount of \$2,650,000, are as follows:

Years ending June 30,	Principal	Interest	Total
2023	\$ 122,727	\$ 4,227	\$ 126,954
2024	124,825	2,132	126,957
	<u>\$ 247,552</u>	<u>\$ 6,359</u>	<u>\$ 253,911</u>

2021 Exempt Financing Equipment

The annual requirements to amortize the business-type activities portion of the 2021 exempt financing equipment as of June 30, 2022, based on the total final financing amount of \$1,300,000, are as follows:

Years ending June 30,	Principal	Interest	Total
2023	\$ 74,707	\$ 2,217	\$ 76,924
2024	75,439	1,485	76,924
2025	76,176	746	76,922
	<u>\$ 226,322</u>	<u>\$ 4,448</u>	<u>\$ 230,770</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements
June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units

St. Mary's County Public Schools

Long-term debt as of June 30, 2022 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, 2022:

	<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	\$ 761,667	\$ -	\$ 325,708	\$ 435,959	\$ 392,717
Compensated absences	5,173,190	639,487	482,952	5,329,725	598,274
Net OPEB liability	497,160,412	-	140,131,577	357,028,835	-
Net pension liability	15,058,899	-	4,032,492	11,026,407	-
	<u>\$ 518,154,168</u>	<u>\$ 639,487</u>	<u>\$ 144,972,729</u>	<u>\$ 373,820,926</u>	<u>\$ 990,991</u>
<i>Business-type activities</i>					
Compensated absences	<u>\$ 189,544</u>	<u>\$ 60,520</u>	<u>\$ 50,228</u>	<u>\$ 199,836</u>	<u>\$ 14,201</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%, with two leases expiring FY 2023 and one lease expiring in early FY2024. 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.

The future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2022, under these equipment financing agreements, are as follows:

Years ending June 30,	
2023	\$ 392,717
2024	45,982
	<u>438,699</u>
Less: amount representing interest	2,740
Present value of minimum lease payments	<u>\$ 438,699</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements
June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

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, 2022:

<u>Balance</u> <u>June 30, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Amount Due</u> <u>Within One Year</u>
\$ 162,883	\$ 197,494	\$ 198,106	\$ 162,271	\$ 22,396

St. Mary's County Metropolitan Commission

Long-term bonds payable as of June 30, 2022 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%	\$ 655,813	\$ 6,875
Thirty-sixth issue	2013-2033	4.31%	738,000	33,356
Thirty-eighth issue	2015-2034	3.51%	1,021,000	32,657
Fortieth issue	2015-2027	2.08%	3,429,000	217,006
Forty-eighth issue	2019-2049	3.39%	6,803,500	4,715,940
Forty-ninth issue	2019-2029	1.82%	214,500	37,993
Fiftieth issue	2020-2030	0.96%	4,586,500	913,727
Fifty-first issue	2021-2034	1.79%	16,952,581	1,851,843
Fifty-second issue	2023-2036	1.79%	13,210,248	2,298,962
Fifty-fourth issue	2021-2051	2.67%	9,524,068	5,436,332
			57,135,210	15,544,691
Less: current portion			4,130,381	1,511,477
			<u>\$ 53,004,829</u>	<u>\$ 14,033,214</u>

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2022 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 4,130,381	\$ 1,511,477	\$ 5,641,858
2024	3,679,211	1,366,386	5,045,597
2025	3,772,923	1,275,506	5,048,429
2026	3,870,743	1,182,256	5,052,999
2027	3,981,432	1,086,082	5,067,514
2028-2032	16,386,322	4,061,947	20,448,269
2033-2037	11,618,698	2,461,055	14,079,753
2038-2042	3,206,500	1,511,781	4,718,281
2043-2047	3,802,000	878,663	4,680,663
2048-2052	2,687,000	209,538	2,896,538
Total	<u>\$ 57,135,210</u>	<u>\$ 15,544,691</u>	<u>\$ 72,679,901</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

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 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 0.61%-3.42%. Interest was payable on May 1, 2013 and semiannually thereafter on each May 1 and November 1 to maturity. In July 2021 MetCom advance refunded 2012 Series B to an interest rate of 1.79% reducing its total debt service payments. The refunded debt service was awarded via the RFP process and included 2012, 2013, and 2014 Bonds under the new 2021B Series with payments being issued monthly through 2034.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

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 CDA. As of June 30, 2022, the unspent proceeds were \$738,000.

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. In July 2021 MetCom advance refunded 2013 Series A to an interest rate of 1.79% reducing its total debt service payments. The refunded debt service was awarded via the RFP process and includes 2012, 2013, and 2014 Bonds under the new 2021 B Series with payments being issued monthly through 2034.

Thirty-eighth Issue

On August 28, 2014, the Commission issued \$22,075,230 of Infrastructure Financing Bonds in conjunction with the CDA. 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.

In July 2021 MetCom advance refunded 2014 Series A to an interest rate of 1.79% reducing its total debt service payments. The refunded debt service was awarded via the RFP process and includes 2012, 2013, and 2014 Bonds under the new 2021 B Series with payments being issued monthly through 2034.

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 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Fortieth Issue (continued)

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

Forty-eighth Issue

On November 21, 2019, the Commission issued \$7,152,371 of Infrastructure Financing Bonds, 2019, Series BII, in conjunction with the CDA. As of June 30, 2022, the unspent proceeds were \$5,242,259.

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 CDA. There were no unspent proceeds as of June 30, 2022.

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 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, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Fiftieth Issue (continued)

Interest is payable on October 1, 2020 and semiannually thereafter on each October 1 and April 1 to maturity.

Fifty-first Issue

On July 1, 2021, MetCom issued an advanced refunding of Issues 2012B, 2013A, and 2014A in the principal amount of \$17,026,696 Series 2021B (Taxable). These bonds were issued with a true interest cost of 1.79% to refund. This advance refunding was issued to take advantage of a favorable interest rate environment, and to reduce its total debt service payments in excess of \$2,000,000.

Principal and interest payments are payable on the first of every month to maturity in 2034.

Fifty-second Issue

On July 1, 2021, MetCom issued General Obligation Bonds Series 2021A in the principal amount of \$13,210,248. These bonds were issued with a true interest cost of 1.79%. The proceeds of the Series 2021A Bond will be used to finance all or a portion of the costs of various routine and non-routine capital upgrades, rehabilitation, improvements or renovations to its various water and wastewater facilities. These bonds were issued from undrawn proceeds of prior CDA issuances 2012B, 2013A, and 2014A, and were issued to take advantage of the favorable interest rate environment.

Principal and interest payments are payable on the first of every month to maturity in 2036.

Fifty-fourth Issue

On December 2, 2021, the Commission issued \$10,590,570 of Infrastructure Financing Bonds, Series 2021A-1 and 2021A-2 in conjunction with the CDA. As of June 30, 2022, the unspent proceeds were \$9,206,865.

The bonds mature on April 1, 2051 in 30 annual installments, beginning in 2022 and ending in 2051. The average interest yield on these bonds is 2.67%. Interest was payable on April 1, 2022 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, 2031.

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2022**

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Notes and loans payable as of June 30, 2022 are as follows:

<u>Loans Payable Description</u>	<u>Due</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
MD Water Quality Loan #18	2025	1.10%	\$ 774,200	\$ 54,686
MD Water Quality Loan #19	2024	1.10%	112,514	7,426
MD Water Quality Loan #22	2027	1.10%	242,674	16,238
MD Water Quality Loan #25	2029	1.00%	74,283	6,881
MD Water Quality Loan #26	2030	1.00%	247,012	24,087
MD Water Quality Loan #28	2030	2.20%	209,453	33,350
MD Water Quality Loan #32	2034	1.80%	3,172,804	536,577
MD Water Quality Loan #33	2033	1.70%	242,707	38,018
MD Water Quality Loan #34	2035	2.10%	14,676,475	3,043,128
MD Water Quality Loan #35	2035	2.10%	3,669,119	1,361,873
MD Water Quality Loan #37	2034	2.00%	1,573,930	273,276
Leonardtown #41	2037	1.80%	1,184,737	274,599
MD Water Quality Loan #42	2038	1.50%	2,584,102	470,789
MD Water Quality Loan #43	2038	1.50%	1,833,911	348,260
MD Water Quality Loan #44	2039	1.60%	4,187,598	866,773
MD Water Quality Loan #45	2039	1.70%	1,454,790	354,339
MD Water Quality Loan #46	2039	1.70%	1,081,798	266,492
MD Water Quality Loan #47	2049	1.70%	854,405	450,409
MD Water Quality Loan #53	2042	0.80%	963,496	39,140
			<u>39,140,008</u>	<u>8,466,341</u>
Less: current portion			<u>3,832,874</u>	<u>985,313</u>
			<u>\$ 35,307,134</u>	<u>\$ 7,481,028</u>

The annual requirements to amortize principal and interest payments on all notes and loans outstanding as of June 30, 2022 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 3,832,874	\$ 985,313	\$ 4,818,187
2024	2,920,639	898,913	3,819,552
2025	2,955,119	844,635	3,799,754
2026	2,635,217	774,916	3,410,133
2027	2,685,091	725,043	3,410,134
2028-2032	13,936,079	2,836,225	16,772,304
2033-2037	9,240,887	1,203,702	10,444,589
2038-2042	626,989	132,764	759,753
2043-2047	241,433	48,347	289,780
2048-2049	65,680	16,483	82,163
Total	<u>\$ 39,140,008</u>	<u>\$ 8,466,341</u>	<u>\$ 47,606,349</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

As of June 30, 2022, 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-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.
- 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

- 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 the County Government.
- Loan number fifty-three in the amount of \$2,389,167 is for Phase 2 of the St. Clements Shores Water System Replacement project.

Changes in Long-Term Debt

The changes in long-term debt payable for the year ended June 30, 2022 were as follows:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 48,866,805	\$ 40,605,135	\$32,336,730	\$ 57,135,210	\$ 4,130,381
Notes and loans payable	40,903,844	1,849,115	3,612,951	39,140,008	3,832,874
Total long-term debt	<u>\$ 89,770,649</u>	<u>\$ 42,454,250</u>	<u>\$35,949,681</u>	<u>\$ 96,275,218</u>	<u>\$ 7,963,255</u>

7. FUND BALANCES

A summary of the nonspendable, restricted, committed, assigned and unassigned fund balances as of June 30, 2022 are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	
		<u>Fire and Rescue Revolving Loan Fund</u>	<u>Emergency Services Support Fund</u>	<u>Emergency Services Billing Fund</u>	<u>Special Assessments</u>	<u>Capital Projects Fund</u>
Nonspendable						
Inventory	\$ 1,314,844	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund advance (Wicomico)	436,158	-	-	-	-	-
Total nonspendable	<u>1,751,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted						
County matching funds for approved grants	482,106	-	-	-	-	-
Total restricted	<u>482,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Committed						
Bond rating reserve	\$ 17,990,000	\$ -	\$ -	\$ -	\$ -	\$ -
Rainy day fund	1,625,000	-	-	-	-	-
Operating budget, non-recurring items	25,000,000	-	-	-	-	-
Other, net, including grants	-	1,677,823	-	906,510	552,167	-

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

7. FUND BALANCES (continued)

	General Fund	Special Revenue Funds			Debt Service Fund	Capital Projects Fund
		Fire and Rescue Revolving Loan Fund	Emergency Services Support Fund	Emergency Services Billing Fund	Special Assessments	
Committed (continued)						
Funding sources specified for capital projects:						
Land preservation	-	-	-	-	-	2,266,924
Various capital projects - transfer tax	-	-	-	-	-	26,070,377
County pay-go	-	-	-	-	-	7,666,756
Roads - impact fees	-	-	-	-	-	1,334,754
Roads - mitigation	-	-	-	-	-	364,460
Parks - impact fees	-	-	-	-	-	422,442
Parks - mitigation	-	-	-	-	-	753
Schools - impact fees	-	-	-	-	-	4,290,781
Schools - mitigation	-	-	-	-	-	34,125
Total committed	<u>44,615,000</u>	<u>1,677,823</u>	<u>-</u>	<u>906,510</u>	<u>552,167</u>	<u>42,451,372</u>
Assigned	<u>7,235,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>36,831,852</u>	<u>-</u>	<u>(153,966)</u>	<u>-</u>	<u>-</u>	<u>(13,308,992)</u>
Total fund balances	<u>\$ 90,915,532</u>	<u>\$ 1,677,823</u>	<u>\$ (153,966)</u>	<u>\$ 906,510</u>	<u>\$ 552,167</u>	<u>\$ 29,142,380</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.

The non-spendable fund balance includes:

- Inventory - The amount of inventory as of June 30, 2022 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 FY2022, but for which the period extends beyond June 30, 2022. 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

7. FUND BALANCES (continued)

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	\$	5,330,226
Miscellaneous revolving fund		1,105,346
Contingency reserve		800,000
	\$	<u>7,235,572</u>

When unassigned fund balance is used, it is used for one-time, non-recurring expenses. In May 2022, as part of the approval of the fiscal year 2023 budget, the Board approved to use Fiscal year 2021 unassigned fund balance for operating non-recurring \$4,058,950 and Pay-Go to other funds of \$20,941,050. A total amount of \$26,178,909 remains unused of the fiscal year 2021 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.

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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

General Information about the Pension Plan (continued)

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 System. 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 Board of Trustees.

MSRPS issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/ACFR/.

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.

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, 2022 was approximately \$3.2 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 \$3.2 million for the year ended June 30, 2022.

COMMISSIONERS OF ST. MARY’S COUNTY

**Notes to the Financial Statements
June 30, 2022**

8. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

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

As of June 30, 2022, the County reported a liability of approximately \$20.0 million for its proportionate share of the System’s net pension liability. The System’s 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. 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, 2022, the County’s proportion for the System was 0.13 percent, which was substantially the same as its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the County recognized pension expense for the System of \$1,314,480. As of June 30, 2022, 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	\$ 3,160,112	\$ -
Changes in assumptions	3,774,971	418,015
Difference between projected and actual investment earnings	1,898,563	10,805,215
Difference between actual and expected experience	-	1,494,796
Total	<u>\$ 8,833,646</u>	<u>\$ 12,718,026</u>

\$3.2 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, 2022. 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>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ (1,978,799)
2024	(1,678,235)
2025	(1,663,402)
2026	(2,053,610)
2027	329,554
Total	<u>\$ (7,044,492)</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

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

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 6.80 percent is \$19,999,186. 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 (5.80 percent) is \$33,216,336, or 1-percentage-point higher (7.80 percent) is \$8,217,872.

Sheriff's Office Retirement Plan

The membership data related to the St. Mary's County Sheriff's Office Retirement Plan (SORP or the 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

Normal Retirement (continued)

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.

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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

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.

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; and

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

DROP Benefit (continued)

- 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.

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.

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, 2022**

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, 2022 were as follows:

Total pension liability	\$ 162,266,105
Less: Plan fiduciary net position	<u>119,005,019</u>
County’s net pension liability	<u>\$ 43,261,086</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>73.34%</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2020 rolled forward to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
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.

	1% Decrease <u>6.25%</u>	Current Discount Rate 7.25%	1% Increase <u>8.25%</u>
Sheriff’s Plan net pension liability	<u>\$ 68,084,904</u>	<u>\$ 43,261,086</u>	<u>\$ 23,332,134</u>

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2022**

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>

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

As of June 30, 2022, the Sheriff's office retirement plan reported a net pension liability of \$43,261,086. 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, 2022.

For the year ended June 30, 2022, the Sheriff's office retirement plan recognized pension expense of \$6,233,909 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 1,704,065	\$ -
Net difference between projected and actual earnings on pension plan investments	5,527,000	-
Difference between actual and expected experience	<u>1,079,801</u>	<u>2,701,715</u>
Total	<u>\$ 8,310,866</u>	<u>\$ 2,701,715</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

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 (continued)

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 850,863
2024	3,293
2025	279,540
2026	4,475,455
Total	<u>\$ 5,609,151</u>

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 \$17,960,000. The following employer contributions were made during the fiscal year ended June 30, 2022:

	<u>Contributions</u>	<u>% of Covered Payroll</u>
Actuarially determined contribution	<u>\$ 7,004,000</u>	<u>39.00%</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

8. RETIREMENT PLANS (continued)

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 County.

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.
- 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit (continued)

Eligibility and Benefits (continued)

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 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.

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

- a. 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.
- b. 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.
- c. 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.
- d. 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit (continued)

Point System (continued)

- 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.
- 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 the 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, 2022 was approximately \$4.4 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, 2022 were as follows:

Total pension liability	\$ 26,481,278
Less: Plan fiduciary net position	<u>8,147,905</u>
County's net pension liability	<u>\$ 18,333,373</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>30.77%</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

8. RETIREMENT PLANS (continued)

Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	6.0%, compounded annually, net of investment expense
Mortality	PUB-2010 Public Safety Mortality table with generational projection scale MP-2021

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the June 30, 2021 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.

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
LOSAP Plan net pension liability	\$ 22,275,300	\$ 18,333,373	\$ 15,177,999

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, 2022**

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, 2022, the LOSAP plan reported a net pension liability of \$18,333,373. The net pension liability was measured as of June 30, 2021 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, 2022.

For the year ended June 30, 2022, the LOSAP plan recognized pension expense of \$1,711,841 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	\$ 528,668	\$ 1,088,227
Changes in assumptions	299,204	77,215
Net difference between projected and actual earnings on pension plan investments	<u>953,578</u>	<u>-</u>
Total	<u>\$ 1,781,450</u>	<u>\$ 1,165,442</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit (continued)

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

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 115,059
2024	113,943
2025	71,141
2026	257,552
2027	(79,669)
Thereafter	137,982
Total	<u>\$ 616,008</u>

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 required contributions totaling \$6,902,094 or 4.45% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling \$13,578,904 or 8.76% of current covered payroll for fiscal year 2022. 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

As of June 30, 2022, the School System reported a liability of \$11,026,407 of the SRPS total liability of \$15,002,305,000. As of June 30, 2022, the School System's proportionate share of the SRPS was 0.073%, an increase of 0.006% from the prior year.

St. Mary's County Library

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2022, the Library's total payroll and payroll for covered employees was \$2,225,215.

For fiscal year 2022, the State contributed \$340,270 to SRPS 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 \$646,369 for year ended June 30, 2022.

As of June 30, 2022, MetCom reported a liability of \$4,200,218 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, 2022, MetCom's proportion was 0.028%.

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, 2022**

9. INTERFUND BALANCES

Individual fund interfund receivable and payable balances are composed of the following as of June 30, 2022:

<u>Primary Government</u>	<u>Due From</u>	<u>Due to</u>
<u>General Fund</u>		
Fire & Rescue Revolving Loan Fund	\$ -	\$ 1,677,823
Special Assessments	-	560,027
Emergency Services Support Fund	167,873	-
Emergency Services Billing Fund	-	76,011
Capital Projects Fund	-	32,574,577
Enterprise Funds	556,697	1,759,628
<u>Special Revenue Funds</u>		
General Fund	1,753,834	167,873
<u>Special Assessments</u>		
General Fund	560,027	-
<u>Capital Projects Fund</u>		
General Fund	32,574,577	-
<u>Enterprise Fund</u>		
General Fund	1,759,628	556,697
Total due from/due to	<u>\$ 37,372,636</u>	<u>\$ 37,372,636</u>

Individual fund transfers in and out are composed of the following for the year ended June 30, 2022:

	<u>Transfers in:</u>				<u>Total</u>
	<u>Emergency Services Support Fund</u>	<u>Emergency Services Billing Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Funds</u>	
Transfers out:					
General Fund	<u>\$ 3,200,000</u>	<u>\$ 304,000</u>	<u>\$ 2,954,000</u>	<u>\$ 1,205,833</u>	<u>\$ 7,663,833</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

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.

The county issued \$30 million General Obligation Bonds and closed on August 9, 2022. The proceeds of the bonds are being used to finance various capital projects of the County. Debt service payments are payable on February 1 and August 1, starting February 1, 2023.

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, 2022, 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 \$19,448,532.

Grant Programs

The School System participates in a number of State and Federally assisted grant programs which are subject to financial and compliance audits by the grantors 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

10. COMMITMENTS AND CONTINGENCIES (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

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, 2022, no refund was due.

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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Primary Government (continued)

Plan Description (continued)

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 (the Trust) 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.

As of June 30, 2022, membership consisted of:

Retirees and beneficiaries currently receiving benefits	511
Active plan members	789

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 (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 liabilities (or funding excess) over a period of thirty years. The current ADC is \$4,062,000. The County contributed the pay-go amount of \$4,121,069 to the OPEB Trust during the year ended June 30, 2022.

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:

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Primary Government (continued)

Investments (continued)

	<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, 2022, the annual money weighted rate of return of the OPEB Trust was -4.73%.

Net OPEB Liability of the County

The components of the net OPEB liability of the County as of June 30, 2022 were as follows:

Total OPEB liability	\$ 110,628,467
Less: Plan fiduciary net position	<u>112,917,483</u>
County's net OPEB liability (asset)	<u>\$ (2,289,016)</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 <u>102.07%</u>

Actuarial Assumptions

The total OPEB liability as determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2022 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	16 for FYE 2022
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, 2022**

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Primary Government (continued)

Actuarial Assumptions (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 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net OPEB liability (asset)	<u>\$ 14,549,959</u>	<u>\$ (2,289,016)</u>	<u>\$ (15,873,580)</u>
	1% Decrease 3.00%	Medical Trend 4.00%	1% Increase 5.00%
Net OPEB liability (asset)	<u>\$ (18,774,918)</u>	<u>\$ (2,289,016)</u>	<u>\$ 18,653,233</u>

For the year ended June 30, 2022, the County recognized OPEB expense of \$(2,413,240). As of June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between actual and expected experience	\$ 10,197,711	\$ 1,795,712
Changes in assumptions	-	11,847,200
Net difference between projected and actual earnings on OPEB plan investments	-	2,367,311
Total	<u>\$ 10,197,711</u>	<u>\$ 16,010,223</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:

Years Ending June 30,	Amount
2023	\$ (3,674,009)
2024	(3,292,711)
2025	(2,084,437)
2026	2,637,608
2027	636,998
Thereafter	(35,961)
Total	<u>\$ (5,812,512)</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units

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 1, 2022, the date of the last actuarial valuation, approximately 907 retirees were receiving benefits, and 1,685 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 7.77% of annual covered payroll. The School System contributed \$12,041,416 for the year ended June 30, 2022, consisting of contributions towards current healthcare and life insurance premiums accounted for in the general fund with \$3,988,149 in additional contributions during 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, 2022 are as follows:

Total OPEB liability	\$ 418,016,309
Less: Plan fiduciary net position	<u>60,987,474</u>
County's net OPEB liability	<u>\$ 357,028,835</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>14.59%</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions below, applied to all periods included in the measurement, unless otherwise specified. Actuarial assumptions used in the latest actuarial valuation were:

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Actuarial Assumptions (continued)

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increase	3.50%
Investment rate of return	7.00%
Discount rate	3.88%
Healthcare cost trend rate	Ultimate trend rate of 4%
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, 2022 was (10.92%).

Discount rate. The discount rate used to measure the total OPEB liability was 3.88 percent, based on a 20-year municipal bond rate average of AA/Aa or higher. 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 a discount rate that is 1-percentage-point lower (2.88%) or 1-percentage-point higher (4.88%) than the current discount rate:

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2022**

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (continued)

	1% Decrease 2.88%	Current Discount Rate 3.88%	1% Increase 4.88%%
Net OPEB liability	<u>\$ 449,970,715</u>	<u>\$ 357,028,835</u>	<u>\$ 285,726,044</u>
		Medical Trend	
	1% Decrease 3.0%	4.00%	1% Increase 5.0%
Net OPEB liability	<u>\$ 279,974,257</u>	<u>\$ 357,028,835</u>	<u>\$ 461,659,212</u>

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2022, the School System recognized OPEB expense of \$23,632,178. As of June 30, 2022, 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	\$ 44,104,963	\$ 15,610,523
Changes in assumptions	65,809,630	150,086,413
Projected and actual earnings	6,915,050	-
Total	<u>\$ 116,829,643</u>	<u>\$ 165,696,936</u>

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

Years Ending June 30,	Amount
2023	\$ (7,740,765)
2024	(7,725,482)
2025	(8,140,401)
2026	(6,365,265)
2027	(8,971,864)
Thereafter	(9,923,516)
	<u>\$ (48,867,293)</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, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

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. The Library Board of Trustees receive quarterly and annual reports from the firm Asset Strategy to monitor the performance of investments.

Membership of the OPEB Plan enrolled in coverage as of June 30 consisted of:

Retirees and beneficiaries currently receiving benefits	10
Active plan members	33

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, 2022, the annual money weighted rate of return of the OPEB Trust was -15.64%.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Library (continued)

Investments (continued)

The components of the net OPEB liability of the Library as of June 30, 2022 was:

Total OPEB liability	\$	3,019,714
Less: Plan fiduciary net position		1,204,021
County's net OPEB liability	\$	<u>1,815,693</u>
Plan fiduciary net position as a percentage of the total OPEB liability		<u>39.87%</u>

Actuarial Assumptions

The total OPEB liability as determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Projected unit credit
Inflation	2.20%
Investment rate of return	6.00%
Discount Rate	3.86%
Healthcare cost trend rate	5.10% trending to 4.00%

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 3.86% as of June 30, 2022. 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, 2022**

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary’s County Library (continued)

Actuarial Assumptions (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 2.86%	Discount Rate 3.86%	1% Increase 4.86%
Net OPEB liability	\$ 2,438,940	\$ 1,815,693	\$ 1,327,305
	1% Decrease 2.94%	Medical Trend 3.94%	1% Increase 4.94%
Net OPEB liability	\$ 1,262,248	\$ 1,815,693	\$ 2,564,677

For the year ended June 30, 2022, the Library recognized OPEB expense of \$267,527. As of June 30, 2022, 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	\$ 303,921	\$ 487,737
Changes in assumptions	1,134,915	1,254,114
Difference between projected and actual earnings on pension plan investments	96,326	-
Total	\$ 1,535,162	\$ 1,741,851

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

Years Ending June 30,	Amount
2023	\$ 27,675
2024	28,632
2025	20,255
2026	99,919
2027	38,933
Thereafter	(422,103)
Total	\$ (206,689)

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

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 MLGIP and the Maryland Association of Counties (MACo) OPEB Trust. The OPEB Trust does not issue a stand-alone financial report.

As of June 30, 2022, membership consisted of:

Retirees and beneficiaries currently receiving benefits	26
Active plan members	73
	<hr/>
	99
	<hr/>

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, 2022, the annual money weighted rate of return of the OPEB Trust was -10.4%.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's Metropolitan Commission (continued)

Actuarial Assumptions

The components of the net OPEB liability of MetCom as of June 30, 2022 were as follows:

Total OPEB liability	\$ 11,402,706
Less: Plan fiduciary net position	<u>7,873,356</u>
Net OPEB liability	<u>\$ 3,529,350</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>69.05%</u>

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Projected Unit Credit
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.50%
Healthcare cost trend rate	The trend for 2021 is 4.9%. The ultimate trend is 4.0%.
Discount rate	6.68%

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

The discount rate used to measure the total OPEB liability was 6.68% as of June 30, 2022. The projection of cash flow used to determine the discount rate assumed that the MetCom'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:

COMMISSIONERS OF ST. MARY'S COUNTY

**Notes to the Financial Statements
June 30, 2022**

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's Metropolitan Commission (continued)

Actuarial Assumptions (continued)

	1% Decrease 3.00%	Medical Trend 4.00%	1% Increase 5.00%
Net OPEB liability	<u>\$ 1,507,482</u>	<u>\$ 3,529,350</u>	<u>\$ 6,060,353</u>
	1% Decrease 5.68%	Discount Rate 6.68%	1% Increase 7.68%
Net OPEB liability	<u>\$ 5,646,844</u>	<u>\$ 3,529,350</u>	<u>\$ 1,784,596</u>

For the year ended June 30, 2022, MetCom recognized OPEB expense of \$1,143,262. As of June 30, 2022, MetCom reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between expected and actual experience	\$ 652,580	\$ -
Changes of assumptions	-	587,345
Net Difference between projected and actual earnings on OPEB plan Investments	842,508	-
	<u>\$ 1,495,088</u>	<u>\$ 587,345</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 Ending June 30,</u>	<u>Amount</u>
2023	\$ 192,504
2024	179,041
2025	114,335
2026	345,232
2027	(2,890)
Thereafter	79,521
Total	<u>\$ 907,743</u>

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

12. LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and Federal laws and regulations require the 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 County reports 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 \$3,035,000 reported as landfill closure and post-closure care liability at June 30, 2022 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.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

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.

Unpaid claims in the self-insurance funds include liabilities for unpaid claims based upon individual case estimates for claims reported as of June 30, 2022. The unpaid claims also include liabilities for incurred but not reported (IBNR) claims as of June 30, 2022.

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, 2022**

	<u>2022</u>	<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)	0.13%	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>\$ 19,999,186</u>	<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>\$ 19,999,186</u>	<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	\$ 32,849,075	\$ 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	60.88%	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	81.94%	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, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,937,461	\$ 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>(2,937,461)</u>	<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>							
County's covered-employee payroll	\$ 32,849,075	\$ 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	8.94%	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, 2022 (Amounts in 000's)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:									
Service cost	\$ 4,979	\$ 4,834	\$ 3,944	\$ 3,829	\$ 4,129	\$ 3,979	\$ 3,826	\$ 3,687	\$ 3,475
Interest	10,889	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	(7,604)	(5,034)	(4,775)	(4,430)	(4,324)	(3,672)	(3,436)	(3,193)	(2,862)
Net change in total pension liability	8,264	11,439	8,701	5,025	8,381	10,108	7,707	10,503	6,899
Total pension liability – beginning	154,001	142,562	133,861	128,836	120,455	110,347	102,640	92,137	85,238
Total pension liability – ending (a)	<u>\$ 162,265</u>	<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	\$ 7,004	\$ 6,926	\$ 6,071	\$ 5,644	\$ 5,147	\$ 5,149	\$ 4,816	\$ 5,197	\$ 5,605
Contributions – member	1,156	1,383	1,181	1,103	1,055	1,085	1,011	945	1,082
Net investment income	(11,681)	28,260	5,126	3,434	5,661	7,724	(1,803)	(465)	8,480
Benefit payments, including refunds of member contributions	(7,604)	(5,034)	(4,775)	(4,430)	(4,324)	(3,672)	(3,436)	(3,193)	(2,862)
Administrative expense	(114)	(138)	(40)	(162)	(114)	(93)	(122)	(79)	(78)
Net change in plan fiduciary net position	(11,238)	31,398	7,564	5,589	7,425	10,193	466	2,405	12,227
Plan fiduciary net position – beginning	130,244	98,846	91,282	85,693	78,268	68,075	67,609	65,204	52,977
Plan fiduciary net position – ending (b)	<u>\$ 119,006</u>	<u>\$ 130,244</u>	<u>\$ 98,846</u>	<u>\$ 91,282</u>	<u>\$ 85,693</u>	<u>\$ 78,268</u>	<u>\$ 68,075</u>	<u>\$ 67,609</u>	<u>\$ 65,204</u>
County's Net Pension Liability – ending (a) – (b)	<u>\$ 43,259</u>	<u>\$ 23,757</u>	<u>\$ 43,716</u>	<u>\$ 42,579</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	73.34%	84.57%	69.34%	68.19%	66.51%	64.98%	61.69%		70.77%
Covered employee payroll	\$ 17,960	\$ 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	240.86%	136.87%	287.30%	299.51%	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, 2022 (Amounts in 000’s)**

	<u>2022</u>	<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	\$ 7,004	\$ 6,926	\$ 6,071	\$ 5,644	\$ 5,147	\$ 5,149	\$ 4,816	\$ 5,197	\$ 5,144
Contributions related to the actuarially determined contribution	7,004	6,926	6,071	5,644	5,147	5,149	4,816	5,197	5,605
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (461)</u>							
Covered employee payroll	\$ 17,960	\$ 17,357	\$ 15,216	\$ 14,216	\$ 12,965	\$ 13,981	\$ 12,740	\$ 12,774	\$ 13,537
Contributions as a percentage of covered employee payroll	39.00%	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	2.5 percent
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, 2022 (Amounts in 000's)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability:					
Service cost	\$ 572	\$ 497	\$ 482	\$ 608	\$ 608
Interest	1,446	1,402	1,457	1,400	1,355
Differences between expected and actual experience	617	-	(1,741)	-	-
Changes of assumptions	349	-	-	-	(206)
Benefit payments, including refunds of member contributions	(1,192)	(1,149)	(1,097)	(1,015)	(964)
Net change in total pension liability	1,792	750	(899)	993	793
Total pension liability – beginning	24,690	23,940	24,839	23,846	23,053
Total pension liability – ending (a)	<u>\$ 26,482</u>	<u>\$ 24,690</u>	<u>\$ 23,940</u>	<u>\$ 24,839</u>	<u>\$ 23,846</u>
Plan fiduciary net position:					
Contributions – employer	\$ 4,392	\$ 2,149	\$ 2,097	\$ 1,815	\$ 1,566
Contributions – member	-	-	-	-	-
Net investment income	(1,219)	1,081	4	151	19
Benefit payments, including refunds of member contributions	(1,192)	(1,149)	(1,097)	(1,015)	(964)
Administrative expense	(27)	(24)	(12)	(22)	(9)
Net change in plan fiduciary net position	1,954	2,057	992	929	612
Plan fiduciary net position – beginning	6,194	4,137	3,144	2,215	1,603
Plan fiduciary net position – ending (b)	<u>\$ 8,148</u>	<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>\$ 18,334</u>	<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	30.77%	25.09%	17.28%	12.66%	9.29%
Covered employee payroll	N/A	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	N/A

Notes to schedule:

Changes of assumptions: The COLA assumption was reduced from 2.75% to 2.35%. The mortality table was updated to PUB-2010 Safety Mortality table with generational projection scale MP-2021. The inflation assumption was reduced from 3.0% to 2.5%.

COMMISSIONERS OF ST. MARY’S COUNTY

**Schedule of Contributions – Length of Service Program
June 30, 2022 (Amounts in 000’s)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 2,482	\$ 2,482	\$ 2,576	\$ 2,576	\$ 2,325
Contributions related to the actuarially determined contribution	4,392	2,149	2,097	1,815	1,566
Contribution deficiency (excess)	<u>\$ (1,910)</u>	<u>\$ 333</u>	<u>\$ 479</u>	<u>\$ 761</u>	<u>\$ 759</u>
Covered employee payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	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	Remaining periods range from 12 to 20 years
Asset valuation method	Market value
Inflation	2.50 percent
Salary increases	Not applicable
Investment rate of return	6.0 percent, compounded annually, net of expenses
Retirement age	Normal retirement age
Mortality	PUB-2010 Public Safety Mortality table with generational projection scale MP-2021

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Changes in Net OPEB Liability and Related Ratios June 30, 2022 (Amounts in 000's)

	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	\$ 2,285	\$ 2,051	\$ 2,162	\$ 2,083	\$ 2,268	\$ 2,233
Interest	7,711	6,636	6,671	6,311	6,624	6,250
Differences between expected and actual experience	(252)	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	(4,121)	(3,951)	(3,707)	(3,391)	(3,134)	(3,009)
Net change in total OPEB liability	5,623	9,447	(513)	5,215	(5,852)	4,458
Total OPEB liability – beginning	105,004	95,557	96,070	90,855	96,707	92,249
Total OPEB liability – ending (a)	\$ 110,627	\$ 105,004	\$ 95,557	\$ 96,070	\$ 90,855	\$ 96,707
Plan fiduciary net position:						
Contributions – employer	\$ 4,121	\$ 3,951	\$ 3,707	\$ 3,391	\$ 3,134	\$ 3,009
Contributions – member	-	-	-	-	-	-
Net investment income	(5,627)	30,069	3,820	6,804	8,360	8,203
Benefit payments, including refunds of member contributions	(4,121)	(3,951)	(3,707)	(3,391)	(3,134)	(3,009)
Administrative expense	(327)	(573)	(392)	(575)	(396)	(51)
Net change in plan fiduciary net position	(5,954)	29,496	3,428	6,229	7,964	8,152
Plan fiduciary net position – beginning	118,871	89,375	85,947	79,718	71,754	63,602
Plan fiduciary net position – ending (b)	\$ 112,917	\$ 118,871	\$ 89,375	\$ 85,947	\$ 79,718	\$ 71,754
County's Net OPEB Liability (asset) – ending (a) – (b)	\$ (2,290)	\$ (13,867)	\$ 6,182	\$ 10,123	\$ 11,137	\$ 24,953
Plan fiduciary net position as a percentage of the total OPEB liability	102.07%	113.21%	93.53%	89.46%	87.74%	74.20%
Covered employee payroll	50,809	47,375	43,741	40,075	39,830	39,756
County's net OPEB liability (asset) as a percentage of covered employee payroll	-4.51%	-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, 2022 (Amounts in 000’s)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 4,062	\$ 3,359	\$ 3,252	\$ 6,097	\$ 5,879	\$ 5,217
Contributions related to the actuarially determined contribution	4,121	3,951	3,707	3,391	3,134	3,009
Contribution deficiency (excess)	<u>\$ (59)</u>	<u>\$ (592)</u>	<u>\$ (455)</u>	<u>\$ 2,706</u>	<u>\$ 2,745</u>	<u>\$ 2,208</u>
Covered employee payroll	\$ 50,809	\$ 47,375	\$ 43,741	\$ 40,075	\$ 39,830	\$ 39,756
Contributions as a percentage of covered employee payroll	8.11%	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	16 for FYE 2022
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%

COMBINING AND INDIVIDUAL FUND STATEMENTS

COMMISSIONERS OF ST. MARY'S COUNTY

Combining Balance Sheet – Non-Major Governmental Funds
As of June 30, 2022

	Special Assessments	Fire and Rescue Revolving Loan Fund	Emergency Services Support Fund	Emergency Services Billing Fund	Total Non-Major Funds
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ 194,903	\$ 194,903
Due from other funds	560,027	1,677,823	-	76,011	2,313,861
Special tax assessments receivable, current portion	60	-	-	-	60
Note receivable, fire and rescue loans, current portion	-	399,521	-	-	399,521
Emergency support services taxes receivable	-	-	50,644	-	50,644
Emergency billing receivable	-	-	-	1,157,726	1,157,726
Special tax assessments receivable, net of current portion	643,124	-	-	-	643,124
Note receivable, fire and rescue loans, net of current portion	-	2,544,014	-	-	2,544,014
TOTAL ASSETS	\$ 1,203,211	\$ 4,621,358	\$ 50,644	\$ 1,428,640	\$ 7,303,853
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 8,852	\$ -	\$ 13,119	\$ 24,797	\$ 46,768
Unearned revenue	642,192	2,943,535	-	-	3,585,727
Compensation-related liabilities	-	-	23,618	497,333	520,951
Due to other funds	-	-	167,873	-	167,873
TOTAL LIABILITIES	651,044	2,943,535	204,610	522,130	4,321,319
FUND BALANCES					
Committed	552,167	1,677,823	-	906,510	3,136,500
Unassigned	-	-	(153,966)	-	(153,966)
TOTAL FUND BALANCES	552,167	1,677,823	(153,966)	906,510	2,982,534
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,203,211	\$ 4,621,358	\$ 50,644	\$ 1,428,640	\$ 7,303,853

COMMISSIONERS OF ST. MARY'S COUNTY

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
For the Year Ended June 30, 2022**

	Special Assessments	Fire and Rescue Revolving Loan Fund	Emergency Services Support Fund	Emergency Services Billing Fund	Total Non-Major Funds
REVENUE					
Special assessments	\$ 65,601	\$ -	\$ -	\$ -	\$ 65,601
Emergency services support tax	-	-	3,352,047	-	3,352,047
Transfer tax	-	-	-	-	-
Other	-	-	300,000	4,150,938	4,450,938
TOTAL REVENUE	65,601	-	3,652,047	4,150,938	7,868,586
EXPENDITURES					
Public safety	-	460,000	7,076,713	3,548,428	11,085,141
Debt service	31,826	-	55,427	-	87,253
TOTAL EXPENDITURES	31,826	460,000	7,132,140	3,548,428	11,172,394
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	33,775	(460,000)	(3,480,093)	602,510	(3,303,808)
OTHER FINANCING SOURCES AND USES					
Fire and rescue loan repayments	-	1,159,026	-	-	1,159,026
Loans to fire and rescue	-	-	-	-	-
Transfers in	-	-	3,200,000	304,000	3,504,000
TOTAL OTHER FINANCING SOURCES (USES)	-	1,159,026	3,200,000	304,000	4,663,026
NET CHANGES IN FUND BALANCES	33,775	699,026	(280,093)	906,510	1,359,218
FUND BALANCES - BEGINNING OF YEAR	518,392	978,797	126,127	-	1,623,316
FUND BALANCES - END OF YEAR	\$ 552,167	\$ 1,677,823	\$ (153,966)	\$ 906,510	\$ 2,982,534

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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, 2022

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		Variance
PROPERTY TAXES				
Real property taxes	\$ 112,893,757	\$ 112,854,312	\$ 111,869,155	\$ (985,157)
Payments in lieu of taxes	318,948	318,948	170,754	(148,194)
Personal property	190,755	180,158	178,408	(1,750)
Public utilities	2,730,594	2,981,988	2,962,958	(19,030)
Ordinary business corporations	3,624,345	3,422,993	3,645,437	222,444
Additions and abatement	(600,000)	(600,000)	165,979	765,979
Penalties and interest	900,000	900,000	648,165	(251,835)
State homeowners credit (circuit breaker)	950,000	950,000	750,108	(199,892)
Homeowners tax credit (county)	(950,000)	(950,000)	(750,108)	199,892
Other tax credits	(1,076,000)	(1,076,000)	(1,190,876)	(114,876)
Total property taxes	118,982,399	118,982,399	118,449,980	(532,419)
Income Tax				
Local income tax	120,750,966	120,750,966	122,381,215	1,630,249
Other Local Taxes				
Recordation taxes	6,700,000	8,200,000	10,100,141	1,900,141
Energy taxes	1,000,000	1,000,000	1,133,990	133,990
Public accommodations tax	800,000	800,000	969,502	169,502
Trailer park tax	300,000	300,000	342,752	42,752
CATV franchise fees	1,000,000	1,000,000	1,132,848	132,848
Admissions and amusement	100,000	100,000	96,397	(3,603)
Total other local taxes	9,900,000	11,400,000	13,775,630	2,375,630
State-shared taxes - highway users	1,682,717	1,682,717	1,993,427	310,710
TOTAL TAXES	251,316,082	252,816,082	256,600,252	3,784,170
LICENSES AND PERMITS				
Business licenses and permits services	407,200	407,200	358,853	(48,347)
Marriage licenses	6,500	6,500	7,725	1,225
Traders licenses	155,000	155,000	165,544	10,544
Other	94,170	94,170	163,934	69,764
TOTAL LICENSES AND PERMITS	662,870	662,870	696,056	33,186
INTER-GOVERNMENTAL				
General government	1,275,721	1,323,644	1,102,105	(221,539)
Public safety	15,517,842	15,540,612	9,177,523	(6,363,089)
Public works	1,345,936	859,405	2,137,393	1,277,988
Social services	1,031,565	1,503,975	876,136	(627,839)
Health	646,558	2,453,657	5,474,684	3,021,027
Parks, recreation and culture	35,000	35,000	25,195	(9,805)
Economic development & opportunity	-	94,874	157,501	62,627
Appropriation	1,500,000	1,546,454	-	(1,546,454)
TOTAL INTER-GOVERNMENTAL	21,352,622	23,357,621	18,950,537	(4,407,084)

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, 2022

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
CHARGES FOR SERVICES				
General government	\$ 1,884,907	\$ 1,962,907	\$ 2,100,642	\$ 137,735
Public safety	540,041	540,041	452,957	(87,084)
Public works	747,909	765,940	723,013	(42,927)
Social services	129,872	129,872	143,466	13,594
Parks, recreation and culture	397,429	397,429	410,352	12,923
TOTAL CHARGES FOR SERVICES	3,700,158	3,796,189	3,830,430	34,241
FINES AND FORFEITURES				
General government	18,750	18,750	24,566	5,816
Public safety	6,000	6,000	17,700	11,700
TOTAL FINES AND FORFEITURES	24,750	24,750	42,266	17,516
OTHER REVENUES				
General Government				
Interest and dividend	550,000	550,000	184,733	(365,267)
Disposal of fixed assets	90,000	90,000	808,123	718,123
Grant reserve	-	-	-	-
Contributions and donations	82,580	82,580	47,982	(34,598)
TOTAL OTHER REVENUES	722,580	722,580	1,040,838	318,258
TOTAL, BEFORE PASS-THROUGH PROCEEDS	277,779,062	281,380,092	281,160,379	(219,713)
Pass-through proceeds	-	-	-	-
OTHER FINANCING SOURCES				
Appropriation of fund balance	10,885,478	11,869,889	-	(11,869,889)
TOTAL REVENUES INCLUDING PASS-THROUGHS	\$ 288,664,540	\$ 293,249,981	\$ 281,160,379	\$ (12,089,602)

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Expenditures - Budget and Actual General Fund For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
GENERAL GOVERNMENT				
Legislative/county commissioners				
Legislative/county commissioners	\$ 485,181	\$ 481,657	\$ 472,497	\$ 9,160
County administrator	420,045	417,735	404,017	13,718
Public information	291,918	311,514	308,070	3,444
County attorney	1,089,268	1,083,568	1,076,599	6,969
Legislative/county commissioners	2,286,412	2,294,474	2,261,183	33,291
Department of finance				
Administration/budget	777,076	824,541	813,828	10,713
Accounting	830,167	839,574	839,890	(316)
Auditing	50,000	50,000	37,662	12,338
Procurement	425,758	404,332	402,402	1,930
Department of finance	2,083,001	2,118,447	2,093,782	24,665
Department of information & technology				
Technology	4,639,929	4,713,092	4,545,511	167,581
Department of human resources				
Human resources	1,155,627	1,180,860	1,083,982	96,878
Risk management	823,430	868,064	858,803	9,261
Grants	-	2,500	4,664	(2,164)
Department of human resources	1,979,057	2,051,424	1,947,449	103,975
Department of public works & transportation				
Development review	274,319	259,977	253,634	6,343
Mailroom/messenger services	138,780	138,822	130,006	8,816
Vehicle maintenance shop	1,686,133	1,659,081	1,671,657	(12,576)
Building Services	4,387,754	4,605,349	4,759,269	(153,920)
Department of public works & transportation	6,486,986	6,663,229	6,814,566	(151,337)
Department of land use & growth management				
Administration	951,145	918,742	829,943	88,799
Board of electrical examiners	13,450	13,450	2,578	10,872
Comprehensive planning	430,469	413,033	332,102	80,931
Development services	448,954	291,813	268,304	23,509
Inspections & compliance	453,081	444,047	439,251	4,796
Permit services	346,170	348,070	345,338	2,732
Zoning administration	246,828	311,628	296,796	14,832
Commission on the environment	350	350	350	-
Plumbing & gas board	50	50	-	50
Planning commission	25,113	25,113	24,539	574
Boards and commissions	18,718	18,718	17,010	1,708
Historical preservation	2,330	2,330	465	1,865
Grants	2,000	2,000	-	2,000
Department of land use & growth management	2,938,658	2,789,344	2,556,676	232,668
Circuit Court				
Administration	1,170,370	1,163,370	1,013,340	150,030
Law library	40,850	44,721	33,936	10,785
Grants	787,687	760,642	598,423	162,219
Orphan's court	60,611	60,611	62,252	(1,641)
Circuit court	2,059,518	2,029,344	1,707,951	321,393
Office of the state's attorney				
Judicial	4,116,842	4,116,842	3,658,534	458,308
Grants	775,725	815,745	578,448	237,297
Office of the state's attorney	4,892,567	4,932,587	4,236,982	695,605
County treasurer	548,185	548,185	466,605	81,580
Alcohol beverage board	439,602	419,602	318,343	101,259
Board of elections	1,667,401	1,476,836	1,136,978	339,858
Ethics commission	833	833	168	665
SDAT - Leonardtown Office	452,580	452,580	440,907	11,673
Total general government	\$ 30,474,729	\$ 30,489,977	\$ 28,527,101	\$ 1,962,876

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Expenditures - Budget and Actual General Fund For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
PUBLIC SAFETY				
Department of Emergency Services				
Emergency management	\$ 668,844	\$ 698,527	\$ 608,118	\$ 90,409
Animal control	1,146,766	1,161,371	1,138,544	22,827
Emergency communications center	3,928,786	3,734,949	3,532,802	202,147
Emergency radio communications	1,427,163	1,426,819	1,382,421	44,398
Grants	12,488,006	12,613,875	9,805,232	2,808,643
Department of Emergency Services	19,659,565	19,635,541	16,467,117	3,168,424
Office of the sheriff				
Law enforcement	35,276,479	35,389,706	33,009,094	2,380,612
Corrections	16,280,207	16,556,949	14,563,746	1,993,203
Training	403,077	487,019	374,011	113,008
Canine	33,760	33,760	30,718	3,042
Court security	1,011,251	1,011,251	836,093	175,158
Grants	2,499,528	2,383,758	1,803,410	580,348
Office of the sheriff	55,504,302	55,862,443	50,617,072	5,245,371
Total public safety	\$ 75,163,867	\$ 75,497,984	\$ 67,084,189	\$ 8,413,795
PUBLIC WORKS				
Department of PW and transportation				
Administration	\$ 406,362	\$ 418,710	\$ 414,258	\$ 4,452
Engineering services	1,017,883	1,027,433	1,035,001	(7,568)
Construction & inspections	858,826	876,639	876,161	478
County highways	6,368,067	8,149,198	8,137,634	11,564
MS4 Program	838,103	829,924	693,702	136,222
St Mary's county airport	131,374	173,374	162,886	10,488
St. Mary's transit system	3,028,527	1,941,787	2,677,184	(735,397)
Department of PW and transportation	12,649,142	13,417,065	13,996,826	(579,761)
Total public works	\$ 12,649,142	\$ 13,417,065	\$ 13,996,826	\$ (579,761)
Department of Agriculture	\$ 91,000	\$ 91,000	\$ 91,975	\$ (975)
HEALTH				
Operating allocation				
Health department	2,874,826	2,874,826	2,874,709	117
Operating allocation	2,874,826	2,874,826	2,874,709	117
Human services				
Human Services-Admin Grants	115,942	115,942	71,485	44,457
Grants	531,718	2,338,817	5,129,083	(2,790,266)
Human services	647,660	2,454,759	5,200,568	(2,745,809)
Total health	\$ 3,613,486	\$ 5,420,585	\$ 8,167,252	\$ (2,746,667)
SOCIAL SERVICES				
Department on aging & human services				
Aging Administration	\$ 2,369,637	\$ 2,350,335	\$ 2,082,699	\$ 267,636
Non-profit allocation	785,377	785,377	785,377	-
Grants	1,239,054	1,709,638	1,147,534	562,104
Department on aging & human services	4,394,068	4,845,350	4,015,610	829,740
Department of social services	483,853	484,435	478,643	5,792

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Expenditures - Budget and Actual General Fund For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
Operating allocation				
Tri-County Community Action (SMTCCAC, Inc.)	\$ 16,000	\$ 16,000	\$ 16,000	\$ -
Tri-County Youth Services Bureau	143,600	143,600	143,600	-
Operating allocation	159,600	159,600	159,600	-
Total social services	\$ 5,037,521	\$ 5,489,385	\$ 4,653,853	\$ 835,532
PRIMARY AND SECONDARY EDUCATION				
Board of Education	\$ 114,540,490	\$ 114,540,490	\$ 114,540,492	\$ (2)
Non-public school bus transportation	2,761,695	3,033,589	2,901,247	132,342
Operating allocation				
Non Profit Allocation	25,000	25,000	25,000	-
Total primary and secondary education	\$ 117,327,185	\$ 117,599,079	\$ 117,466,739	\$ 132,340
POST-SECONDARY EDUCATION				
College of Southern Maryland - general operations	\$ 4,606,956	\$ 4,606,956	\$ 4,606,956	\$ -
Operating allocation				
Non Profit Allocation	9,675	9,675	9,675	-
University System of Maryland at Southern Maryland (USMSM)	40,000	40,000	40,000	-
Operating allocation	49,675	49,675	49,675	-
Total post-secondary education	\$ 4,656,631	\$ 4,656,631	\$ 4,656,631	\$ -
PARKS, RECREATION AND CULTURE				
Department of recreation and parks				
Administration	\$ 1,303,764	\$ 1,291,602	\$ 1,310,406	\$ (18,804)
Parks maintenance	2,748,589	2,890,918	2,774,587	116,331
Museum division	763,715	770,341	800,813	(30,472)
Chancellor's Run Reg. Park	69,654	96,191	93,218	2,973
Non Profit Agency - Miscellaneous	138,200	138,200	138,200	-
Grants	35,000	35,000	25,196	9,804
Department of recreation and parks	5,058,922	5,222,252	5,142,420	79,832
Operating Allocation				
Total parks, recreation and culture	\$ 5,058,922	\$ 5,222,252	\$ 5,142,420	\$ 79,832
LIBRARIES				
County funding - general operations	\$ 3,078,259	\$ 3,078,259	\$ 3,078,258	\$ 1
CONSERVATION OF NATURAL RESOURCES				
University of MD Extension-St. Mary's	\$ 270,802	\$ 270,802	\$ 264,924	\$ 5,878
Agriculture and seafood allocation	310,268	310,268	310,268	-
Soil Conservation District	103,423	113,423	98,552	14,871
Conservation of natural resources	684,493	694,493	673,744	20,749
Allocation of agriculture and seafood (Division of DED)				
Operating allocation				
Waterman's Association allocation	12,500	12,500	12,500	-
SMC Forest Conservation District Board	2,500	2,500	2,500	-
Southern Md. Resource Conservation/Dev.	15,300	15,300	15,300	-
Operating allocation	30,300	30,300	30,300	-
Total conservation of natural resources	\$ 714,793	\$ 724,793	\$ 704,044	\$ 20,749

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Expenditures - Budget and Actual General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Department of economic development				
Administration/office of the director	\$ 455,751	\$ 459,084	\$ 448,614	\$ 10,470
Tourism development	400,194	400,194	400,194	-
Agriculture & seafood development	413,272	415,391	413,691	1,700
Less Allocation	(310,268)	(310,268)	(310,268)	-
Business development	631,065	717,307	670,633	46,674
Non-Profit Allocation	55,580	55,580	55,580	-
Grants	-	94,874	157,501	(62,627)
Department of economic development	1,645,594	1,832,162	1,835,945	(3,783)
Office of Community Services				
Office of community services	529,438	509,438	504,670	4,768
Human relations commission	1,850	1,850	-	1,850
Commission for women	7,000	7,000	4,619	2,381
	538,288	518,288	509,289	8,999
Human Resources				
Commission for the disabled	2,300	4,418	2,493	1,925
Tri-County Council	125,000	125,000	125,000	-
Operating allocation	127,300	129,418	127,493	1,925
Total economic development and opportunity	\$ 2,311,182	\$ 2,479,868	\$ 2,472,727	\$ 7,141
DEBT SERVICE				
Debt service	\$ 14,918,169	\$ 14,918,169	\$ 14,523,048	\$ 395,121
INTER-GOVERNMENTAL				
Leonardtown tax rebate	\$ 44,461	\$ 44,461	\$ 44,460	\$ 1
OTHER				
Employer contributions-retiree health benefits	\$ 3,900,000	\$ 3,900,000	\$ 4,121,069	\$ (221,069)
Unemployment compensation	25,000	25,000	(4,718)	29,718
Bank service fees	25,000	25,000	76,121	(51,121)
Total other	\$ 3,950,000	\$ 3,950,000	\$ 4,192,472	\$ (242,472)
Total expenditures, before pass-throughs	\$ 278,998,347	\$ 282,988,508	\$ 274,710,020	\$ 8,278,488
Pass-through expenditures	-	-	-	-
Total expenditures, including pass-throughs	\$ 278,998,347	\$ 282,988,508	\$ 274,710,020	\$ 8,278,488
Appropriation reserve	\$ 1,500,000	\$ 1,589,386	\$ -	\$ 1,589,386
Reserve - bond rating	400,000	400,000	1,320,000	(920,000)
Reserve - emergency appropriations	500,000	608,254	-	608,254
Reserves	2,400,000	2,597,640	1,320,000	1,277,640
Total reserves	\$ 2,400,000	\$ 2,597,640	\$ 1,320,000	\$ 1,277,640
Total expenditures, including pass-throughs and reserves	\$ 281,398,347	\$ 285,586,148	\$ 276,030,020	\$ 9,556,128
Transfer				
General fund transfers	7,266,193	7,663,833	7,663,833	-
Total expenditures and other financing uses	\$ 288,664,540	\$ 293,249,981	\$ 283,693,853	\$ 9,556,128

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

**Schedule of Unexpended Appropriations for Capital Projects
For the Year Ended June 30, 2022**

LAND PRESERVATION

Critical Area Planting	\$	88,318	
Agriculture Preservation		6,432,236	
Rural Legacy Program		<u>10,935,638</u>	\$ 17,456,192

HIGHWAYS

4 Way Inter MD4/Wildewood		31,120	
Asphalt Overlay		71,594	
Bridge/Culvert Replace		394,205	
Buck Hewitt Road		1,454,473	
County Bridge Replace/Repair		1,585,234	
FDR Blvd MD4 to Pegg Rd		11,863,750	
Federal Bridge Replace		50,000	
Johnson Farm Pond		386,281	
Mattapany Road		30,998	
Mt. Wolfe Roundabout		767,653	
Neighborhood Drainage Imp		1,433,893	
Pax Pk Neighborhood Preservation		1,184,488	
Regional Water Quality&Nutrient		366,176	
Removal of Roadside Obstacles		3,211	
Retrofit Sidewalk Program		1,881,925	
Roadway & Safety Improvement		1,935,641	
Roadwork Maintenance		1,628,388	
Side-Path or Bikeways		132,518	
South Shangri-La Drive Side		35,065	
Southampton Neighborhood		665,932	
Streetscape Improvement		362,900	
Transportation Plan Update		62,133	
Water Qlty&Nutr Remov Grant		<u>728,860</u>	27,056,438

MARINE

St. Jerome's Creek Jetties		210,580	
St. Patrick Creek Maintenance		897,598	
Myrtle Point Shoreline		52,500	
Piney Point Lighthouse Museum		34,035	
Piney Point Rd Shore Erosion		<u>356,400</u>	1,551,113

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

**Schedule of Unexpended Appropriations for Capital Projects (continued)
For the Year Ended June 30, 2022**

PUBLIC WORKS

911 Back Up Center	42,708	
Adult Det Center Upgrades	6,900,761	
Airport Improvements	15,087,177	
Airport Master Plan	1,374,017	
Airport Wetlands Mitigation	\$ 98,073	
Animal Shelter New Building	461,265	
Bldg Maint & Repair Proj	1,010,828	
District 1 Sheriff Office	102,499	
Emerg Comm Cntr Exp	290,000	
Energy Efficiency & Conservation	13,859	
Facilities Master Plan Update	100,000	
Health Department Renovations	56,069	
Home Grown Farmers Market	595	
HVAC Chiller Replacement	5,344	
Leonardtwn Lib/Garvey Sr. Center	231,265	
New EMS Admin Building	1,520	
North County Farmers Market	435,242	
Northern Senior Activity Cnt Add	250,889	
Parking and Site Improvements	334,907	
Public Administration Enterprise	1,294,444	
Public Safety Comp. Aided Disp	2,465,032	
Regional Meat Processing	4,226,763	
Salt Storage Facility Replacement	444,000	
Sheriff's District 4 Office	4,924	
Sheriff's District 3 Office	82,304	
Sheriff's Headquarters	<u>1,735,510</u>	\$ 37,049,995

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

**Schedule of Unexpended Appropriations for Capital Projects (continued)
For the Year Ended June 30, 2022**

PIERS AND BOAT RAMPS

St. Inigoes Landing Boating Facility	\$ 250,000	\$ 250,000
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PUBLIC SCHOOLS

Aging School Program	28,133	
Athletic Turf Fields	12,879	
Bldg Infrastructure	2,393,768	
Chopticon HS Pre-Design	41,360	
Chopticon HS Soil Erosion	169,926	
DSS IT & Warehouse Facility	570	
Dynard ES-Roof/HVAC/Emerg Pwr	918,399	
Great Mills HS-Partial Roof Repl	30,025	
Green Holly ES-Switch Gear/HVAC	672,197	
Hollywood ES Roof/HVAC	37,808	
Lettie Dent Modernization	298,542	
Mechanicsville ES Modernization	3,080,591	
Park Hall ES Roof/HVAC	177,303	
Piney Point ES HVAC Sys	34,000	
Relocatables for Various Sites	711,101	
Safety&Security Init.	4,129,188	
School Capacity Study K-12	73,600	
Site Acquisition-Future Schools	91,280	
Town Creek ES HVAC	<u>177,050</u>	13,077,720

RECREATION & PARKS

Elms Beach Park Improvement	1,108,637
Great Mills Prop Master	100,000
Lexington Manor Passive Park	40,933
Multi-Purpose Turf Fields	52,929
Myrtle Point Park	275,000
Park Land & Facility Acquisition	1,086,487
Park Planning Grant	560
Rec Facility & Park Improvements	1,957,479

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

**Schedule of Unexpended Appropriations for Capital Projects (continued)
For the Year Ended June 30, 2022**

RECREATION & PARKS (continued)

Shannon Farm Property	\$	217,598	
Snow Hill Park		3,418,041	
Sports Complex		150,000	
St. Clements Isl Mus Renov		2,041,961	
Three Notch Trail Phase 7		5,718,989	
Three Notch Trail Phase 8		350,000	
YMCA - Great Mills		400,000	\$ 16,918,614

SOLID WASTE

Landfill Mitigation		18,628	
Clements Convenience Center		795,943	
Convenience Center Repair		190,625	
St. Andrews Landfill		521,201	<u>1,526,397</u>

Total \$ 114,886,469