

SOMERSET COUNTY, MARYLAND

FINANCIAL REPORT

June 30, 2020

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INDEPENDENT AUDITORS' REPORT

The Board of County Commissioners
Somerset County, Maryland
Princess Anne, Maryland

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Somerset County Sanitary District, Inc. and the Somerset County Liquor Control Board. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Somerset County Sanitary District, Inc. and the Somerset County Liquor Control Board is based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors the 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Maryland State Retirement and Pension Systems schedules and Schedule of Funding Progress – Other Post-Employment Benefits, as 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 other supplementary information 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The additional supplementary information and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates 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 additional supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "YHM Group LLC". The letters are cursive and somewhat stylized.

Salisbury, Maryland
January 29, 2021



Management's Discussion and Analysis

Somerset County's Financial Report for fiscal year ended June 30, 2020 reflects reporting in accordance with the format brought about by the Governmental Accounting Standards Board's (GASB) Statement No. 34 for State and Local Governments. One of the requirements of GASB 34 is this discussion and analysis that will provide the following things:

- Present the year's financial highlights.
- Describe the basic financial statements.
- Present condensed government-wide financial information.
- Analyze financial position and results of operations.
- Analyze balances and transactions of individual funds.
- Provide a budgetary analysis.
- Present capital asset and long-term debt activity.
- Describe any currently known significant facts, decisions or conditions.

While this discussion and analysis provides an overview of the financial performance of Somerset County, readers are encouraged to use the information presented in this section in conjunction with the basic financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

The total assets of Somerset County exceeded liabilities at the end of fiscal year 2020 by \$23.5 million. A net pension liability of \$7.86 million is reflected as a liability in accordance with the pension standard, as required under GASB 68. In addition, a liability for other post-employment benefits of \$22.9 million is reflected as a liability in accordance with GASB 75.

The total net position of the County increased approximately \$4.3 million during fiscal year 2020. There are several factors that enter into this increase, but the primary reason for the change is that the County received \$6.5 million in capital grants during the fiscal year, which added to the total net position.

The County's total governmental funds show a fund balance of \$17.9 million as of the end of the fiscal year. Of this total, \$12 million is either committed or assigned for capital projects, debt service, other post-employment benefits, future budget purposes, or other fund purposes. Approximately \$5.4 million remains unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of four sections: the independent auditor's report, required supplementary information, which includes this discussion and analysis, the basic financial statements, and the Uniform Guidance Supplementary Information. Somerset County's basic financial statements comprise three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements.

Government-wide Financial Statements provide a broad, entity-wide view of the County's financial position and changes in that position. The government-wide statements are another addition arising from GASB 34. Accountability is the paramount objective of financial reporting and two essential



components of accountability are fiscal accountability and operational accountability. Fiscal accountability refers to the government's responsibility to justify compliance with public decisions concerning the raising and spending of public moneys during one budget cycle, whereas operational accountability refers to governments' responsibility to use all available resources to meet their operating goals efficiently and effectively and whether they can continue to meet those objectives in the foreseeable future.

Historically, governments have used fund accounting that achieved the goal of fiscal accountability but not operational accountability. Government-wide financial statements have now been added to assess a government's operational accountability and provide a complementary component with fund accounting.

Government-wide financial statements use a measurement focus and basis of accounting that provide both a long and short-term perspective on the County's financial health. The measurement focus reports changes in economic resources and the basis of accounting is full accrual. Therefore, these statements recognize increases or decreases in economic resources as soon as the underlying event or transaction occurs. Fund financial statements on the other hand focus on increases and decreases in current financial resources only to the extent that they reflect current cash inflows and outflows.

The government-wide statements consist of the Statement of Net Position and the Statement of Activities. The Statement of Net Position presents the County's assets, liabilities, and net position at the end of the fiscal year. The Statement of Activities presents the transactions during the fiscal year and the resulting changes in net position. The expenses and revenues attributable to each function of government are netted to show how much each function relies on general revenue sources such as taxes, interest earnings and other general revenue. Both of these statements distinguish between governmental activities and business-type activities. Governmental activities rely principally on taxes and intergovernmental revenues whereby business-type activities are intended to recover a significant portion of their costs through user fees and charges for services.

Both of the government-wide statements also present a column that summarizes and combines the financial statements of the County's Component Units. This column includes the Board of Education, the Library, the Sanitary District, the Liquor Control Board, and the Local Management Board. These are considered component units of the Primary government because they either receive substantial funding from the Primary government or the County Commissioners appoint a majority of their board members.

Fund Financial Statements segregate financial operations into separate funds for accounting purposes and provide control over resources and activities designated for specific objectives or activities. These funds are grouped into three different types: governmental, proprietary, and fiduciary funds.

Governmental Funds include the General Fund, and Special Revenue Funds, which is comprised of the Roads Department, the Economic Development Commission, Hurricane Sandy and other non-major funds. Governmental funds focus on near-term flows of expendable resources and balances of resources available at the end of the fiscal year. The focus of governmental funds is narrower than that of the government-wide statements and both should be compared to evaluate both long and near term information.

Proprietary Funds, or enterprise funds, report on the Great Hope Golf Course and provide the same type of information as the government-wide statements, only report in more depth and detail.



Fiduciary funds account for resources held by the County for outside parties. These funds include the State Tax Fund, the Dental Fund, the Retirees Health fund, and an Agency fund which includes the following funds, States Attorneys Drug Bust Fund, States Attorneys County Property Forfeiture Fund, the Somerset County Detention Center Commissary Fund and the Somerset County Detention Center Inmate Welfare Fund.

Financial Data and Management's Analysis

Government-wide Statements

The following Statement of Net Position is a condensed version of that presented in the Financial Statements section of this report. Governmental activities include the General Fund, the Roads Department, the Economic Development Commission, Hurricane Sandy and other non-major governmental funds. Business-type activities consist solely of the Great Hope Golf Course. Component units include the Board of Education, the Library, the Sanitary District, the Liquor Control Board, and the Local Management Board.

Current and other assets are a broad category of assets that are readily convertible to cash and available to pay liabilities. Restricted assets are legally restricted for a specific use that originate from Federal, State, local code, grant agreements, or other contracts. Capital assets include land, buildings, vehicles, and equipment that have an extended useful life and depreciate in value over time.

Current and other liabilities consist of obligations that will be paid with currently available resources within a year. Long-term liabilities include debt balances beyond one year on bonds, notes and capital leases and accrued liabilities for compensated absences.

Net position, represents the remaining equity after subtracting liabilities from assets; and, is presented in three categories: assets invested in capital assets net of related debt, restricted net position and unrestricted net position.

Current assets amount to \$28,517,855 for the Primary Government at June 30, 2020, with \$15,156,387 in cash and cash equivalents including restricted cash. Capital assets amount to \$57,084,117, net of accumulated depreciation.

Total liabilities amount to \$64,518,779, which includes \$10,261,651 for Board of Education projects, \$10,408,970 for Landfill and Solid Waste projects and obligations and \$7,858,789 for the net pension liability under GASB 68. In addition, the balance sheet includes a liability for the unfunded annual required contribution for retirees' future post-employment health care benefits. This liability was estimated by our actuary to be \$22,930,481 for all governmental and business type entities.

Total net position amounted to \$23,500,723 of which \$34,149,726 is invested in capital assets net of related debt and \$10,852,807 is the unrestricted deficit, after recording the net pension liability, and the other post-employment benefit obligation.



SOMERSET COUNTY MARYLAND
SUMMARY OF STATEMENT OF NET POSITION
June 30, 2020 and 2019

	Governmental Activities		Business-type Activities	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 28,537,468	\$ 22,905,538	\$ (19,613)	\$ 22,233
Restricted	203,804	205,612	-	-
Capital assets	55,931,843	50,707,026	1,152,274	1,238,390
Total assets	<u>\$ 84,673,115</u>	<u>\$ 73,818,176</u>	<u>\$ 1,132,661</u>	<u>\$ 1,260,623</u>
Deferred outflows of resources	6,021,067	2,420,350	-	-
Current and other liabilities	9,530,805	9,830,834	89,737	102,295
Long-term liabilities	54,814,648	47,610,841	83,588	61,163
Total liabilities	<u>\$ 64,345,453</u>	<u>\$ 57,441,675</u>	<u>\$ 173,325</u>	<u>\$ 163,458</u>
Deferred inflows of resources	3,807,342	835,913	-	-
Net position:				
Invested in capital assets				
net of related debt	33,081,040	30,284,938	1,068,686	1,177,227
Restricted	203,804	205,612	-	-
Unrestricted	(10,743,457)	(12,529,612)	(109,350)	(80,062)
Total net position	<u>\$ 22,541,387</u>	<u>\$ 17,960,938</u>	<u>\$ 959,336</u>	<u>\$ 1,097,165</u>



Total		Component Units	
<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
\$ 28,517,855	\$ 22,927,771	\$ 9,576,554	\$ 7,762,722
203,804	205,612	1,401,063	1,517,169
57,084,117	51,945,416	118,984,608	111,314,958
<u>\$ 85,805,776</u>	<u>\$ 75,078,799</u>	<u>\$ 129,962,225</u>	<u>\$ 120,594,849</u>
6,021,067	2,420,350	9,794,217	1,461,843
9,620,542	9,933,129	7,119,089	5,277,351
54,898,236	47,672,004	51,780,521	37,935,868
<u>\$ 64,518,778</u>	<u>\$ 57,605,133</u>	<u>\$ 58,899,610</u>	<u>\$ 43,213,219</u>
3,807,342	835,913	1,100,351	315,198
34,149,726	31,462,165	107,016,513	98,571,702
203,804	205,612	434,377	510,172
(10,852,807)	(12,609,674)	(27,694,409)	(20,553,599)
<u>\$ 23,500,723</u>	<u>\$ 19,058,103</u>	<u>\$ 79,756,481</u>	<u>\$ 78,528,275</u>



The Statement of Activities presented below is a condensed version of the more detailed one presented in the Financial Statements section. Program revenues are listed first followed by General revenues and then expenses attributable to each function of the County government. The Change in net position is equal to the revenues minus expenses and is added (subtracted) to Net position beginning of year to reach Net position end of year.

Governmental activities had revenues and transfers that exceeded expenses by \$4,397,963 for the year ended June 30, 2020. This increase in net position is due to several factors, but the most significant is the large amount of capital grants totaling \$6,470,975, which were primarily received from the Walk/Bike Trail and Airport projects.

In the general revenue category, the disparity grant, listed under State of Maryland – Disparity Grant, is the County’s third largest revenue source and amounted to \$5,811,182. The Disparity Grant is provided from the State to counties whose per capita taxable income falls below 75% of the State average.



SOMERSET COUNTY MARYLAND
STATEMENT OF ACTIVITIES
For the Fiscal Years Ended June 30, 2020 and 2019

	Governmental Activities		Business-type Activities	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Program Revenues				
Charges for services	\$ 2,774,730	\$ 2,410,428	\$ 487,441	\$ 425,657
Operating Grants and contributions	9,741,249	5,201,629	-	-
Capital grants and contributions	6,470,975	194,119	-	-
	18,986,954	7,806,176	487,441	425,657
General Revenues:				
Property taxes	17,589,368	17,609,025	-	-
Income taxes	8,098,231	7,974,502	-	-
Other taxes	813,695	574,000	-	-
State of Maryland - Disparity Grant	5,811,182	5,558,432	-	-
Other	22,482	469,012	1,345	1,509
	32,334,958	32,184,971	1,345	1,509
Total revenues	51,321,912	39,991,147	488,786	427,166
Expenses				
General Government	8,257,540	7,848,816	-	-
Public safety	9,764,426	9,780,454	-	-
Public works	7,069,438	6,844,186	-	-
Health	914,146	972,749	-	-
Social services	261,005	297,376	-	-
Education	14,120,949	10,875,018	-	-
Recreation & culture	1,034,849	1,224,241	-	-
Conservation of natural resources	75,491	118,626	-	-
Economic and community development	4,186,319	1,751,832	-	-
Intergovernmental	175,157	144,953	-	-
Interest on long-term debt	604,629	529,631	-	-
Golf-course	-	-	1,086,615	1,035,387
Component units	-	-	-	-
Total expenses	46,463,949	40,387,883	1,086,615	1,035,387
Transfers	(460,000)	(510,000)	460,000	510,000
Change in net position	4,397,963	(906,736)	(137,829)	(98,221)
Net position beginning of year	18,143,424	18,867,674	1,097,165	1,195,386
Net position end of year	\$ 22,541,387	\$ 17,960,938	\$ 959,336	\$ 1,097,165



Total		Component Units	
<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
\$ 3,262,171	\$ 2,836,085	\$ 5,259,195	\$ 4,971,190
9,741,249	5,201,629	58,389,177	55,439,941
6,470,975	194,119	12,214,936	25,333,167
19,474,395	8,231,833	75,863,308	85,744,298
17,589,368	17,609,025	-	-
8,098,231	7,974,502	-	-
813,695	574,000	-	-
5,811,182	5,558,432	-	-
23,827	470,521	124,231	219,656
32,336,303	32,186,480	124,231	219,656
51,810,698	40,418,313	75,987,539	85,963,954
8,257,540	7,848,816	-	-
9,764,426	9,780,454	-	-
7,069,438	6,844,186	-	-
914,146	972,749	-	-
261,005	297,376	-	-
14,120,949	10,875,018	-	-
1,034,849	1,224,241	-	-
75,491	118,626	-	-
4,186,319	1,751,832	-	-
175,157	144,953	-	-
604,629	529,631	-	-
1,086,615	1,035,387	-	-
-	-	74,909,333	65,038,089
47,550,564	41,423,270	74,909,333	65,038,089
-	-	150,000	-
4,260,134	(1,004,957)	1,228,206	20,925,865
19,240,589	20,063,060	78,528,275	57,602,410
\$ 23,500,723	\$ 19,058,103	\$ 79,756,481	\$ 78,528,275



Governmental funds

Total governmental fund balances at the end of the fiscal year amounted to \$17,948,711 of which \$64,328 is non-spendable, \$203,804 is restricted, \$9,300,000 is committed, \$2,996,606 is assigned and \$5,383,973 is unassigned.

The general fund constitutes the main operating fund of the Somerset County Government and reports a fiscal year ending fund balance of \$15,593,676. The general fund balance increased by \$1,028,594 during fiscal year 2020. This result is significantly better than the budgeted decrease of \$1,832,708.

Budgetary Variations

Somerset County legally adopts the General Fund budget each year in May and holds an advertised public hearing and accepts public input before finalizing and subsequently adopting it. This section highlights notable differences between the adopted budget and actual ending balances. A statement detailing the variances by budget line item of both revenues and expenditures can be found in the supplementary information section.

Property taxes were \$492,792 greater than what was budgeted for fiscal year 2020. This is due to two factors. First, there was unanticipated expanded development of a residential area that created unanticipated real property taxes on new construction totaling approximately \$154,000. Second, Phase II of a solar project was budgeted low since we did not know for sure the phase of completion of the project and the personal property taxes came in higher than anticipated.

Airport grant revenues exceeded budget by \$573,604. The County made substantial progress on the airport project and we were able to receive grant reimbursements on both current year and prior year expenditures incurred.

The Federal Transportation Alternatives Grant revenue shows a negative budget variance of \$1,427,908 since we budgeted for the entire project in FY 20, but the project will not be completed until the end of FY 21. Likewise, the state grant for this project shows a similar favorable variance.

Proceeds from debt financing were \$4,119,501 more than budget because the County does not budget for a project refinancing, as per normal policy. The Tawes Technology and Career Center Project was completed and the interim financing was turned into long-term financing with USDA. Likewise, on the expenditure side, the County experienced a similar negative variance of \$3,975,117 due to the same situation.

Waterways projects progressed slower than anticipated during FY 2020. The County budgeted for but did not complete four projects during FY 20, thereby accounting for the negative revenue variance of \$411,671, as well as the positive expenditure variance of \$436,897.

The Burgess Museum capital project was begun in late FY 2020 and will be carried forward in FY 2021, thereby creating the negative revenue budget variance of \$500,000.

The County received a large unbudgeted fee on a solar project that accounts for the favorable budget variance of \$240,245 in General Government charges for services.

There was a favorable revenue variance in Landfill tipping and permit fees of \$112,794 primarily due to a change in how the County bills for trash stickers.



On the expenditure side, Other General Government expenditures exceeded budget by \$156,864. During FY 20, the Liquor Board approached the County and asked them to consider purchasing the liquor dispensary building in Princess Anne, due to rising lease costs. The Commissioners agreed but since this was an unbudgeted item, it resulted in the negative expenditure variance. However, over the long term, the Commissioners expect to realize savings from this decision.

The favorable expenditure variance of \$412,757 in Waste Collection and Disposal is due to several reasons. There were significant budget savings during the year on the Smith Island incinerator project and on leachate expense. In addition, a large capital project for a transfer station was delayed due to legal easement issues.

There was a large favorable expenditure variance in Recreation and Culture of \$2,271,475 that was due to two large capital projects for the Burgess Museum and the Walk/Bike Trail. Both projects were budgeted for the full project cost but only a portion of the projects were actually completed in FY 20. The uncompleted portion will carry into FY 21.

Capital Asset and Long-term Debt Activity

The investment in capital assets for the County as of June 30, 2020 amounted to \$57,084,117 for both governmental and business-type activities. The schedule below summarizes the capital assets by category. Total additions for fiscal year 2020 amounted to \$4,870,335 net of transfers to construction in progress. The most significant addition during the year was the Bike/Walk Trail totaling \$3,293,434. Other significant additions included was the emergency services radio equipment totaling \$686,661 and airport improvements of \$730,887.

School construction reimbursements to the Somerset Board of Education, which are not included in the County's investment in capital assets, totaled \$3,661,684 for the year.

The Roads Department investment in capital assets as of June 30, 2020, totaled \$8,488,344, net of depreciation. Major additions for the year included additional road work of \$2,214,227.



SOMERSET COUNTY MARYLAND
Capital Assets
(Net of Depreciation)
For the Fiscal Years Ended June 30, 2020 and 2019

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Land (not depreciated)	\$ 4,469,361	\$ 4,548,086	\$ -	\$ -
Land improvements	-	-	430,602	510,185
Construction in Progress	4,851,140	3,972,304	-	-
Buildings, improvements	16,758,225	17,385,650	612,011	630,173
Improvements, non-buildings	22,148,092	20,801,191	-	-
Vehicles	737,159	714,060	-	-
Furniture, machinery, equipment	6,967,866	3,285,735	109,661	98,032
Total	\$ 55,931,843	\$ 50,707,026	\$ 1,152,274	\$ 1,238,390



Total	
<u>2020</u>	<u>2019</u>
\$ 4,469,361	\$ 4,548,086
430,602	510,185
4,851,140	3,972,304
17,370,236	18,015,823
22,148,092	20,801,191
737,159	714,060
<u>7,077,527</u>	<u>3,383,767</u>
<u>\$ 57,084,117</u>	<u>\$ 51,945,416</u>



Long-term debt for governmental and business-type activities amounted to \$25,388,368 at the end of the fiscal year. Additions for fiscal year 2020 included \$3,661,684 of short-term and long-term borrowings on the J. M. Tawes School. Debt service for the fiscal year 2020, after a reclassification of a debt refinancing that totaled \$4,000,000, was \$2,721,569, which was 5.5% of the 2020 general fund actual expenditures.

Currently Known Facts, Decisions, or Conditions

The City of Crisfield has declared the Carvel Hall Industrial Site as surplus property and has received three bids for the possible sale of the property. The City is currently considering these bids to determine the best option for the sale of the former 73,000 square foot, Carvel Hall facility.

Chesapeake Utilities has received approval on a project to extend natural gas into Somerset County. The project is moving forward and once completed, should bring with it a huge economic development impact to Somerset County, as well as the surrounding area.

Somerset County sold the former campground property on Brittingham Lane back in FY 2017, for \$900,000. The site, which is located across from UMES Boulevard, will consist of a hotel, medical office, commercial pad sites and future housing developments, as currently proposed. In addition, Royal Farms has been confirmed as a tenant, with construction anticipated to begin in the spring of 2021.

Somerset County was a recipient of \$2,234,897 of Coronavirus Relief Funds, as created under the CARES Act. Although the County had only expended \$61,239 under this federal program at June 30, 2020, the total had been substantially expended by the date of issuance of this report.

Similarly, the County received \$113,861 from the Maryland Department of Commerce under the Restaurant Relief Fund. The funds have since been totally expended during FY 21. Recently, in January, 2021, the County received \$68,316 of additional funding from the Restaurant Relief Fund and \$33,986 under a new program from the Maryland Department of Commerce for Hotel/Motel Relief Funds. None of these funds have been expended as of the date of release of this report.

This financial report is intended to provide an overview of Somerset County's financial position and results of operation. Requests for additional information should be addressed to:

Somerset County Commissioners
11916 Somerset Avenue, Room 111
Princess Anne, MD 21853

SOMERSET COUNTY, MARYLAND
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 14,832,000	\$ 44,824	\$ 14,876,824
Investments	75,759	-	75,759
Receivables			
Property taxes, net of allowance of \$345,787	1,287,375	-	1,287,375
Accounts receivable	27,927	-	27,927
Grants receivable	-	-	-
Notes receivable	977	-	977
Due from other governmental units	9,322,269	-	9,322,269
Other	2,829,634	-	2,829,634
Internal balances	95,869	(95,869)	-
Inventories, at cost	64,328	31,432	95,760
Other	1,330	-	1,330
Restricted assets			
Cash and cash equivalents	203,804	-	203,804
Investments	-	-	-
Receivables, net of allowance of \$337,840	-	-	-
Capital assets, not being depreciated	9,320,501	-	9,320,501
Capital assets, being depreciated, net	46,611,342	1,152,274	47,763,616
Total assets	\$ 84,673,115	\$ 1,132,661	\$ 85,805,776
DEFERRED OUTFLOWS OF RESOURCES			
Other post-employment benefits (see Note 11)	4,759,084	-	4,759,084
Pensions (see Note 9)	1,261,983	-	1,261,983
Total deferred outflow of resources	6,021,067	-	6,021,067
LIABILITIES			
Accounts payable and accrued expenses	4,874,426	40,500	4,914,926
Due to other governmental units	1,093,385	-	1,093,385
Unearned revenue	1,036,400	49,237	1,085,637
Due to fiduciary fund	149,584	-	149,584
Other	-	-	-
Long-term liabilities			
Due within one year			
Compensated absences	107,306	-	107,306
Bonds, notes and capital leases payable	2,269,704	26,301	2,296,005
Due in more than one year			
Compensated absences	990,302	-	990,302
Bonds, notes and capital leases payable	23,035,076	57,287	23,092,363
Other post-employment benefit obligation (see Note 11)	22,930,481	-	22,930,481
Net pension liability (See Note 9)	7,858,789	-	7,858,789
Total liabilities	64,345,453	173,325	64,518,778
DEFERRED INFLOWS OF RESOURCES			
Other post-employment benefits (see Note 11)	2,922,203	-	2,922,203
Pensions (see Note 9)	885,139	-	885,139
Total deferred inflow of resources	3,807,342	-	3,807,342
NET POSITION			
Net investment in capital assets	33,081,040	1,068,686	34,149,726
Restricted	203,804	-	203,804
Unrestricted	(10,743,457)	(109,350)	(10,852,807)
Total net position	\$ 22,541,387	\$ 959,336	\$ 23,500,723

The Notes to Financial Statements are an integral part of this statement.

Component Units

<u>Board of Education</u>	<u>Library</u>	<u>Sanitary District</u>	<u>Liquor Control Board</u>	<u>Local Management Board</u>
\$ 2,073,115	\$ 91,452	\$ 42,717	\$ 161,419	\$ 206,800
-	109,576	167,077	-	-
-	-	-	-	-
-	-	1,131,958	-	415,496
-	-	1,931,155	-	-
-	-	-	-	-
2,576,910	111,390	9,750	-	-
-	-	6,365	25,000	-
-	-	-	-	-
29,104	-	-	475,775	-
-	-	6,426	4,685	384
-	-	930,537	-	-
-	-	125,604	-	-
-	-	344,922	-	-
510,752	-	11,057,478	-	-
88,161,313	677,047	18,561,761	16,257	-
\$ 93,351,194	\$ 989,465	\$ 34,315,750	\$ 683,136	\$ 622,680
8,943,246	292,883	15,741	-	-
397,790	-	144,557	-	-
9,341,036	292,883	160,298	-	-
2,976,230	60,389	848,790	239,854	188,732
10,943	19,788	984,627	143,282	192,359
621,375	7,963	-	-	-
-	-	-	-	-
-	-	369,972	-	-
25,000	-	23,216	-	-
-	-	406,569	-	-
1,005,433	-	131,555	-	-
-	-	11,561,526	-	-
34,256,549	1,415,161	197,385	-	-
2,348,514	-	864,398	-	-
41,244,044	1,503,301	15,388,038	383,136	381,091
773,772	27,477	6,324	-	-
198,393	-	94,385	-	-
972,165	27,477	100,709	-	-
88,672,065	677,047	17,651,144	16,257	-
-	-	434,377	-	-
(28,196,044)	(925,477)	901,780	283,743	241,589
\$ 60,476,021	\$ (248,430)	\$ 18,987,301	\$ 300,000	\$ 241,589

SOMERSET COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
GOVERNMENTAL ACTIVITIES				
General Government	\$ 8,257,540	\$ 592,563	\$ 5,211,593	\$ 138,989
Public safety	9,764,426	178,565	998,595	100,700
Public works	7,069,438	1,893,345	960,549	2,772,014
Health	914,146	42,469	15,000	-
Social services	261,005	-	411,146	-
Education	14,120,949	-	402,939	-
Recreation and culture	1,034,849	67,788	474,339	3,459,272
Conservation of natural resources	75,491	-	14,218	-
Economic and community development	4,186,319	-	1,252,871	-
Intergovernmental	175,157	-	-	-
Interest on long-term debt	604,629	-	-	-
Total Governmental Activities	46,463,949	2,774,730	9,741,249	6,470,975
BUSINESS-TYPE ACTIVITIES				
Golf Course	1,086,615	487,441	-	-
Total Business-Type Activities	1,086,615	487,441	-	-
Total Primary Government	\$ 47,550,564	\$ 3,262,171	\$ 9,741,249	\$ 6,470,975
COMPONENT UNITS				
Board of Education	\$ 65,933,662	\$ 63,353	\$ 55,771,333	\$ 8,174,814
Library	1,203,367	9,497	850,273	-
Sanitary District	5,004,337	3,022,830	1,000,491	4,040,122
Liquor Control Board	2,022,296	2,163,515	-	-
Local Management Board	745,671	-	767,080	-
Total Component Units	\$ 74,909,333	\$ 5,259,195	\$ 58,389,177	\$ 12,214,936

General Revenues

Taxes:

Property

Income

Other

State of Maryland - Disparity Grant

Payments in lieu of taxes

Distributions from Somerset County Dispensary

Interest

Special item - gain (loss) on sale of assets

Other

Total General Revenues

Transfers

Total general revenues and transfers

Change in Net Position

Net Position Beginning of Year, as restated

Net Position End of Year

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units				
Governmental Activities	Business-Type Activities	Total	Board of Education	Library	Sanitary District	Liquor Control Board	Local Management Board
\$ (2,314,395)	\$ -	\$ (2,314,395)	\$ -	\$ -	\$ -	\$ -	\$ -
(8,486,566)	-	(8,486,566)	-	-	-	-	-
(1,443,530)	-	(1,443,530)	-	-	-	-	-
(856,677)	-	(856,677)	-	-	-	-	-
150,141	-	150,141	-	-	-	-	-
(13,718,010)	-	(13,718,010)	-	-	-	-	-
2,966,550	-	2,966,550	-	-	-	-	-
(61,273)	-	(61,273)	-	-	-	-	-
(2,933,448)	-	(2,933,448)	-	-	-	-	-
(175,157)	-	(175,157)	-	-	-	-	-
(604,629)	-	(604,629)	-	-	-	-	-
(27,476,995)	-	(27,476,995)	-	-	-	-	-
-	(599,174)	(599,174)	-	-	-	-	-
-	(599,174)	(599,174)	-	-	-	-	-
\$ (27,476,995)	\$ (599,174)	\$ (28,076,169)	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (1,924,162)	\$ (343,597)	\$ -	\$ -	\$ -
-	-	-	-	-	3,059,106	-	-
-	-	-	-	-	-	141,219	-
-	-	-	-	-	-	-	21,409
\$ -	\$ -	\$ -	\$ (1,924,162)	\$ (343,597)	\$ 3,059,106	\$ 141,219	\$ 21,409
17,589,368	-	17,589,368	-	-	-	-	-
8,098,231	-	8,098,231	-	-	-	-	-
813,695	-	813,695	-	-	-	-	-
5,811,182	-	5,811,182	-	-	-	-	-
64,539	-	64,539	-	-	-	-	-
-	-	-	-	-	-	(143,282)	-
107,282	(3,726)	103,556	230,176	-	6,446	-	16
(353,071)	-	(353,071)	-	-	-	-	-
203,732	5,071	208,803	-	28,812	-	2,063	-
32,334,958	1,345	32,336,303	230,176	28,812	6,446	(141,219)	16
(460,000)	460,000	-	-	-	-	150,000	-
31,874,958	461,345	32,336,303	230,176	28,812	6,446	8,781	16
4,397,963	(137,829)	4,260,134	(1,693,986)	(314,785)	3,065,552	150,000	21,425
18,143,424	1,097,165	19,240,589	62,170,007	66,355	15,921,749	150,000	220,164
\$ 22,541,387	\$ 959,336	\$ 23,500,723	\$ 60,476,021	\$ (248,430)	\$ 18,987,301	\$ 300,000	\$ 241,589

SOMERSET COUNTY, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2020

	Special Revenue Funds					Total Governmental Funds
	General Fund	Roads Board	Economic Development Commission	Hurricane Sandy	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 12,660,494	\$ 876,426	\$ 756,232	\$ 518,254	\$ 20,594	\$ 14,832,000
Investments	75,759	-	-	-	-	75,759
Receivables:						
Property taxes	1,287,375	-	-	-	-	1,287,375
Accounts receivable	-	27,927	-	-	-	27,927
Notes receivable	-	-	977	-	-	977
Due from other governmental units	6,190,931	957,902	-	2,126,212	47,224	9,322,269
Other	2,828,028	-	1,606	-	-	2,829,634
Due from other funds	1,091,963	17,717	45,295	-	39,301	1,194,276
Inventories, at cost	-	64,328	-	-	-	64,328
Other	-	-	1,330	-	-	1,330
Restricted Assets						
Cash and cash equivalents	203,804	-	-	-	-	203,804
Total assets	\$ 24,338,354	\$ 1,944,300	\$ 805,440	\$ 2,644,466	\$ 107,119	\$ 29,839,679
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	\$ 3,840,687	\$ 501,839	\$ 5,377	\$ 488,494	\$ 38,029	\$ 4,874,426
Due to other funds	212,596	150,519	-	884,876	-	1,247,991
Due to other governmental units	1,052,629	-	1,583	-	39,173	1,093,385
Unearned revenue	3,638,766	-	1,330	1,005,198	29,872	4,675,166
Total liabilities	8,744,678	652,358	8,290	2,378,568	107,074	11,890,968
FUND BALANCES						
Nonspendable	-	64,328	-	-	-	64,328
Restricted for:						
Future expenditures	203,804	-	-	-	-	203,804
Committed for:						
Capital projects	5,800,000	-	-	-	-	5,800,000
Debt Service	2,300,000	-	-	-	-	2,300,000
OPEB	1,200,000	-	-	-	-	1,200,000
Assigned for:						
Future budget	705,899	-	-	-	-	705,899
Fund purpose	-	1,227,614	797,150	265,898	45	2,290,707
Unassigned	5,383,973	-	-	-	-	5,383,973
Total fund balances	15,593,676	1,291,942	797,150	265,898	45	17,948,711
Total liabilities and fund balances	\$ 24,338,354	\$ 1,944,300	\$ 805,440	\$ 2,644,466	\$ 107,119	\$ 29,839,679

The Notes to Financial Statements are an integral part of this statement.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020**

Total fund balances, governmental funds	\$ 17,948,711
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 fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	55,931,843
Certain revenues that do not provide current financial resources are reported as unearned revenue in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.	3,638,766
Deferred outflows of resources - pensions	1,261,983
Deferred outflows of resources - OPEB	4,759,084
Deferred inflows of resources - pensions	(885,139)
Deferred inflows of resources - OPEB	(2,922,203)
Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of:	
Other post-employment benefit obligation	(22,930,481)
Bonds, notes and capital leases payable	(25,304,780)
Compensated absences	(1,097,608)
Net pension liability (see Note 9)	<u>(7,858,789)</u>
Total long-term liabilities	<u>(57,191,658)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 22,541,387</u>

SOMERSET COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended June 30, 2020

	General Fund	Special Revenue Funds			Other Governmental Funds	Total Governmental Funds
		Roads Board	Economic Development Commission	Hurricane Sandy		
REVENUE						
Taxes						
Local - property	\$ 17,944,515	\$ -	\$ -	\$ -	\$ -	\$ 17,944,515
Local - income	8,098,231	-	-	-	-	8,098,231
Local - other	813,695	-	-	-	-	813,695
State shared	-	571,026	-	-	-	571,026
Licenses and permits	145,135	-	-	-	-	145,135
Intergovernmental						
Federal	4,360,150	1,739,717	-	2,665,135	117,536	8,882,538
State	8,492,228	-	-	756,190	466,551	9,714,969
Local	172,274	-	-	16,587	70,850	259,711
Program income	-	-	-	330,782	-	330,782
Charges for services	2,209,544	420,051	-	-	-	2,629,595
Miscellaneous	311,014	114,194	38,344	-	2,722	466,274
Total revenue	42,546,786	2,844,988	38,344	3,768,694	657,659	49,856,471
EXPENDITURES						
Current						
General government	6,851,972	-	-	-	-	6,851,972
Public safety	8,164,562	-	-	-	-	8,164,562
Public works	2,030,547	3,157,475	-	-	-	5,188,022
Health	895,468	-	-	-	-	895,468
Social services	70,190	-	-	-	190,815	261,005
Education	10,459,265	-	-	-	-	10,459,265
Recreation and culture	786,810	-	-	-	-	786,810
Conservation of natural resources	75,491	-	-	-	-	75,491
Economic and community development	-	-	220,738	3,498,941	466,640	4,186,319
Intergovernmental	175,157	-	-	-	-	175,157
Debt service						
Principal retirement	6,116,940	-	-	-	-	6,116,940
Interest and fiscal charges	604,629	-	-	-	-	604,629
Capital outlay	9,621,592	2,239,043	-	-	-	11,860,635
Total expenditures	45,852,623	5,396,518	220,738	3,498,941	657,455	55,626,275
Excess (deficiency) of revenues over expenditu	(3,305,837)	(2,551,530)	(182,394)	269,753	204	(5,769,804)
OTHER FINANCING (USES) SOURCES						
Proceeds from debt financing	7,734,431	-	-	-	-	7,734,431
Operating transfers, net	(3,400,000)	2,800,000	140,000	-	-	(460,000)
Total other financing (uses) sources	4,334,431	2,800,000	140,000	-	-	7,274,431
Net change in fund balances	1,028,594	248,470	(42,394)	269,753	204	1,504,627
Fund balances, beginning	14,565,082	1,043,472	839,544	(3,855)	(159)	16,444,084
Fund balances, ending	\$ 15,593,676	\$ 1,291,942	\$ 797,150	\$ 265,898	\$ 45	\$ 17,948,711

The Notes to Financial Statements are an integral part of this statement.

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020**

Net change in fund balances, governmental funds \$ 1,504,627

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	8,099,524	
Depreciation expense	(2,521,636)	
	<u>5,577,888</u>	5,577,888

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. The cost of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (loss) on disposal of capital assets	(353,071)
---	-----------

Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, loans of this amount were issued.

(7,734,431)

Because some revenues will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unearned revenues changed by this amount this year.

1,818,512

Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

6,116,940

The change in estimated landfill closure costs recorded in governmental activities and related expenditures increase or decrease a liability on the government-wide statements, but are not a use of current financial resources in the governmental funds.

(66,000)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Change in other post-employment benefits	(1,606,811)	
Change in compensated absences	(101,304)	
Change in pension expense	(758,387)	
	<u>(2,466,502)</u>	(2,466,502)

Change in net position of governmental activities	\$	<u>4,397,963</u>
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SOMERSET COUNTY, MARYLAND
STATEMENT OF FUND NET POSITION
BUSINESS-TYPE ACTIVITIES
June 30, 2020

	Enterprise Fund
	<u>Golf Course</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 44,824
Inventory	31,432
Total current assets	76,256
Noncurrent assets	
Capital assets at cost	5,207,032
Less accumulated depreciation	(4,054,758)
Total noncurrent assets	1,152,274
Total assets	1,228,530
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	40,500
Due to other funds	95,869
Unearned revenue	49,237
Current maturities of long-term debt	26,301
Total current liabilities	211,907
Noncurrent liabilities	
Noncurrent portion of long-term debt	57,287
Total liabilities	269,194
NET POSITION	
Invested in capital assets, net of related debt	1,068,686
Unrestricted deficit	(109,350)
Total net position	\$ 959,336

The Notes to Financial Statements are an integral part of this statement.

SOMERSET COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION
BUSINESS-TYPE ACTIVITIES
Year Ended June 30, 2020

	Enterprise Fund
	<u>Golf</u> <u>Course</u>
OPERATING REVENUE	
Charges for services	\$ 487,441
Other operating	5,071
<hr/>	
Total operating revenue	492,512
<hr/>	
OPERATING EXPENSES	
Salaries and related taxes	508,565
Repairs and maintenance	49,365
Supplies	145,759
Utilities	31,937
Insurance	79,079
Depreciation and amortization	144,333
Other operating	127,577
<hr/>	
Total operating expenses	1,086,615
<hr/>	
Net operating loss	(594,103)
<hr/>	
NON-OPERATING (EXPENSES) REVENUE	
Financial expense, net	(3,726)
<hr/>	
Total non-operating expenses	(3,726)
<hr/>	
Loss before contributions, distributions and transfers	(597,829)
<hr/>	
Operating transfers, net	460,000
<hr/>	
Change in net position	(137,829)
<hr/>	
Total net position, beginning	1,097,165
<hr/>	
Total net position, ending	\$ 959,336
<hr/>	

The Notes to Financial Statements are an integral part of this statement.

SOMERSET COUNTY, MARYLAND

**STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES**

Year Ended June 30, 2020

	<u>Enterprise Fund</u>
	Golf Course
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 489,553
Payments to suppliers	(146,045)
Payments to employees	(506,695)
Other payments	(238,068)
<hr/>	
Net cash used by operating activities	(401,255)
<hr/>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers	460,000
<hr/>	
Net cash provided by noncapital financing activities	460,000
<hr/>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from long-term debt	48,692
Principal paid on long-term debt	(26,266)
Interest paid on long-term debt	(3,726)
Additions of capital assets	(58,217)
<hr/>	
Net cash used by capital and related financing activities	(39,517)
<hr/>	
Net change in cash and cash equivalents	19,228
Cash and cash equivalents, beginning	25,596
<hr/>	
Cash and cash equivalents, ending	\$ 44,824
<hr/>	

SOMERSET COUNTY, MARYLAND

**STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES**

(Continued)

Year Ended June 30, 2020

**Reconciliation of operating loss to net cash
used by operating activities:**

Operating loss	\$ (594,103)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization expense	144,333
Changes in assets and liabilities:	
Receivables, net	8,085
Accounts and other payables	(6,585)
Inventories	12,773
Unearned revenue	(5,973)
Due to other funds	40,215
<hr/> Net cash used by operating activities	<hr/> \$ (401,255)

The Notes to Financial Statements are an integral part of this statement.

SOMERSET COUNTY, MARYLAND

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

June 30, 2020

	State Tax Fund	Agency	Dental Fund	Retirees Health Fund
ASSETS				
Cash	\$ -	\$ 21,084	\$ 31,064	\$ 184,974
Property taxes receivable	108,217	-	-	-
Due from other funds	149,584	-	-	-
<hr/>				
Total assets	\$ 257,801	\$ 21,084	\$ 31,064	\$ 184,974
<hr/>				
LIABILITIES				
Due to other governmental units	\$ 257,801	\$ -	\$ -	\$ -
Other liabilities	-	21,084	31,064	184,974
<hr/>				
Total liabilities	257,801	21,084	31,064	184,974
<hr/>				
NET POSITION				
Restricted	\$ -	\$ -	\$ -	\$ -
<hr/>				

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of Somerset County, Maryland

Somerset County, Maryland (the “County”) founded in 1666, is governed by a Board of Commissioners form of government and is located in Princess Anne, Maryland. The County directly provides all basic local governmental services.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

Note 2. Summary of Significant Accounting Policies

A. Financial Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County.

The component unit columns contain the financial data of the County’s five discretely presented component units – the Board of Education of Somerset County, the Somerset County Liquor Control Board, the Somerset County Sanitary District, Inc., the Somerset County Library System, and the Somerset County Local Management Board. They are reported in separate columns to emphasize that they are legally separate from the County. Although these organizations are legally separate entities and have separately elected or appointed governing boards, they are included in the financial statements of the County because the County is financially accountable for each organization. Copies of the financial statements for the component units can be obtained from the County Commissioners’ office in Princess Anne, Somerset County, Maryland.

The *Board of Education of Somerset County* (the “Board of Education”) is a separately elected body that administers the public school system in the County. The Board of Education is organized as a separate legal entity, but does not have the power to levy taxes or issue bonds. The Board of Education’s budget is subject to approval by the County Council, and the Board of Education receives a significant portion of its operational and capital project funding from the County.

The *Liquor Control Board of Somerset County* (the “Liquor Control Board”) is a separately elected body that oversees the operation of liquor sales in the County. The Liquor Control Board is organized as a separate legal entity, but does not have the power to levy taxes or issue bonds. The County approves the Liquor Control Board’s budget. The Liquor Control Board is included as of and for the year ended April 30, 2020.

The *Somerset County Sanitary District, Inc.* (the “Sanitary District”) is a body politic and corporate that was created by the Somerset County Commissioners. The Commissioners of the Sanitary District, who is appointed by the Somerset County Commissioners, exercises the powers of the Sanitary District. The County is a guarantor of the Sanitary District’s debt. The Sanitary District is authorized and empowered to acquire, hold, construct, reconstruct, repair, improve, maintain, and operate water systems, sewage systems, and disposal plants for the benefit of Somerset County.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

The *Somerset County Library System* (the “Library”) is a separately appointed body that administers the public library system in the County. The Library is organized as a separate legal entity, but does not have the power to levy taxes or issue bonds. The County provides a significant portion of its operational funding.

The *Somerset County Local Management Board* (the “LMB”) is a quasi-governmental agency of Somerset County. The LMB’s purpose is to promote a safe, healthy and stable environment of all Somerset County children and families by achieving a comprehensive system of education, health and human services through public and private interagency collaboration.

Blended component units, although separate legal entities, are part of the government’s operations. The following summarizes the blended component unit of the County:

Blended component unit – There is one blended component unit, which is accounted for as a special revenue fund, that is part of the government’s operations that provides services related to the building, repairing, reconstructing, maintenance, and regulation of the use of the public roads and for the purchase and maintenance of equipment, land and buildings to be used for that purpose. These services are provided by the Somerset County Roads Board (the “Roads Board”).

B. Basis of Presentation

The County’s basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the County except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County’s governmental activities and for business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from general revenues of the County.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order 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 enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General Fund - The general fund is the general operating fund of the County. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The County's major special revenue funds are:

Somerset County Roads Board - The Roads Board has control over the public landings, culverts, ferries, roads, and related curbs and gutters in the County. The Roads Board is responsible for building, repairing, reconstructing, maintenance, and regulation of the use of the public roads and for the purchase and maintenance of equipment, land and buildings to be used for that purpose. The authorization to identify the specific purpose for which these funds are used rests with the Roads Board.

Economic Development Commission - The Economic Development Commission ("EDC") is a not-for-profit organization established to enhance the economic viability of the Somerset County area by promoting business attractions, assisting with business retention and expansion projects and fostering the growth of tourist related projects that would create economic opportunity and growth for Somerset County. EDC is presented as a major governmental fund in these financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

C. Fund Accounting (continued)

Hurricane Sandy CDBG Grant – The Hurricane Sandy CDBG Grant funding is to be used for Hurricane Sandy recovery efforts within the County. The grant includes funding for housing rehabilitation as well as economic development related improvements.

In addition, the County has three non-major governmental funds: CDBG Programs, Special Loan Program and Commission on Aging – SSTAP.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as enterprise.

Enterprise funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County's major enterprise fund is:

Great Hope Golf Course - The golf course fund is used to account for all financial transactions, related to the operations of the Great Hope Golf Course, a community golf course.

FIDUCIARY FUND TYPES

Fiduciary funds account for assets held by the County in a trustee or agency capacity. Agency funds are custodial in nature and do not involve measurement of results of operations.

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the County as an agent for other funds and/or other governments. These funds include the State Tax Fund, the Dental Fund, Retirees Health Fund, and an Agency fund, which includes the following funds, States Attorneys Drug Bust Fund, States Attorneys County Property Federal Forfeiture Fund, Somerset County Detention Center Commissary Fund and Somerset County Detention Center Inmate Welfare Fund.

D. Measurement Focus

Government-wide financial statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the statement of net position.

Fund financial statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

D. Measurement Focus (continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available is defined as collected within 60 days of the fiscal year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursable basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, interest and rent.

Unearned revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements, receivables that were not collected within the available period have been reported as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated assets during the year is reported in the operating statement as an expense with a like amount reported as donated revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

E. Basis of Accounting (continued)

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The County, BOE, Library, and Sanitary District recognize deferred outflows of resources related to their pension obligations (see Note 9) and OPEB liability (Note 11) for changes in assumptions, difference between expected and actual experience and net difference between projected and actual investment earnings. These amounts are deferred and recognized as outflows of resources in the period that the amounts become available.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has an item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The County, BOE, Library, and Sanitary District also recognize deferred inflows of resources related to their pension obligations (see Note 9) and OPEB liability (see Note 11) for changes in assumptions, net difference between projected and actual investment earnings and differences between expected and actual experience. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. Budgetary Process

The County follows these procedures in establishing the General Fund budgetary data reflected in the financial statements:

- (1) Prior to April 30, the County Administrator submits to the County Commissioners a proposed budget for the fiscal year commencing the following July 1. The budget includes requested expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) No later than the first Tuesday in June, the budget is legally enacted through passage of a budget resolution.
- (4) The County Administrator is not authorized to make any transfers of budgeted amounts. Any commitments, which could result in a significant over-expenditure of an appropriation, must be approved by the County Commissioners.
- (5) Formal budgets are employed as a management control device during the year for the general fund and the Roads Board-special revenue fund. Annual budgets are legally adopted and presented in the budgetary comparison schedules for the general fund and Roads Board-special revenue fund.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

G. Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

H. Property Tax

Property taxes are levied on July 1 and become delinquent on October 1. Taxes are assessed an interest penalty after September 30. Owner occupied residential property owners may pay their taxes annually or semiannually. The first payment must be paid by September 30. The second payment is due on or before December 31. If the second payment has not been paid by the due date, taxes are assessed interest and penalties. The County bills and collects its own taxes. County property tax revenue is recognized when collected.

I. Inventories

Board of Education inventories, consisting of expendable items held for consumption, are stated at the lower of cost or market. The cost is recorded as an expenditure item at the time the individual inventory items are used. Inventories of the Roads Board and the enterprise funds are stated at the lower of cost (moving average method) or market on a first-in, first-out basis.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset’s life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities	Business-Type Activities	Discretely Presented Component Units		
			Board of Education	Library	Sanitary District
Buildings and improvements	20 - 60 years	15 - 60 years	7 - 50 years	N/A	N/A
Improvements, non-buildings	10 - 60 years	7 - 30 years	20 years	N/A	N/A
Vehicles	3 - 10 years	N/A	8 years	N/A	3 - 12 years
Furniture, machinery and equipment	5 - 20 years	5 - 10 years	5 - 15 years	5 years	3 - 10 years
Library materials	N/A	N/A	N/A	10 years	N/A
Water and sewer plant, mains and lines	N/A	N/A	N/A	N/A	40 years
Water and sewer equipment	N/A	N/A	N/A	N/A	20 - 30 years

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

K. Compensated Absences

The County accrues a liability for vested compensated absences including vacation and compensatory time with various limitations on each type of compensated absence. All accrued compensated absences liabilities are recorded in the government-wide financial statements.

County employees earn annual leave based on length of service. Annual leave accumulates, and any unused portion is paid upon termination. Annual leave generally must be taken by December 31 each year. Up to 50 days may be transferred to the next fiscal year.

Sick leave for all County employees is earned at a rate of 6.67 hours per month. There is no limit on accumulated sick leave. At termination, employees are not paid for accumulated sick leave; however, at retirement, a portion may be used as additional credited service under the retirement plan.

The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

M. Net Position

Net position represents the difference between assets plus deferred inflows of resources and liabilities plus deferred outflows of resources. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted or through external restrictions imposed by grantors, creditors or laws or regulations of other governments.

Restricted resources are applied first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves

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

Nonspendable – Amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Nonspendable fund balances also consist of prepaid amounts.

Restricted – Amounts that can only be spent for specific purposes because of the County charter or code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by the formal action of the County Commissioners' ordinances or resolutions.

Assigned – Amounts that are designated by the Commissioners or management with intent to be used for specific purposes, but are neither restricted or committed by ordinance or resolution.

Unassigned – Amounts not included in other spendable classifications.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for golf course activities. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues not meeting these definitions are reported as non-operating.

P. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and fiduciary activities. These amounts are reflected as Due to fiduciary funds.

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments

A. Deposits

Primary Government

Deposits are maintained in a variety of financial institutions. The County Commissioners are authorized to invest unexpended revenue from taxation, bond sales, lawful distributions to it of funds from other governmental agencies, or any other funds properly received by them, until they determine the funds are needed for proper public purpose, in United States Government bonds or evidence of indebtedness, the Maryland Local Government Investment Pool, or in Federally insured banking institutions which pledge United States Treasury bills, notes or other obligations to secure such deposits.

At June 30, 2020, the Primary Government had deposits with various commercial banks of \$16,494,423 (carrying value \$15,094,191). As required by law, a depository is to pledge securities, in addition to Federal Deposit Insurance Corporation ("FDIC") insurance, at least equal to the amount on deposit at all times. The depository banks pledge collateral for specific accounts, which are held in the County's name by their trust departments or agents. At June 30, 2020 the deposits were fully insured or collateralized. Petty cash totaled \$1,090 as of June 30, 2020.

Board of Education

At June 30, 2020, the Board's demand deposits, savings deposits and certificates of deposit were covered by FDIC insurance in the amount of \$250,000 and \$2,276,971 (carrying value \$2,073,115) was collateralized with federal securities held by the bank's trust department, in the Board's name. The Board's exposure to investment rate and credit risk is minimal, as all investments are in cash and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by attempting to have all investments fully collateralized by securities.

Library

At June 30, 2020 the Library had deposits with various commercial banks totaling \$95,613 (carrying value \$91,452), which were either fully insured or collateralized with securities held in the name of the Library.

Sanitary District

At June 30, 2020, the Sanitary District had deposits with various commercial banks totaling \$1,353,499 (carrying value \$973,254). All deposits were fully collateralized as of June 30, 2020.

Liquor Control Board

At April 30, 2020, the Liquor Control Board had deposits with various commercial banks totaling \$161,419 (carrying value \$161,419), which were either fully insured or collateralized with securities held in the name of the Liquor Control Board.

LMB

At June 30, 2020, the LMB had deposits with various commercial banks totaling \$206,800 (carrying value \$206,800). All deposits were fully insured as of June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (continued)

B. Investments

The County is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Institutional Investments, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated AAAM by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares.

At June 30, 2020, the County and the Library had investments in MLGIP of \$75,759 and \$49,845, respectively, which are recorded at fair value.

The County's exposure to investment rate and credit risk is minimal, as all investments are in cash, MLGIP, or certificates of deposit and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by having investments collateralized by securities as mentioned previously.

At June 30, 2020, the Library had investments in the Community Foundation of the Eastern Shore totaling \$59,731 (carrying value \$59,731).

At June 30, 2020, the Sanitary District had certificates of deposit of \$292,681 reported separately as they represent a certificate with an original due date of more than 90 days. The certificates have a maturity of twelve months with interest rates ranging from .35% to 1.24%.

Note 4. Interfund Receivables and Payables

As a result of its operations, the County affects a variety of transactions between funds to finance operations, service debt, etc. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2020, appropriate due from/to other funds have been established.

Due from/to other funds balances as of June 30, 2020 were as follows:

	Due from Other Funds	Due to Other Funds
Governmental activities	\$ 1,194,276	\$1,247,991
Business-type activities	-	95,869
Fiduciary fund	149,584	-
	\$ 1,343,860	\$1,343,860

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

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

	Balance June 30, 2019	Additions	Transfers and Reductions	Balance June 30, 2020
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,548,086	\$ 45,175	\$ (123,900)	\$ 4,469,361
Construction in progress	3,972,304	4,166,242	(3,287,406)	4,851,140
Total capital assets, not being depreciated	8,520,390	4,211,417	(3,411,306)	9,320,501
Capital assets, being depreciated:				
Buildings and improvements	24,280,526	135,526	(243,330)	24,172,722
Improvements, non-buildings	62,993,364	2,423,839	(86,487)	65,330,716
Vehicles	4,832,794	262,430	-	5,095,224
Furniture, machinery and equipment	11,740,077	1,066,312	3,165,585	15,971,974
Total capital assets, being depreciated	103,846,761	3,888,107	2,835,768	110,570,636
Less accumulated depreciation:				
Buildings and improvements	6,894,876	543,539	(23,918)	7,414,497
Improvements, non-buildings	42,192,173	1,189,000	(198,549)	43,182,624
Vehicles	4,118,734	239,331	-	4,358,065
Furniture, machinery and equipment	8,454,342	549,766	-	9,004,108
Total accumulated depreciation	61,660,125	2,521,636	(222,467)	63,959,294
Total capital assets, being depreciated, net	42,186,636	1,366,471	3,058,235	46,611,342
Governmental activities capital assets, net	\$ 50,707,026	\$ 5,577,888	\$ (353,071)	\$ 55,931,843
Business-Type Activities:				
Great Hope Golf Course				
Capital assets, being depreciated:				
Land improvements	\$ 3,098,690	\$ 5,525	\$ -	\$ 3,104,215
Buildings and improvements	1,361,623	4,000	-	1,365,623
Furniture, machinery and equipment	688,502	48,692	-	737,194
Total capital assets, being depreciated	5,148,815	58,217	-	5,207,032
Less accumulated depreciation:				
Land improvements	2,588,505	85,108	-	2,673,613
Buildings and improvements	731,450	22,162	-	753,612
Furniture, machinery and equipment	590,470	37,063	-	627,533
Total accumulated depreciation	3,910,425	144,333	-	4,054,758
Total capital assets, being depreciated, net	1,238,390	(86,116)	-	1,152,274
Business-type activities capital assets, net	\$ 1,238,390	\$ (86,116)	\$ -	\$ 1,152,274

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

	Balance June 30, 2019	Additions	Transfers and Reductions	Balance June 30, 2020
Board of Education				
Capital assets, not being depreciated:				
Land	\$ 493,252	\$ -	\$ -	\$ 493,252
Construction in progress	33,598,984	17,500	(33,598,984)	17,500
Total capital assets, not being depreciated	34,092,236	17,500	(33,598,984)	510,752
Capital assets, being depreciated:				
Land improvements	3,595,382	18,195	-	3,613,577
Buildings and improvements	77,428,655	6,661,036	33,598,984	117,688,675
Vehicles	292,173	-	-	292,173
Furniture, machinery and equipment	3,772,232	971,593	-	4,743,825
Total capital assets, being depreciated	85,088,442	7,650,824	33,598,984	126,338,250
Less accumulated depreciation:				
Land improvements	2,992,577	51,045	-	3,043,622
Buildings and improvements	29,118,509	2,674,486	-	31,792,995
Library materials	-	-	-	-
Vehicles	143,915	31,761	-	175,676
Furniture, machinery and equipment	2,959,787	204,857	-	3,164,644
Total accumulated depreciation	35,214,788	2,962,149	-	38,176,937
Total capital assets, being depreciated, net	49,873,654	4,688,675	33,598,984	88,161,313
Total Board of Education capital assets, net	\$ 83,965,890	\$ 4,706,175	\$ -	\$ 88,672,065
Library				
Capital assets, being depreciated:				
Books and media	\$ 796,386	\$ 74,901	\$ (98,627)	\$ 772,660
Furniture, machinery and equipment	771,682	37,747	-	809,429
Vehicles	7,959	-	-	7,959
Total capital assets, being depreciated	1,576,027	112,648	(98,627)	1,590,048
Less accumulated depreciation:				
Books and media	394,614	78,452	(98,627)	374,439
Furniture, machinery and equipment	452,662	82,849	-	535,511
Buildings	1,459	1,592	-	3,051
Total accumulated depreciation	848,735	162,893	(98,627)	913,001
Total Library capital assets, net	\$ 727,292	\$ (50,245)	\$ -	\$ 677,047

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

	Balance June 30, 2019	Additions	Transfers and Reductions	Balance June 30, 2020
Sanitary District				
Capital assets, not being depreciated:				
Land	\$ 17,512	\$ -	\$ -	\$ 17,512
Construction in progress	6,713,624	4,383,892	(57,550)	11,039,966
Total capital assets, not being depreciated	6,731,136	4,383,892	(57,550)	11,057,478
Capital assets, being depreciated:				
Sewage treatment plants and lines	39,545,436	-	-	39,545,436
Water plants and lines	12,060,512	-	-	12,060,512
Equipment and vehicles	3,394,450	-	-	3,394,450
Total capital assets, being depreciated	55,000,398	-	-	55,000,398
Less accumulated depreciation:				
Sewage treatment plants and lines	24,937,173	932,461	-	25,869,634
Water plants and lines	7,391,502	269,307	-	7,660,809
Equipment and vehicles	2,800,296	107,898	-	2,908,194
Total accumulated depreciation	35,128,971	1,309,666	-	36,438,637
Total capital assets, being depreciated, net	19,871,427	(1,309,666)	-	18,561,761
Total Sanitary District capital assets, net	\$26,602,563	\$ 3,074,226	\$ (57,550)	\$29,619,239
	Balance June 30, 2019	Additions	Transfers and Reductions	Balance June 30, 2020
Liquor Control Board				
Capital assets, being depreciated:				
Furniture, machinery and equipment	\$ 20,691	\$ -	\$ -	\$ 20,691
Less accumulated depreciation:				
Furniture, machinery and equipment	1,478	2,956	-	4,434
Total Liquor Control Board capital assets, net	\$ 19,213	\$ (2,956)	\$ -	\$ 16,257

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 298,375
Public safety	488,222
Public works	1,539,278
Recreation and culture	177,083
Health	<u>18,678</u>
Total depreciation expense	<u>\$ 2,521,636</u>

Note 6. Notes Payable and Long-Term Debt

Sanitary District

Notes payable of the Sanitary District consists of unsecured demand notes due a bank. Amounts borrowed are used to pay construction costs until either the Federal or State grant amounts are received, or until long-term financing can be obtained for the local share portion of project costs.

Liquor Control Board

The Liquor Control Board has a \$350,000 line of credit at 5.0% interest with Hebron Savings Bank, used to purchase inventory. At April 30, 2020, the outstanding balance was \$0.

NOTES TO FINANCIAL STATEMENTS

Note 6. Notes Payable and Long-Term Debt (continued)

Notes payable and long-term debt at June 30, 2020 is comprised of the following issues:

	Interest <u>Rate</u>	Fiscal Year <u>Issued</u>	Fiscal Year <u>Matures</u>
<u>Primary Government</u>			
<u>Governmental Activities</u>			
<u>Bonds and Notes Payable</u>			
Landfill Bond of 1997	4.50	1998	2030
Maryland Water Quality Financing Admin - Landfill Closure	2.00	2002	2021
USDA - Permanent Financing Cell 2	4.38	2004	2044
BB&T - Refinancing	4.17	2005	2020
USDA RDA - Smith Island Incinerator	4.25	2006	2021
M&T Bank - Board of Education - Phase I	4.19	2006	2021
Bank of America - Board of Education Capital 2009	3.89	2008	2025
USDA - Cell 3 Loan 1	4.25	2009	2049
MEA - County Complex HVAC	0.00	2010	2021
SunTrust - Board of Education Capital 2010	2.13	2014	2024
USDA - Cell 4	2.13	2014	2043
Hebron Savings Bank - Board of Education Capital 2017	0.99	2017	2020
Hebron Savings Bank - Board of Education/Library/Tax Collection	1.75	2017	2026
Hebron Savings Bank - Vehicle Loans	4.50	2017	2022
Bank of America-911 Equipmt Ln	2.77	2019	2029
BB&T-Bulldozer Loan	2.83	2019	2025
USDA - J. M. Tawes School Phase 1	2.75	2020	2040
USDA - J. M. Tawes School Phase 2	2.13	2021	2041
 <u>Other</u>			
County Commissioners - capital lease obligation	5.45	2016	2020
County Commissioners - capital lease obligation	3.11	2016	2020
County Commissioners - capital lease obligation	4.97	2017	2021
County Commissioners - capital lease obligation	5.00	2018	2024
County Commissioners - capital lease obligation	5.45	2018	2022
County Commissioners - capital lease obligation	6.45	2019	2023
County Commissioners - capital lease obligation	6.70	2020	2024
County Commissioners - capital lease obligation	6.70	2020	2024
County Commissioners - capital lease obligation	6.45	2020	2024
County Commissioners - landfill closure/post-closure care costs	-	-	-
Total Governmental Activities			
 <u>Business -type Activities</u>			
<u>Other</u>			
County Commissioners - capital lease obligation	5.20	2015	2021
County Commissioners - capital lease obligation	3.32	2017	2023
County Commissioners - capital lease obligation	4.95	2020	2023
County Commissioners - capital lease obligation	4.80	2020	2025
Total Business - type Activities			

NOTES TO FINANCIAL STATEMENTS

<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2020</u>	<u>Amount Due in One Year</u>
\$ 3,300,000	\$ 1,513,241	\$ -	\$ 109,626	\$ 1,403,615	\$ 117,266
2,151,215	266,274	-	131,819	134,455	134,455
1,765,000	1,416,892	-	31,527	1,385,365	33,432
1,783,654	79,037	-	79,037	-	-
100,000	13,042	-	8,453	4,589	4,589
2,000,000	344,150	-	168,482	175,668	175,668
2,300,000	1,003,163	-	167,156	836,007	173,150
2,200,000	1,921,616	-	32,821	1,888,795	34,968
300,000	60,000	-	30,000	30,000	30,000
4,075,000	1,851,887	-	409,585	1,442,302	426,706
3,799,000	3,243,849	-	102,515	3,141,334	105,637
4,000,000	2,762,826	1,237,174	4,000,000	-	-
3,000,000	2,368,839	-	288,460	2,080,379	293,178
55,585	30,268	-	11,258	19,010	11,823
4,000,000	3,912,850	-	354,666	3,558,184	364,579
400,000	400,000	-	62,056	337,944	63,831
4,000,000	-	4,000,000	28,734	3,971,266	153,410
3,400,000	-	2,424,510	-	2,424,510	68,743
62,019	13,043	-	13,043	-	-
44,700	9,209	-	9,209	-	-
115,335	47,170	-	23,013	24,157	24,157
25,391	17,683	-	4,095	13,588	4,305
90,183	54,008	-	17,056	36,952	17,986
101,427	78,530	-	17,832	60,698	18,982
26,372	-	26,372	5,980	20,392	4,613
13,030	-	13,030	2,954	10,076	2,393
33,345	-	33,345	7,561	25,784	5,833
-	2,213,710	66,000	-	2,279,710	-
	\$ 23,621,287	\$ 7,800,431	\$ 6,116,938	\$ 25,304,780	\$ 2,269,704
20,106	6,225	-	3,871	2,354	2,354
79,792	54,937	-	13,059	41,878	13,499
8,965	-	8,965	2,626	6,339	2,961
39,727	-	39,727	6,710	33,017	7,486
	\$ 61,162	\$ 48,692	\$ 26,266	\$ 83,588	\$ 26,300

NOTES TO FINANCIAL STATEMENTS

Note 6. Notes Payable and Long-Term Debt (continued)

	<u>Interest</u> <u>Rate</u>	<u>Fiscal Year</u> <u>Issued</u>	<u>Fiscal Year</u> <u>Matures</u>
<u>Proprietary Fund Types</u>			
<u>Sanitary District</u>			
<u>Long-Term Debt</u>			
<u>General Bonded Debt</u>			
Rumbley-Frenchtown Subdistrict	5.00	1982	2021
Infrastructure Bond	2.00-4.63	1994	2024
Fairmount-Rumbley-Frenchtown District	4.50	1994	2035
Crisfield Peripheral Sewer Project	4.50	1996	2026
Princess Anne Subdistrict	4.50	2003	2042
Jacksonville Subdistrict	0.00	2005	2035
Princess Anne Subdistrict	4.13	2007	2047
Princess Anne Subdistrict	4.13	2007	2047
Princess Anne Subdistrict	3.88	2013	2023
Princess Anne Subdistrict	4.38	2010	2049
Princess Anne Subdistrict	3.50	2013	2053
Princess Anne Subdistrict	3.50	2013	2052
Princess Anne Subdistrict	3.13	2013	2053
Princess Anne Subdistrict	4.19	2013	2020
Princess Anne Subdistrict	4.00	2014	2035
Jacksonville Subdistrict	2.00	2014	2021
PASE Overrun Loan	3.20	2017	2026
 <u>State Loans</u>			
Water tanks - Princess Anne	5.80	1994	2027
 Total Sanitary District			

NOTES TO FINANCIAL STATEMENTS

<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2020</u>
\$ 10,000	\$ 887	\$ -	\$ 545	\$ 342
1,825,200	561,000	-	105,500	455,500
333,000	199,076	-	9,202	189,874
323,000	211,000	-	9,500	201,500
1,402,082	775,264	-	41,317	733,947
32,000	17,067	-	1,067	16,000
2,770,900	2,342,315	-	45,999	2,296,316
365,700	309,130	-	6,070	303,060
80,000	26,875	-	8,564	18,311
4,200,000	3,765,335	-	59,463	3,705,872
1,228,250	1,146,600	-	18,075	1,128,525
427,118	398,720	-	6,286	392,434
2,525,900	2,344,812	-	39,683	2,305,129
30,000	10,746	-	3,294	7,452
267,100	209,211	-	209,211	-
101,467	27,100	-	13,400	13,700
100,000	65,096	-	9,750	55,346
327,411	158,713	-	13,926	144,787
	<u>\$ 12,568,947</u>	<u>\$ -</u>	<u>\$ 600,852</u>	<u>\$ 11,968,095</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Notes Payable and Long-Term Debt (continued)

A summary of debt service requirements to maturity by years for long-term debt is approximately as follows:

Primary Government

Years Ending June 30,	Principal	Interest	Total
2021	\$ 2,269,704	\$ 623,919	\$ 2,893,623
2022	2,049,120	598,082	2,647,202
2023	2,077,909	542,000	2,619,909
2024	1,786,199	487,456	2,273,655
2025	1,581,494	445,816	2,027,310
2026 - 2030	5,906,378	1,641,804	7,548,182
2031 - 2035	4,738,725	1,047,647	5,786,372
2036 - 2040	2,894,503	523,633	3,418,136
2041 - 2045	1,477,293	186,675	1,663,968
2046 - 2050	523,455	34,286	557,741
	\$ 25,304,780	\$ 6,131,318	\$ 31,436,098
Total governmental activities			
Years Ending June 30,	Principal	Interest	Total
2021	\$ 26,300	\$ 2,925	\$ 29,225
2022	24,928	1,904	26,832
2023	22,948	944	23,892
2024	8,670	268	8,938
2025	742	3	745
	\$ 83,588	\$ 6,044	\$ 89,632
Total business-type activities			

Interest expense on all indebtedness totaled \$604,629 for governmental activities and \$3,726 for business-type activities.

NOTES TO FINANCIAL STATEMENTS

Note 6. Notes Payable and Long-Term Debt (continued)

Discretely Presented Component Units

Sanitary District

Years Ending June 30,	Principal	Interest	Total
2021	\$ 406,569	\$ 479,188	\$ 885,757
2022	407,317	462,873	870,190
2023	409,060	447,230	856,290
2024	424,697	431,261	855,958
2025	319,510	414,229	733,739
2026 - 2030	1,687,214	1,860,835	3,548,049
2031 - 2035	1,810,766	1,481,066	3,291,832
2036 - 2040	1,755,712	1,121,131	2,876,843
2041 - 2045	2,130,319	742,313	2,872,632
2046 - 2050	2,079,250	295,333	2,374,583
2051 - 2055	537,681	25,658	563,339
Total Sanitary District	<u>\$ 11,968,095</u>	<u>\$ 7,761,117</u>	<u>\$ 19,729,212</u>

Interest expense on all indebtedness totaled \$491,087 for the Sanitary District.

Note 7. Leases

Primary Government

Long-Term Debt

The County has entered into thirteen long-term capital leases for the purpose of acquiring equipment and vehicles. Since these leases are financing arrangements which transfer ownership at the end of the term, the County has recorded these lease obligations and the related assets in the appropriate fund. The original cost of assets acquired under these capital leases is \$20,106, \$79,792, \$62,019, \$44,700, \$115,335, \$25,391, \$90,183, \$101,427, \$8,965, \$39,727, \$26,372, \$13,030 and \$33,345 with accumulated depreciation of \$10,221, \$47,875, \$36,916, \$30,332, \$60,414, \$7,406, \$36,503, \$24,149, \$1,644, \$5,202, \$1,583, \$928 and \$2,385.

Liquor Control Board

The Liquor Control Board has entered into a five year lease for their Crisfield location from January 1, 2017 to December 31, 2021 at \$650 per month. Additionally, the Board entered into a five year lease with the County for both the Pocomoke and Princess Anne store beginning May 1, 2020 for \$650 and \$1,000 per month, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 7. Leases (continued)

LMB

In November 2019, the LMB entered into an agreement with the County for the use of office space. Under the terms of the agreement the LMB uses the premises, paying \$1 for the entire term. Lease expense for the year ended June 30, 2020 was \$0.

Note 8. Net Position

Sanitary District

Restricted for debt service - This restriction was created to segregate a portion of net position for debt service, including both principal and interest payments. The reservation was established to satisfy legal restrictions imposed by various bond agreements.

Note 9. Retirement and Pension Plans

The County maintains or participates in certain retirement plans which provide benefits to its employees. The various plans and plan participants are outlined below:

<u>Employees</u>	<u>Plan</u>
Board of Education	Maryland State Retirement and Pension System
Library	Maryland State Retirement and Pension System
Somerset County:	
County employees and appointed officers	Maryland State Retirement and Pension System
Economic Development Commission	Maryland State Retirement and Pension System

Maryland State Retirement and Pension System

Organization

The State Retirement Agency (the “Agency”) is the administrator of the Maryland State Retirement and Pension System (the “System”). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System’s administration and operation is vested in a 15-member Board of Trustees. The System is made up of two cost-sharing employer pools: the “State Pool” and the “Municipal Pool.” The State Pool consists of State agencies, boards of education, community colleges, and libraries. The Municipal Pool consists of the participating governmental units that elected to join the System. Neither pool shares in each other’s actuarial liabilities, thus participating governmental units that elect to join the System (the “Municipal Pool”) share in the liabilities of the Municipal Pool only. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement and Pension Plans (continued)

The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System ("LEOPS").

The employees participating in each plan are as follows:

<u>Employees</u>	<u>Plan</u>
Board of Education – teachers and regular employees	Teachers' and Employees' System
Library	Teachers' System
Somerset County:	
County employees and appointed officers	Employees' System
Economic Development Commission	Employees' System

The System is a cost-sharing multiple-employer defined benefit pension plan.

Basis of Accounting

The System's financial statements are prepared on the accrual basis of accounting in accordance with GAAP. For purposes of measuring 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 and 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 benefit terms. Investments are reported at fair value.

Covered Members

Teachers' Retirement and Pension Systems

The Teachers' Retirement System was established on August 1, 1927, to provide retirement allowances and other benefits to teachers in the State. Effective January 1, 1980, the Teachers' Retirement System was closed to new members and the Teachers' Pension System was established. As a result, teachers hired after December 31, 1979, became members of the Teachers' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Teachers' Retirement System may not transfer membership to the Teachers' Pension System.

Employees' Retirement and Pension Systems

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials, and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System.

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement and Pension Plans (continued)

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the Employees' or Teachers' Retirement System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation ("AFC") and the actual number of years of accumulated creditable service. For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive year's AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

The member contribution rate for members of the Teachers' Retirement Pension System and Employees' Retirement Pension System is 7% and 6% respectively.

In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments ("COLA") that is based on the increase in the Consumer Price Index ("CPI") and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation (currently 7.40%).

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems are as follows:

Service Retirement Allowances

A member of either the Teachers' or Employees' Retirement 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. The annual retirement allowance equals $1/55$ (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement and Pension Plans (continued)

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employee's Pension System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level ("SSIL"), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Vested Allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

Early Service Retirement

A member of either the Teachers' or Employees' Retirement 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 a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement and Pension Plans (continued)

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 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. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Adjusted Retirement Allowances

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formula. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems ("TRS"/"ERS") the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5%, or a two-part combination COLA depending upon the COLA election made by the member.

With certain exceptions, effective July 1, 1998, for Teachers' and Employees' retirees, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year. The annual increases to pension allowances for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhanced pension benefits are limited to 3% of the initial allowance.

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, in all of the systems except the judges' and legislators' systems, the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year fair value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement and Pension Plans (continued)

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2019 actuarial valuation, 2.65% general, 3.15% wage. In the 2018 actuarial valuation, 2.60% general, 3.10% wage.
Salary Increases	In the 2019 actuarial valuation, 3.10% to 11.6% including inflation. In the 2018 actuarial valuation, 3.20% to 9.10% including inflation.
Investment Rate of Return	In the 2019 actuarial valuation, 7.40%. In the 2018 actuarial valuation, 7.45%.
Discount Rate	7.40% in 2019; 7.45% in 2018
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational mortality projections using MP-2018 (2-dimensional) mortality improvement scale.

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement and Pension Plans (continued)

Investments

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. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	6.3%
Private Equity	13%	7.5%
Rate Sensitive	19%	1.3%
Credit Opportunity	9%	3.9%
Real Assets	14%	4.5%
Absolute Return	8%	3.0%
Total	<u>100%</u>	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2019.

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 6.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 7.40% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement and Pension Plans (continued)

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.40%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

System	1% Decrease to 6.40%	Current Discount	1% Increase to 8.40%
County	\$ 11,374,824	\$ 7,858,789	\$ 4,930,392
Board of Education	3,399,240	2,348,514	1,473,393
Sanitary District	1,251,131	864,398	542,300

Teachers' and Employees' Retirement Systems and Teachers' and Employees' Pension Systems

Employer Contributions:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board of Education is required to pay the 100% of the normal cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. As contractually required, for the fiscal year ending June 30, 2020, the BOE contributed \$1,072,925 to the Teachers' Retirement and Pension System. In addition, the State of Maryland contributed \$2,837,971 on behalf of the BOE. The BOE has recognized the State on-behalf payments as both a revenue and expense.

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

Because the State of Maryland pays the unfunded liability for the Teachers' Systems on behalf of the BOE and Library, and the BOE pays the normal cost for the Teachers' Systems, the BOE and Library are not required to record their respective shares of the unfunded pension liability for the Teachers' Systems – the State of Maryland is required to record that liability. The BOE is required to record a liability for the Employees' Systems.

At June 30, 2020, the BOE reported a liability for its proportionate share of the net pension liability. The amount recognized by the BOE as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the BOE were as follows:

BOE's proportionate share of the net pension liability (Employees' Systems)	\$ 2,348,514
State's proportionate share of the net pension liability (Teachers' Systems)	26,619,595
Total	\$ 28,968,109

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement and Pension Plans (continued)

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOE's proportion of the net pension liability was calculated as follows by the System(s):

1. Net pension liability for the entire System was calculated. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland and one for primary government employees.
2. Determined the total contributions to the System by the State and by the primary governments, inclusive of any underfunding of contributions.
3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.
4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution.

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement and Pension Plans (continued)

At June 30, 2020, the County reported the following related to pensions:

	<u>BOE</u>	<u>County</u>	<u>Sanitary</u>
Employer's proportion (percentage) of the collective net pension liability	0.0113864%	0.0381021%	0.0041909%
Employer's proportionate share of the collective net pension liability	\$ 2,348,514	\$ 7,858,789	\$ 864,398
Pension expense recognized by the employer for the year ended June 30, 2020	233,819	1,546,737	86,061
Deferred inflows of resources at June 30, 2019	227,549	835,913	87,649
Difference between expected and actual experience	23,605	78,989	8,688
Change in assumptions	(11,066)	213,880	23,525
Amortization of items allowed by GASB 68	(41,695)	(243,643)	(25,477)
<u>Deferred inflows of resources at June 30, 2020</u>	<u>198,393</u>	<u>885,139</u>	<u>94,385</u>
Deferred outflows of resources at June 30, 2019	471,995	1,500,163	166,446
Year ended June 30, 2019 contributions	(700,240)	(740,297)	(86,061)
Difference between projected and actual earnings	108,153	161,567	1,771
Change in assumptions	331,572	-	-
Amortization of items allowed by GASB 68	(70,324)	(447,801)	(31,854)
Year ended June 30, 2020 contributions	256,634	788,351	94,255
<u>Deferred outflows of resources at June 30, 2020</u>	<u>397,790</u>	<u>1,261,983</u>	<u>144,557</u>
Net pension liability June 30, 2019	2,141,214	7,387,809	738,859
Change in net pension liability factored for contributions	207,300	470,980	125,539
<u>Net pension liability June 30, 2020</u>	<u>2,348,514</u>	<u>7,858,789</u>	<u>864,398</u>

The \$256,636, \$788,351 and \$94,255 of deferred outflows of resources resulting from the BOE's, the County's and the Sanitary District's respective contributions to the System subsequent to the measurement date will be recognized as a reduction of net pension liability during the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources will be amortized over approximately a five-year period.

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement and Pension Plans (continued)

The County, BOE's, and Sanitary District's respective deferred outflows of recourses and deferred inflows of resources related to pensions will be amortized as follows:

County

Year Ended June 30,	Net Deferred (Inflows) Outflows
2021	\$ 12,048
2022	(215,638)
2023	(120,134)
2024	(45,123)
2025	(42,661)
Total	\$ (411,508)

Board of Education

Year Ended June 30,	Net Deferred (Inflows) Outflows
2021	\$ 22,005
2022	(19,362)
2023	(33,857)
2024	(13,275)
2025	(12,749)
Total	\$ (57,237)

Sanitary District

Year Ended June 30,	Net Deferred (Inflows) Outflows
2021	\$ 1,067
2022	(22,537)
2023	(12,805)
2024	(5,119)
2025	(4,689)
Total	\$ (44,083)

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement and Pension Plans (continued)

Covered payroll refers to all compensation paid to active employees covered by the Systems.

	Total Payroll	Covered Payroll	On-Behalf by State
County - MD Retirement and Pension System	\$ 10,425,473	\$ 8,404,595	\$ -
Board of Education	31,975,508	29,411,104	2,837,971
Library	535,203	454,776	75,627

Pension contributions made by the State of Maryland on behalf of the Board of Education and the Library are recognized as both revenue and expenditure.

The net pension liability of the Roads Board and Golf Course at June 30, 2020 has not been separately identified by the Maryland State Retirement and Pension System. However, this liability has been included in the net pension liability of \$7,858,789 for Governmental Activities on the County's Statement of Net Position at June 30, 2020.

Note 10. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The County funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments underwritten by Nationwide Retirement Solutions Incorporated (NRS).

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the plan participants and are not subject to the claims of the County's general creditors.

The County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

A summary of the activity in the plan for the year ended June 30, 2020, is as follows:

Balance, beginning of year	\$ 3,078,677
Employee contributions	300,867
Earnings on investments	151,102
Distributions	<u>(224,792)</u>
Balance, end of year	<u>\$ 3,305,854</u>

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits

Plan Description and Benefits Provided

The County and Board of Education administer a single-employer defined benefit healthcare plan (“the Plan”). The Plan provides healthcare insurance for eligible retirees and their spouses through the County’s and Board of Education’s group health insurance plan, which covers both active and retired members.

The County’s employees are eligible to participate in the Plan upon retirement at the appropriate ages and years of service. As of June 30, 2020, the date of the last actuarial valuation, approximately 61 retirees were receiving benefits and an estimated 136 active employees were potentially eligible to receive future benefits.

The Board of Education’s benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teacher’s pension system, which are 15 years of service up to age 55 or 10 years of service at age 60. As of June 30, 2020, the date of the last actuarial valuation, approximately 235 retirees were receiving benefits, and an estimated 412 active employees are potentially eligible to receive future benefits.

The Library’s employees are eligible to participate in the Plan upon retirement at the appropriate ages and years of service. As of June 30, 2020, the date of the last actuarial valuation, approximately 6 retirees were receiving benefits and an estimated 7 active employees were potentially eligible to receive future benefits.

The Sanitary District’s employees are eligible to participate in the Plan upon retirement at the appropriate ages and years of service. As of June 30, 2020, the date of the last actuarial valuation, approximately 2 retirees were receiving benefits and an estimated 16 active employees were potentially eligible to receive future benefits.

Funding Policy

The County and Library pay retiree healthcare premiums based on the plan selected. The County and Library pay 90% of the premium for individual plans and 75% of the premium for family plans. The retiree pays the remaining premium. For fiscal year 2020, the County and Library contributed \$318,741 and \$56,815 to the plans for 61 and 6 eligible retirees, respectively.

The Board of Education will pay for 50% of the individual premium for the life of the retiree. Eligible dependents may be covered with the retiree paying 100% of the premium. If the retiree decides to opt out and find insurance elsewhere, the Board will provide a stipend of \$1,500 annually towards the cost of insurance. Also, spouses of employees that retire after 7/1/2018 will not be covered under the plan. The spouse must find coverage elsewhere. Spouses of employees that retired prior to 7/1/2018 are grandfathered into the plan. For fiscal year 2020, the Board of Education contributed \$648,821 to the plan for 235 eligible retirees.

Net OPEB Liability

The annual OPEB expense under GASB Statement No. 75 is equal to the change in the unfunded actuarial accrued liability from the prior year’s measurement date to the current year measurement date, with some of the liability changes being deferred to future years. Changes in the actuarial accrued liability due to experience gains or losses or changes in assumptions are recognized over the expected future working lifetime of all plan participants, including retirees.

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits (continued)

The total OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the County, Board of Education, Library and Sanitary District's total OPEB liability as of June 30, 2020:

Total OPEB Liability	County	Board of Education	Library	Sanitary District
Balance at 6/30/2019, as restated	\$ 20,404,648	\$ 20,698,239	\$ 1,128,390	\$ 184,814
Changes for the year:				
Service cost	818,901	627,943	34,258	8,225
Interest cost	708,633	713,182	38,508	6,285
Differences between expected and actual experience	(3,503,158)	(893,923)	(32,565)	(7,275)
Changes of assumptions and other inputs	4,820,198	9,583,766	303,385	15,908
Contributions - employer	-	-	-	-
Contributions - employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments	(318,741)	(648,821)	(56,815)	(10,572)
Administrative expense	-	-	-	-
Other changes	-	4,176,163	-	-
Net changes	2,525,833	13,558,310	286,771	12,571
Balances at 6/30/2020	\$ 22,930,481	\$ 34,256,549	\$ 1,415,161	\$ 197,385

Funding Status and Funding Progress

As of June 30, 2020, the most recent actuarial valuation date, the Plan was zero percent funded. The actuarial accrued liability for benefits was \$22,930,481, \$34,256,549, \$1,415,161 and \$197,385 for the County, Board of Education, Library and Sanitary District, respectively, all of which was unfunded. The Liquor Control Board is not included as the employees of this Component Unit pay 100% of their insurance costs. The covered employee payroll was \$6,685,468, \$22,715,700, \$290,716 and \$727,219, for the County, Board of Education, Library and Sanitary District, respectively, and the ratio of the net OPEB liability to the covered employee payroll was 342.99%, 150.81%, 486.78% and 27.14% for the County, Board of Education, Library and Sanitary District, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of total OPEB liability, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the total OPEB liability is increasing or decreasing over time relative to the total OPEB liability for benefits.

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits (continued)

Actuarial Assumptions and Discount Rate

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date: June 30, 2020

Actuarial cost method: Entry Age Normal

Discount Rate: The discount rate used to measure the total OPEB liability is 2.21%. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2020.

Mortality: Pup-2010 General Headcount-weighted with fully generational scale MP-2019. This mortality table represents the most recent table for governmental employees released by the Society of Actuaries.

Turnover: T7 Standard Table. Based on professional judgement of the acruary

Salary scale: 3.00%

Additional information as of the latest actuarial valuation is as follows:

- *Measurement date* – The County selected a June 30, 2020 measurement date for fiscal year ended 2020. The measurement date can be any date between the last day of the prior fiscal year and the last day of the current fiscal year.
- *Cost method* – This valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.

Sensitivity of the Total OPEB Liability

The following table presents the net OPEB liability of the County, Board of Education, Library and Sanitary District using the discount rate of 2.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Total OPEB Liability			
		County	Board of Education	Library	Sanitary District
1% decrease	1.21%	\$ 27,682,660	\$ 42,165,276	\$ 1,723,625	\$ 212,504
Current discount Rate	2.21%	\$ 22,930,481	\$ 34,256,549	\$ 1,415,161	\$ 197,385
1% increase	3.21%	\$ 19,265,005	\$ 28,243,845	\$ 1,183,213	\$ 184,185

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits (continued)

The following table presents the net OPEB liability of the County, Board of Education, Library and Sanitary District using the health care trend rate of 7%, decreasing to 4.5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

	Health Care Cost Trend Rate	Total OPEB Liability			
		County	Board of Education	Library	Sanitary District
1% decrease	6% to 3.5%	\$ 19,074,841	\$ 27,731,704	\$ 1,091,695	\$ 180,751
Current discount Rate	7% to 4.5%	\$ 22,930,481	\$ 34,256,549	\$ 1,415,161	\$ 197,385
1% increase	8% to 5.5%	\$ 28,008,135	\$ 43,139,035	\$ 1,626,751	\$ 218,926

OPEB Expense

For fiscal year ended June 30, 2020, the County, Board of Education, Library and Sanitary District recognized OPEB expense on the government-wide statements of \$1,606,811, \$6,812,014, \$68,082 and \$3,154 respectively.

Deferred Inflows/Outflows of Resources related to OPEB

The County, Board of Education, Library, and Sanitary District respectively reported deferred outflows and inflows of resources related to OPEB from the following sources.

County

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (2,922,203)
Changes of assumptions	4,759,084	-
Total	\$ 4,759,084	\$ (2,922,203)

Board of Education

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (773,772)
Changes of assumptions	8,943,246	-
Total	\$ 8,943,246	\$ (773,772)

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits (continued)

Library

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (27,477)
Changes of assumptions	292,883	-
Total	\$ 292,883	\$ (27,477)

Sanitary District

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (6,324)
Changes of assumptions	15,741	-
Total	\$ 15,741	\$ (6,324)

The County's, Board of Education's, Library's, and Sanitary District's respective deferred outflows of resources and deferred inflows of resources related to OPEB will be amortized as follows:

County

Year Ended June 30,	Netted Outflows/ (Inflows)
2021	\$ 397,602
2022	397,602
2023	397,602
2024	397,602
2025	239,917
Thereafter	6,556
	\$ 1,836,881

Board of Education

Year Ended June 30,	Netted Outflows/ (Inflows)
2021	\$ 1,294,726
2022	1,294,726
2023	1,294,726
2024	1,294,726
2025	1,294,726
Thereafter	1,695,844
	\$ 8,169,474

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits (continued)

Library

Year Ended June 30,	Netted Outflows/ (Inflows)
2021	\$ 52,131
2022	52,131
2023	52,131
2024	49,773
2025	42,316
Thereafter	16,924
	\$ 265,406

Sanitary District

Year Ended June 30,	Netted Outflows/ (Inflows)
2021	\$ 1,544
2022	1,544
2023	1,544
2024	1,544
2025	1,376
Thereafter	1,865
	\$ 9,417

Note 12. Volunteer Firemen Pension Plan Volunteer Service Award Program (VSAP)

The County contributes to the VSAP for the chartered fire and ambulance company’s personnel of Somerset County, a single-employer noncontributory trust fund. Any person who is certified as an active member with any Somerset County volunteer fire or approved ambulance company is eligible to participate. Active members who attain age 62 and have completed 25 years of certified volunteer service shall receive \$50 per month, for a maximum benefit of 60 months for a total award of \$3,000. Volunteers qualified for participation receive award payments semiannually and award payments cease upon death. Benefit provisions and all other requirements are established by the chartered fire and ambulance companies and approved by the Commissioners as authorized by the State’s legislative assembly. The County contributes all the amounts necessary to fund the payments of benefits under the VSAP. The plan liability is immaterial and therefore not included in the financial statements.

Note 13. Risk Management

Primary Government

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 natural disasters. The County's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance.

NOTES TO FINANCIAL STATEMENTS

Note 13. Risk Management (continued)

For general, property, excess and environmental liability coverage, the County became a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public entity risk pool which is owned and directed by the local governments that subscribe to its coverages and operates under the terms of a Trust Agreement.

Subscribers to coverage by LGIT share in the risk among participants of the pools. As a result, the County's annual premium requirements will be affected by the loss experience of the various insurance pools in which it participates. The County may be required to make additional assessments from time to time. These amounts would be recorded as an expenditure when they are probable and can be reasonably estimated. Conversely, favorable performance of certain insurance pools may result in reduced premiums.

The County is fully insured for workers' compensation through commercial insurance, and employees are bonded to limit the loss to the County in the event of employees committing acts of embezzlement or theft.

There has been no significant reduction in insurance coverage from the prior year by major categories of risk, and amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

Board of Education

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board is a member of the Maryland Association of Boards' of Education Group Insurance Pool ("the Pool"), a public entity risk pool currently operating as a common risk management and insurance program for fourteen of the twenty-four Boards of Education in the State of Maryland. The Pool was formed in 1986 when several of the boards of education through Maryland joined together to pool their casualty risks. Property insurance coverage was added in 1988 and workers compensation in 2000. The Board pays an annual premium to the Pool for its property and casualty insurance coverage. It is intended for the Pool to be self-sustaining through member premiums.

Reinsurance is carried through commercial companies for claims which exceed coverage limits as specified in the agreement. Should the Pool encounter deficits in its casualty and/or property funds, the deficit(s) may be made up from additional assessments of boards participating in the deficit pool in an amount equal to the ratio of each board's annual premium to the total annual premium contributed by all boards in the year in which the deficit occurred. The Board continues to carry commercial insurance for all other risks of loss, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance in the last three years.

The Board is a member of the Eastern Shore of Maryland Educational Consortium (ESMEC) Health Alliance Trust, a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that ESMEC be self-sustaining through member premiums. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 8% of total premiums. Currently, ESMEC keeps on hand 12% as recommended conservative reserve. As of December 13, 2019 the Board's funds held by ESMEC exceeded the recommended conservative reserve by \$755,185. All funds held by ESMEC are restricted to being used only for health care expenses.

NOTES TO FINANCIAL STATEMENTS

Note 14. On-Behalf Payments

Board of Education

The State of Maryland contributed \$2,837,971 into the State Retirement System on behalf of the Board's teachers during the year ended June 30, 2020, and the amount is reported as both revenues and expenditures on the statement of activities.

Library

The State of Maryland contributed \$75,627 into the State Retirement System on behalf of the Library's employees during the year ended June 30, 2020, and the amount is reported as both revenues and expenditures on the statement of activities.

Primary Government

In the normal course of operations, the County receives grant funds from various Federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 15. Commitments and Contingencies

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the financial position of the County.

The County Commissioners have guaranteed certain obligations of the Sanitary District.

Sanitary District

The Sanitary District participates in a number of Federal and State assisted programs. These programs primarily consist of grants and loans from the U.S. Departments of Agriculture and Environmental Protection and the Maryland Department of the Environment. These programs are subject to program compliance audits by the grantors or their representatives. The audit for open programs has not yet been concluded.

Accordingly, the Sanitary District's compliance with the applicable grant requirements will be established at some future date. The amount, if any, of expenditures for projects which may be disallowed by the granting agencies cannot be determined at this time although the Sanitary District expects such amount, if any, to be immaterial.

Princess Anne Subdistrict

The Princess Anne area was experiencing significant growth. However, it has virtually stopped recently. Additional water supplies are still necessary. There are potential property sales that would bring new business to the area over the next two years.

NOTES TO FINANCIAL STATEMENTS

Note 15. Commitments and Contingencies (continued)

The Princess Anne sewer system has adequate sewer allocation at this time. The Maryland Department of the Environment may require the wastewater plant be upgraded for additional nitrogen and phosphorus removal as a result of the Chesapeake Bay TMDL. The District believes the system will need to be upgraded with estimated costs of \$12,000,000 and the State has set aside funds to assist with these costs.

The nitrogen and phosphorus amounts removed by the plant are generally at the limits of technology. The permit limit is currently a pounds limit of nitrogen and phosphorus. The wastewater plant currently meets the discharge permit. The Maryland Department of the Environment imposes fines for exceeding the discharge permit.

To further insure that permit limits will not be exceeded, and that the water and sewer system is not overburdened, all new Princess Anne construction is approved on a project-by-project basis. The District has entered into an agreement with the Town of Princess Anne not to issue building or occupancy permits until the District approves all plans within town limits.

The Somerset County Technical and Community Services Office, in conjunction with the District, approves out-of-town building and occupancy permits and compliance with state created propriety funding areas (PFA's).

The Maryland Department of the Environment has approved an \$800,000 grant for solar cells for the Princess Anne Waste Water Treatment Plan for fiscal year 2018. This could produce significant electrical savings for the plant. The project will be completed during fiscal year 2021.

Smith Island

The preliminary planning and engineering study for the Smith Island sewage facilities has been completed and is being reviewed by the Maryland Department of the Environment. The study has recommended closing the Tylerton wastewater plant and pumping to a rebuilt facility at Ewell.

The Maryland Department of the Environment has approved a grant/loan funding for the upgrade and improvement projects at Smith Island and Deal Island. The project is in progress as of June 30, 2020.

The Maryland Department of the Environment reviewed and approved the study proposing the decommissioning of the Fairmount plant. The project started during fiscal year 2018 and was completed in fiscal year 2019.

The Project has been awarded and is currently moving forward through grant funding. The decommissioning of the Fairmount plant will be finished in fiscal year 2021 and the service of this subdistrict will run through the Princess Anne subdistrict.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic and resulting global disruptions have had significant impacts on the County and Board of Education. In addition, there has been significant economic uncertainty and volatility in financial markets. The impact on future funding and on defined benefit plans (pension and other post-employment benefits) actuarial assumptions used to estimate the net pension and other-post employment liabilities are not reasonably estimated at this time.

NOTES TO FINANCIAL STATEMENTS

Note 16. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the County to perform certain maintenance and monitoring functions at its landfill sites following closure.

The County's Westover Landfill was at full capacity as of June 30, 1998 and capping and closure of that project was completed in 2005. The estimated post-closure care costs for a thirty year period of \$929,410 have been included in long-term debt at June 30, 2020. Post-closure care costs will be paid from General Fund revenues.

The Fairmount Road Landfill was opened in January 1998. Closure costs and post-closure care costs are estimated at \$1,080,894 and \$929,410, respectively. At June 30, 2020 approximately 67% of the landfill capacity had been used. Under the prescribed allocation method determined annually based on the landfill capacity used to date, \$1,350,300 has been included in long-term debt.

The County has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2019. The County expects to satisfy these requirements as of June 30, 2020 using the same criteria.

Note 17. Prior Period Restatement

During fiscal year 2020, it was noted that the OPEB liability included in the June 30, 2019 financial statements was overstated. To correct this overstatement, June 30, 2019 net position was restated.

The following table is a summary of the effects of these changes on net position as of June 30, 2019.

	Primary Government		
	Net Position		
	Governmental Activities	Business- Type Activities	Total
<u>June 30, 2019, as previously reported</u>	<u>\$ 17,960,938</u>	<u>\$ 1,097,165</u>	<u>\$ 19,058,103</u>
<u>Adjustment to OPEB liability</u>	<u>182,486</u>	<u>-</u>	<u>182,486</u>
<u>June 30, 2019, as restated</u>	<u>\$ 18,143,424</u>	<u>\$ 1,097,165</u>	<u>\$ 19,240,589</u>

REQUIRED SUPPLEMENTARY INFORMATION

SOMERSET COUNTY, MARYLAND

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2020**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
REVENUE			
Taxes	\$ 26,153,583	\$ 26,856,441	\$ 702,858
Licenses and permits	178,800	145,135	(33,665)
Intergovernmental	14,576,779	13,024,652	(1,552,127)
Charges for services	1,864,036	2,209,544	345,508
Miscellaneous	195,100	311,014	115,914
Total revenue	42,968,298	42,546,786	(421,512)
EXPENDITURES			
General government	7,197,060	7,379,201	(182,141)
Public safety	9,209,756	9,134,834	74,922
Public works	3,767,849	3,026,773	741,076
Health	1,011,835	895,468	116,367
Social services	71,400	70,190	1,210
Education	14,095,079	14,120,949	(25,870)
Recreation and culture	6,524,466	4,252,991	2,271,475
Conservation of natural resources	123,414	75,491	47,923
Intergovernmental	173,587	175,157	(1,570)
Debt service	2,746,452	6,721,569	(3,975,117)
Total expenditures	44,920,898	45,852,623	(931,725)
Excess of revenue (under) over expenditures	(1,952,600)	(3,305,837)	(1,353,237)
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term financing	3,614,930	7,734,431	4,119,501
Operating transfers, net	(3,495,038)	(3,400,000)	95,038
Fund balance appropriated	1,832,708	-	(1,832,708)
Total other financing sources (uses)	1,952,600	4,334,431	2,381,831
Net change in fund balance	\$ -	1,028,594	\$ 1,028,594
Fund balance - beginning		<u>14,565,082</u>	
Fund balance - ending		<u>\$ 15,593,676</u>	

SOMERSET COUNTY, MARYLAND

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
BUDGETARY BASIS
ROADS BOARD
Year Ended June 30, 2020**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
REVENUE			
Taxes	\$ 617,213	\$ 571,026	\$ (46,187)
Federal revenues	2,087,771	1,739,717	(348,054)
Charges for services	492,026	420,051	(71,975)
Interest	1,000	5,599	4,599
Miscellaneous	5,000	108,595	103,595
Total revenue	3,203,010	2,844,988	(358,022)
EXPENDITURES			
Current	3,404,992	3,157,475	247,517
Capital outlay	2,654,530	2,239,043	415,487
Total expenditures	6,059,522	5,396,518	663,004
(Deficiency) excess of revenue over expenditures	(2,856,512)	(2,551,530)	304,982
OTHER FINANCING SOURCES			
Operating transfers, net	2,856,512	2,800,000	(56,512)
Total other financing sources	2,856,512	2,800,000	(56,512)
Excess (deficiency) of revenue and other financing sources over expenditures	\$ -	\$ 248,470	\$ 248,470

SOMERSET COUNTY, MARYLAND

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2020

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(as of measurement date)**

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportionate Share of the Collective NPL B	Employer's Covered Employee Payroll C	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position (in \$000's) D	Plan's Total Pension Liability (in \$000's) E	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
June 30, 2019	0.0381021%	\$ 7,858,789	\$ 8,225,518	95.54%	\$ 53,943,420	\$ 74,569,030	72.34%
June 30, 2018	0.0352109%	\$ 7,387,809	\$ 8,217,384	89.90%	\$ 51,827,233	\$ 72,808,833	71.18%
June 30, 2017	0.0310368%	\$ 6,711,297	\$ 7,752,541	86.57%	\$ 48,987,184	\$ 70,610,885	69.38%
June 30, 2016	0.0325863%	\$ 7,688,418	\$ 7,468,424	102.95%	\$ 45,365,927	\$ 68,959,954	65.79%
June 30, 2015	0.0358530%	\$ 7,450,863	\$ 7,859,269	94.80%	\$ 45,789,840	\$ 66,571,552	68.78%
June 30, 2014	0.0335765%	\$ 5,958,734	\$ 7,816,818	76.23%	\$ 45,339,988	\$ 63,086,719	71.87%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

SOMERSET COUNTY, MARYLAND

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2020

SCHEDULE OF CONTRIBUTIONS

(as of fiscal year)

Fiscal Year	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2020	\$ 788,351	\$ 788,351	\$ -	\$ 8,404,595	9.38%
2019	740,297	740,297	-	8,225,518	9.00%
2018	702,132	702,132	-	8,217,384	8.54%
2017	631,704	631,704	-	7,752,541	8.15%
2016	634,808	634,808	-	7,468,424	8.50%
2015	755,684	755,684	-	7,859,269	9.62%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

SOMERSET COUNTY, MARYLAND

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2020

ACTUARIAL ASSUMPTIONS - PENSION PLAN

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25-year closed amortization period ending June 30, 2039; 19 years remaining.
Asset Valuation Method	Five-year smoothed market (max. 120% and min 80% of the market value)
Inflation	In the 2019 actuarial valuation, 2.65% general, 3.15% wage. In the 2018 actuarial valuation, 2.60% general, 3.10% wage.
Salary Increases	In the 2019 actuarial valuation, 3.10% to 11.6% including inflation. In the 2018 actuarial valuation, 3.20% to 9.10% including inflation.
Investment Rate of Return	In the 2019 actuarial valuation, 7.40%. In the 2018 actuarial valuation, 7.45%.
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational mortality projections using MP-2018 (2-dimensional) mortality improvement scale.

THE SOMERSET COUNTY LIBRARY SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

**SCHEDULE OF CHANGES IN THE COUNTY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS**

As of June 30,	Fiscal Year		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability			
Service cost	\$ 720,750	\$ 748,001	\$ 818,901
Interest	655,991	697,598	708,633
Differences between expected and actual experience	-	-	(3,503,158)
Change of assumptions and other inputs	-	1,097,167	4,820,198
Benefit payments	(278,931)	(324,750)	(318,741)
Net change in OPEB liability	<u>1,097,810</u>	<u>2,218,016</u>	<u>2,525,833</u>
Total OPEB liability - beginning of year, as restated	<u>17,088,822</u>	<u>18,186,632</u>	<u>20,404,648</u>
Total OPEB liability - ending of year (a)	<u>\$ 18,186,632</u>	<u>\$ 20,404,648</u>	<u>\$ 22,930,481</u>
Plan fiduciary net position			
Contributions - employer	\$ 285,129	\$ 331,798	\$ 318,741
Benefit payments	(285,129)	(331,798)	(318,741)
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending of year (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's net OPEB liability - end of year (a) - (b)	\$ 18,186,632	\$ 20,404,648	\$ 22,930,481
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered employee payroll	\$ 6,455,255	\$ 6,816,511	\$ 6,685,468
County's net OPEB liability as a percentage of covered employee payroll	281.73%	299.34%	342.99%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Post-Employment Health Care Benefits

Changes in Benefit Terms

There were no significant benefit changes during the year.

Changes in Assumptions

1. The discount rate was changed from 3.50% at June 30, 2019 to 2.21% at June 30, 2020.
2. Mortality tables changed from RP-2014 Total Dataset Headcount-weighted table with scale MP-2018 to Pub-2010 Teachers Headcount-weighted with fully generational scale MP-2019.
3. Trend rate changed from decreasing linearly by 0.5% to ultimate trend rate of 5.0% to decreasing linearly by 0.25% to ultimate trend rate of 4.5%.

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Discount Rate: The discount rate used to measure the total OPEB liability is 2.21%. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2020.

Mortality: Pup-2010 General Headcount-weighted with fully generational scale MP-2019. This mortality table represents the most recent table for governmental employees released by the Society of Actuaries.

Turnover: T7 Standard Table. Based on professional judgement of the actuary

Salary scale: 3.00%

Retirement age: Retirement rates are set based on the professional judgment of the actuary according to the following table:

Probability of Retirement	
Age 60-64 & 10+ years of service	20%
Age 65	100%

Utilization: 75%, based on plan experience and input from the plan sponsor

Note 2: Actual Expenditures over Budget

Expenditures in the General Fund exceeded the budget primarily due to the County refinancing a short-term loan on the Tawes Technology and Career Center with a new \$4,000,000 USDA loan to be repaid over 20 years. When the interim loan was paid off, there was no allocated budget for this transaction due to the County policy to not budget for revenues or expenditures related to refinancing loans.

ADDITIONAL SUPPLEMENTARY INFORMATION

SOMERSET COUNTY, MARYLAND

**REVENUE DETAIL
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
TAXES			
Property	\$ 17,151,723	\$ 17,710,644	\$ 558,921
Penalties and interest	300,000	233,871	(66,129)
	<u>17,451,723</u>	<u>17,944,515</u>	<u>492,792</u>
Income tax	8,003,360	8,098,231	94,871
Other			
Admissions and amusements	15,000	19,613	4,613
Recordation	600,000	699,895	99,895
Bay Restoration fund fee	15,500	16,423	923
Assessments - room tax	68,000	77,764	9,764
	<u>698,500</u>	<u>813,695</u>	<u>115,195</u>
	<u>26,153,583</u>	<u>26,856,441</u>	<u>702,858</u>
LICENSES AND PERMITS			
Cable franchise fees	130,000	110,627	(19,373)
Alcoholic beverages	28,000	14,809	(13,191)
Traders	18,000	17,269	(731)
Other	2,800	2,430	(370)
	<u>178,800</u>	<u>145,135</u>	<u>(33,665)</u>
INTERGOVERNMENTAL			
Federal			
Transportation Program	200,000	200,000	-
Transportation Alternatives Program	4,151,696	2,723,788	(1,427,908)
Airport Program	383,439	957,043	573,604
CARES Act	-	61,239	61,239
School Resource Officer Training	3,000	-	(3,000)
Civil defense/emergency services	151,000	136,779	(14,221)
Sheriff Non-Support	9,270	6,820	(2,450)
Highway Safety - DOT	1,500	1,500	-
State's Attorney	158,000	163,893	5,893
Soil conservation planner	55,150	14,218	(40,932)
CDBG Disaster Recovery Grant Administration fee	20,000	20,774	774
DHHS - Bike Trail Prevent Obesity	-	5,200	5,200
Deal Island Drainage Assessment	-	68,896	68,896
State of Maryland			
Fire, rescue and ambulance	313,590	308,946	(4,644)
Disparity Grant	5,811,182	5,811,182	-
Police protection	109,631	111,744	2,113
Waterways	487,000	75,329	(411,671)
DNR Deal Island Shoreline project	-	7,750	7,750
Community Tobacco Prevention	-	1,805	1,805
2020 Census	-	18,000	18,000
Program Open Space	182,245	50,521	(131,724)
Burgess Museum Grant	500,000	-	(500,000)

SOMERSET COUNTY, MARYLAND

**REVENUE DETAIL
BUDGET AND ACTUAL
GENERAL FUND
(Continued)**

Year Ended June 30, 2020

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
INTERGOVERNMENTAL (continued)			
State of Maryland (continued)			
Technical and Community Services	\$ 36,000	\$ 14,796	\$ (21,204)
Family Services	151,232	183,780	32,548
Airport	21,302	53,169	31,867
Tourism	21,632	39,122	17,490
Juror / Circuit Court Cost	30,000	155,639	125,639
Civil defense/emergency services	109,094	167,800	58,706
Sex Offender Program	16,951	33,959	17,008
City of Crisfield - airport grant	10,651	22,085	11,434
Health Department Cleaning grant	30,000	15,000	(15,000)
MSDE School Bus Safety	-	12,700	12,700
Forest and Wildlife Pilot	500,000	467,334	(32,666)
Forest & Parks	50,000	-	(50,000)
Pretrial Services Program	112,254	61,195	(51,059)
Adult Drug Court	140,057	124,688	(15,369)
Sheriff School Resource Officer	-	70,721	70,721
Hiker Biker Trail	798,403	684,963	(113,440)
Local			
Payments in lieu of taxes	12,500	64,539	52,039
Crisfield Housing Authority	-	10,000	10,000
Salisbury University Opioid	-	9,735	9,735
Detention Center Equipment	-	88,000	88,000
	<hr/> 14,576,779	<hr/> 13,024,652	<hr/> (1,552,127)
CHARGES FOR SERVICES			
General Government	453,536	693,781	240,245
Mosquito control	50,000	42,469	(7,531)
Landfill tipping and permit fees	1,360,500	1,473,294	112,794
	<hr/> 1,864,036	<hr/> 2,209,544	<hr/> 345,508
MISCELLANEOUS			
Rents and concessions	68,000	75,438	7,438
Telephone concessions	21,000	28,465	7,465
Interest	40,000	107,282	67,282
Proceeds from sale of capital assets	25,000	62,549	37,549
Other	41,100	37,280	(3,820)
	<hr/> 195,100	<hr/> 311,014	<hr/> 115,914
OTHER FINANCING SOURCES			
Proceeds from debt financing	3,614,930	7,734,431	4,119,501
Fund balance appropriated	1,832,708	-	(1,832,708)
	<hr/> 5,447,638	<hr/> 7,734,431	<hr/> 2,286,793
TOTAL REVENUE AND OTHER FINANCING SOURCES			
	\$ 48,415,936	\$ 50,281,217	\$ 1,865,281

SOMERSET COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
GENERAL GOVERNMENT			
LEGISLATIVE			
County Commissioners	\$ 72,204	\$ 75,703	\$ (3,499)
Clerk to County Commissioners	236,658	236,920	(262)
	<hr/> 308,862	<hr/> 312,623	<hr/> (3,761)
JUDICIAL			
Adult Drug Court	140,057	125,753	14,304
Circuit Court	158,488	183,291	(24,803)
Family Services	151,232	187,427	(36,195)
Orphans' Court	18,239	17,548	691
State's Attorney	1,074,053	1,051,611	22,442
Law Library	10,000	4,275	5,725
	<hr/> 1,552,069	<hr/> 1,569,905	<hr/> (17,836)
ELECTION			
Board of Supervision of Elections	15,983	16,408	(425)
Registration and election	513,076	456,177	56,899
	<hr/> 529,059	<hr/> 472,585	<hr/> 56,474
FINANCIAL ADMINISTRATION			
Finance and Accounting	361,183	352,659	8,524
Tax collection and disbursement of funds	362,920	351,486	11,434
Internal auditing	130,273	130,906	(633)
Auditing and accounting	50,000	49,000	1,000
Licensing	20,257	21,395	(1,138)
	<hr/> 924,633	<hr/> 905,446	<hr/> 19,187
LEGAL	<hr/> 129,101	<hr/> 125,676	<hr/> 3,425
PERSONNEL	<hr/> 229,231	<hr/> 222,366	<hr/> 6,865
PLANNING AND ZONING	<hr/> 1,030,190	<hr/> 1,017,172	<hr/> 13,018

<u>Salaries and Other Operating Expenses</u>	<u>Capital Outlay</u>
\$ 75,703	\$ -
236,920	-
<hr/>	
312,623	-
<hr/>	
125,753	-
157,426	25,865
187,427	-
17,548	-
1,051,611	-
4,275	-
<hr/>	
1,544,040	25,865
<hr/>	
16,408	-
396,367	59,810
<hr/>	
412,775	59,810
<hr/>	
352,659	-
351,486	-
130,906	-
49,000	-
21,395	-
<hr/>	
905,446	-
<hr/>	
125,676	-
<hr/>	
222,366	-
<hr/>	
994,844	22,328
<hr/>	

SOMERSET COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL
GENERAL FUND
(Continued)
Year Ended June 30, 2020**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
GENERAL SERVICES			
County building	\$ 1,113,795	\$ 1,155,372	\$ (41,577)
Tourism	303,295	273,335	29,960
	<hr/> 1,417,090	<hr/> 1,428,707	<hr/> (11,617)
MISCELLANEOUS			
Information Technology	386,728	368,919	17,809
Financial ERP software	42,875	32,500	10,375
Community promotions	183,837	180,474	3,363
Public Officers Association	26,475	20,266	6,209
Health benefits retirees	277,837	272,929	4,908
Retirement and pension contributions	31,807	73,937	(42,130)
Uncollectible interest and personal property taxes	-	30,326	(30,326)
Coronavirus Aid, Relief, and Economic Security Act			
Economic Development business relief	-	12,113	(12,113)
Town of Princess Anne	-	6,771	(6,771)
Payroll and overtime	-	14,226	(14,226)
Commission on Aging	-	24,271	(24,271)
Election mailing and other operating	-	3,859	(3,859)
Other general government	127,266	284,130	(156,864)
	<hr/> 1,076,825	<hr/> 1,324,721	<hr/> (247,896)
Total General Government	<hr/> 7,197,060	<hr/> 7,379,201	<hr/> (182,141)
PUBLIC SAFETY			
Sheriff	2,619,406	2,646,001	(26,595)
Ambulance and fire	1,194,664	1,185,917	8,747
Correction	3,156,215	3,064,128	92,087
Other protection			
911 communication	2,031,709	2,077,174	(45,465)
Animal protection	207,762	161,614	46,148
	<hr/> 9,209,756	<hr/> 9,134,834	<hr/> 74,922
PUBLIC WORKS			
Waste collection and disposal	2,105,299	1,692,542	412,757
Highway, streets and waterways	720,001	283,104	436,897
Transportation	942,549	1,051,127	(108,578)
	<hr/> 3,767,849	<hr/> 3,026,773	<hr/> 741,076

Salaries and Other Operating <u>Expenses</u>	Capital <u>Outlay</u>
\$ 1,042,248	\$ 113,124
273,335	-
<hr/>	<hr/>
1,315,583	113,124
<hr/>	<hr/>
243,518	125,401
32,500	-
180,474	-
20,266	-
272,929	-
73,937	-
30,326	-
12,113	-
6,771	-
14,226	-
24,271	-
3,859	-
103,429	180,701
<hr/>	<hr/>
1,018,619	306,102
<hr/>	<hr/>
6,851,972	527,229
<hr/>	<hr/>
2,505,819	140,182
1,185,917	-
2,920,699	143,429
1,390,513	686,661
161,614	-
<hr/>	<hr/>
8,164,562	970,272
<hr/>	<hr/>
1,670,122	22,420
79,803	203,301
280,622	770,505
<hr/>	<hr/>
2,030,547	996,226
<hr/>	<hr/>

SOMERSET COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL
GENERAL FUND**

(Continued)

Year Ended June 30, 2020

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
HEALTH	\$ 1,011,835	\$ 895,468	\$ 116,367
SOCIAL SERVICES	71,400	70,190	1,210
EDUCATION	14,095,079	14,120,949	(25,870)
RECREATION AND CULTURE	6,524,466	4,252,991	2,271,475
CONSERVATION OF NATURAL RESOURCES	123,414	75,491	47,923
INTERGOVERNMENTAL	173,587	175,157	(1,570)
DEBT SERVICE	2,746,452	6,721,569	(3,975,117)
OTHER FINANCING USES			
Operating transfers			
County Roads Department	2,856,512	2,800,000	56,512
Economic Development Commission	140,000	140,000	-
Golf Course - transfers	498,526	460,000	38,526
	3,495,038	3,400,000	95,038
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$48,415,936	\$49,252,623	\$ (836,687)

Salaries and Other Operating <u>Expenses</u>	Capital <u>Outlay</u>
\$ 895,468	\$ -
<u>70,190</u>	<u>-</u>
10,459,265	3,661,684
<u>786,810</u>	<u>3,466,181</u>
<u>75,491</u>	<u>-</u>
<u>175,157</u>	<u>-</u>
<u>6,721,569</u>	<u>-</u>
2,800,000	-
140,000	-
<u>460,000</u>	<u>-</u>
<u>3,400,000</u>	<u>-</u>
<u>\$ 39,631,031</u>	<u>\$ 9,621,592</u>

SOMERSET COUNTY, MARYLAND

**BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2020**

	<u>CDBG Programs</u>	<u>Special Loan Program</u>	<u>Commission on Aging - SSTAP</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 20,594	\$ -	\$ 20,594
Receivables				
Due from other funds	39,301	-	-	39,301
Due from other governmental units	-	8,051	39,173	47,224
Total assets	\$ 39,301	\$ 28,645	\$ 39,173	\$ 107,119
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable and accrued expenses	\$ 9,516	\$ 28,513	\$ -	\$ 38,029
Due to other governmental units	-	-	39,173	39,173
Unearned revenue	29,785	87	-	29,872
Total liabilities	39,301	28,600	39,173	107,074
FUND BALANCE				
Assigned for fund purpose	-	45	-	45
Total fund balance	-	45	-	45
Total liabilities and fund balance	\$ 39,301	\$ 28,645	\$ 39,173	\$ 107,119

SOMERSET COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
Year Ended June 30, 2020**

	<u>CDBG Programs</u>	<u>Special Loan Program</u>	<u>Commission on Aging - SSTAP</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUE				
Intergovernmental				
Federal	\$ 117,536	\$ -	\$ -	\$ 117,536
State	-	349,104	117,447	466,551
Local	-	-	70,850	70,850
Miscellaneous	-	204	2,518	2,722
Total revenue	117,536	349,308	190,815	657,659
EXPENDITURES				
Current				
Social services	-	-	190,815	190,815
Economic and community development	117,536	349,104	-	466,640
Total expenditures	117,536	349,104	190,815	657,455
Excess of revenue over expenditures	-	204	-	204
Fund balances, beginning	-	(159)	-	(159)
Fund balances, ending	\$ -	\$ 45	\$ -	\$ 45

SOMERSET COUNTY, MARYLAND

GENERAL FUND - TAXES RECEIVABLE

June 30, 2020

(Unaudited)

	Tax Rate	Total Assessed Value of Taxable Property	Tax Levy	Collected		Balance June 30, 2020
				Amount	Percent	
REAL AND PERSONAL PROPERTY TAXES						
2006-2007 Levy	D	\$ 1,106,824,697	\$ 10,493,110	\$ 10,492,571	99.99	\$ 539
2007-2008 Levy	D	1,337,327,950	12,581,499	12,580,960	100.00	539
2008-2009 Levy	E	1,568,418,115	14,464,986	14,464,404	100.00	582
2009-2010 Levy	F	1,683,987,794	15,188,742	15,187,840	99.99	902
2010-2011 Levy	G	1,699,240,830	15,036,863	15,036,531	100.00	332
2011-2012 Levy	G	1,616,536,797	14,297,806	14,297,215	100.00	591
2012-2013 Levy	G	1,457,734,602	12,897,185	12,897,768	100.00	(583)
2013-2014 Levy	H	1,416,724,050	12,976,836	12,980,519	100.03	(3,683)
2014-2015 Levy	H	1,361,394,961	12,472,354	12,469,147	99.97	3,207
2015-2016 Levy	I	1,371,604,952	13,759,300	13,752,292	99.95	7,008
2016-2017 Levy	I	1,365,856,317	13,711,958	13,691,468	99.85	20,490
2017-2018 Levy	I	1,360,065,960	13,678,953	13,646,837	99.77	32,116
2018-2019 Levy	I	1,354,589,599	13,644,157	13,569,173	99.45	74,984
2019-2020 Levy	I	1,379,191,280	13,836,189	12,975,393	93.78	860,796
						<u>997,820</u>

CORPORATE TAXES

2000-2001 Levy	2.45	66,651,000	1,609,994	1,609,244	99.95	750
2001-2002 Levy	A	67,000,140	1,618,012	1,617,329	99.96	683
2002-2003 Levy	B	68,632,290	1,586,645	1,586,073	99.96	572
2003-2004 Levy	B	66,109,090	1,501,437	1,500,599	99.94	838
2004-2005 Levy	B	58,704,930	1,490,057	1,488,794	99.92	1,263
2005-2006 Levy	C	59,295,350	1,486,284	1,485,325	99.94	959
2006-2007 Levy	D	64,167,890	1,520,906	1,519,951	99.94	955
2007-2008 Levy	D	65,157,950	1,511,292	1,510,332	99.94	960
2008-2009 Levy	E	67,770,460	1,538,019	1,536,662	99.91	1,357
2009-2010 Levy	F	59,364,950	1,541,422	1,540,541	99.94	881
2010-2011 Levy	G	67,314,350	1,486,601	1,485,099	99.90	1,502
2011-2012 Levy	G	68,712,250	1,518,309	1,513,640	99.69	4,669
2012-2013 Levy	G	66,886,140	1,478,987	1,478,653	99.98	334
2013-2014 Levy	H	67,554,650	1,547,526	1,543,896	99.77	3,630
2014-2015 Levy	H	72,477,610	1,652,028	1,613,384	97.66	38,644
2015-2016 Levy	I	76,183,980	1,897,500	1,844,049	97.18	53,451
2016-2017 Levy	I	78,783,510	1,970,352	1,890,120	95.93	80,232
2017-2018 Levy	I	75,445,340	1,882,866	1,765,157	93.75	117,709
2018-2019 Levy	I	141,146,080	3,522,130	3,396,287	96.43	125,843
2019-2020 Levy	I	140,910,710	3,522,768	3,322,658	94.32	200,110
						<u>635,342</u>
						<u>1,633,162</u>
Less: Allowance for doubtful accounts						<u>(345,787)</u>
						<u>\$ 1,287,375</u>

A Real property-tax rate \$.98 Personal property-tax rate \$2.45	E Real property-tax rate \$.92 Personal property-tax rate \$2.30	I Real property-tax rate \$1.00 Personal property-tax rate \$2.50
B Real property-tax rate \$1.010 Personal property-tax rate \$2.525	F Real property-tax rate \$.90 Personal property-tax rate \$2.25	
C Real property-tax rate \$.99 Personal property-tax rate \$2.475	G Real property-tax rate \$.8837 Personal property-tax rate \$2.20925	
D Real property-tax rate \$.94 Personal property-tax rate \$2.35	H Real property-tax rate \$.9150 Personal property-tax rate \$2.28750	

SOMERSET COUNTY, MARYLAND

GENERAL FUND - PROPERTY TAX LEVIES AND COLLECTIONS
Years Ended June 30, 2020
(Unaudited)

<u>Fiscal Year Ended June 30,</u>	<u>County Tax Rate</u>	<u>Assessable Base</u>	<u>County Tax Levy</u>	<u>Collections</u>	<u>% of Levy Collected in Year of Levy</u>	<u>Delinquent Tax Collections</u>
2020	I	\$ 1,520,101,990	\$ 17,358,956	\$ 16,298,051	93.89	\$ 1,039,955
2019	I	1,495,735,679	17,173,545	15,849,424	92.29	1,318,015
2018	I	1,435,511,300	15,489,323	14,123,160	91.18	1,412,335
2017	I	1,444,639,827	15,687,444	14,304,667	91.19	1,353,166
2016	I	1,447,788,932	15,675,025	14,291,127	91.17	1,354,589
2015	H	1,433,872,571	14,149,738	12,795,819	90.43	1,339,380
2014	H	1,484,278,700	14,547,130	13,078,987	89.91	1,405,754
2013	G	1,527,554,512	14,424,497	12,945,537	89.75	1,470,348
2012	G	1,685,249,047	15,843,761	14,008,327	88.42	781,885
2011	G	1,766,555,180	16,543,705	14,755,506	89.19	1,956,859
2010	F	1,743,352,744	16,533,458	14,463,621	87.48	1,672,784
D Real property - tax rate \$.94 Personal property - tax rate \$2.35		G Real property - tax rate \$.8837 Personal property - tax rate \$2.209				
E Real property - tax rate \$.92 Personal property - tax rate \$2.30		H Real property - tax rate \$.9150 Personal property - tax rate \$2.28750				
F Real property - tax rate \$.90 Personal property - tax rate \$2.25		I Real property - tax rate \$1.00 Personal property - tax rate \$2.50				

<u>Total Tax Collections</u>	<u>Total Collections as a % of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a % of Current Levy</u>
\$ 17,338,006	99.88	\$ 1,633,162	9.41
17,167,439	99.96	1,956,217	11.39
15,535,495	100.30	1,879,388	12.13
15,657,833	99.81	1,932,294	12.32
15,645,716	99.81	1,906,233	12.16
14,135,199	99.90	1,834,072	12.96
14,484,741	99.57	1,909,253	13.12
14,415,885	99.94	1,897,512	13.15
14,790,212	93.35	2,243,129	14.16
16,712,365	101.02	2,046,377	12.37
16,136,405	97.60	2,308,088	13.96

SOMERSET COUNTY, MARYLAND

GENERAL FUND - PROPERTY ASSESSED VALUES

June 30, 2020

(Unaudited)

Fiscal Year Ended <u>June 30,</u>	Assessed Values						
	Real Property		Personal Property				<u>Total</u>
	<u>Full Year</u>	<u>Partial Year</u>	<u>Locally Assessed</u>	<u>Ordinary Business Corporations</u>	<u>Railroads & Public Utilities</u>		
2020	\$ 1,360,786,900	\$ 15,452,660	\$ 2,951,720	\$ 96,221,370	\$ 44,689,340	\$ 1,520,101,990	
2019	1,349,932,949	1,541,100	3,115,550	98,775,040	42,371,040	1,495,735,679	
2018	1,350,945,420	5,467,700	3,652,840	37,156,350	38,288,990	1,435,511,300	
2017	1,358,564,567	3,338,850	3,952,900	34,590,320	44,193,190	1,444,639,827	
2016	1,365,432,377	2,547,495	3,625,080	33,396,010	42,787,970	1,447,788,932	
2015	1,356,452,671	2,388,610	2,553,680	31,130,030	41,347,580	1,433,872,571	
2014	1,411,596,700	2,300,950	2,826,400	29,509,350	38,045,300	1,484,278,700	
2013	1,452,719,887	5,014,715	2,933,770	29,600,550	37,285,590	1,527,554,512	
2012	1,611,332,127	2,156,870	3,047,800	32,754,490	35,957,760	1,685,249,047	
2011	1,690,889,068	5,306,102	3,045,660	32,693,140	34,621,210	1,766,555,180	
2010	1,678,787,893	2,099,401	3,100,500	32,393,030	26,971,920	1,743,352,744	

SOMERSET COUNTY, MARYLAND

GOVERNMENTAL FUND TYPES (REPORTING ENTITY)

EXPENDITURES BY FUNCTION

Ten Years Ended June 30, 2020

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General government	\$ 7,379,201	\$ 7,125,940	\$ 6,736,354	\$ 6,329,780	\$ 6,035,270
Public safety	9,134,834	11,961,190	8,209,251	7,620,741	7,469,144
Public works	8,423,291	6,195,302	5,244,929	5,259,924	5,226,400
Health	895,468	987,540	958,975	904,358	871,610
Social services	261,005	297,376	353,222	266,993	245,110
Education	48,142,102	64,687,722	50,138,362	37,698,097	36,808,025
Recreation and culture	5,017,854	1,855,487	1,847,813	1,903,212	4,372,667
Conservation of natural resources	75,491	118,626	111,992	102,045	112,980
Economic and community development	4,186,319	1,751,832	3,623,751	7,830,421	5,682,392
Intergovernmental	175,157	144,953	169,542	165,875	172,444
Debt service	6,721,569	2,442,585	2,650,210	5,583,235	2,476,675
Miscellaneous	-	-	-	-	-
	<u>\$ 90,412,291</u>	<u>\$ 97,568,553</u>	<u>\$ 80,044,401</u>	<u>\$ 73,664,681</u>	<u>\$ 69,472,717</u>

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 6,538,792	\$ 6,757,059	\$ 6,224,871	\$ 6,196,467	\$ 7,703,494
7,213,198	7,520,291	7,180,372	7,345,080	6,860,081
6,127,456	6,395,927	5,679,510	5,884,871	6,787,158
886,985	828,186	856,234	936,925	787,669
252,823	243,418	247,748	262,132	263,668
35,129,242	32,460,744	30,610,825	34,765,635	38,224,555
3,603,710	1,593,380	1,455,405	1,712,502	1,213,025
109,575	98,730	101,609	103,822	92,616
3,445,175	1,550,771	1,009,956	605,428	1,111,777
152,212	154,783	260,444	261,513	16,425
2,436,591	10,179,576	2,000,765	1,996,979	2,030,275
-	-	-	-	-
<u>\$ 65,895,759</u>	<u>\$ 67,782,865</u>	<u>\$ 55,627,739</u>	<u>\$ 60,071,354</u>	<u>\$ 65,090,743</u>

SOMERSET COUNTY, MARYLAND

**STATEMENT OF REVENUE AND EXPENSES
 PROPRIETARY FUND TYPE
 Years Ended June 30, 2020 and 2019**

	Primary Government	
	Enterprise Fund Golf Course	
	<u>2020</u>	<u>2019</u>
OPERATING REVENUE		
Charges for services:		
Green fees	\$ 170,474	\$ 132,158
Cart fees	143,011	134,003
Driving range	6,514	5,360
Membership dues	96,934	80,740
Concessions	70,508	73,396
Miscellaneous	5,071	4,092
Total operating revenue	492,512	429,749
OPERATING EXPENSES		
Salaries and related taxes	508,565	506,114
Repairs and maintenance	49,365	55,667
Supplies	145,759	119,117
Utilities	31,937	36,749
Insurance	79,079	48,304
Depreciation and amortization	144,333	136,335
Other operating	127,577	133,101
Total operating expenses	1,086,615	1,035,387
Net operating loss	(594,103)	(605,638)
NON-OPERATING REVENUE (EXPENSES)		
Financial expense, net	(3,726)	(2,583)
Operating transfers, net	460,000	510,000
Net non-operating revenue	456,274	507,417
Net loss	\$ (137,829)	\$ (98,221)

THE UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of County Commissioners
Somerset County, Maryland
Princess Anne, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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 Somerset County, Maryland as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Somerset County, Maryland's basic financial statements and have issued our report thereon dated January 29, 2021. Our report was modified to include a reference to other auditors who audited the financial statements of the Somerset County Sanitary District and the Liquor Control Board of Somerset County, as described in our report on Somerset County, Maryland's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Somerset County, Maryland's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Somerset County, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the Somerset County, Maryland's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "JHM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland
January 29, 2021

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of County Commissioners
Somerset County, Maryland
Princess Anne, Maryland

Report on Compliance for Each Major Federal Program

We have audited Somerset County, Maryland's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Somerset County, Maryland's major federal programs for the year ended June 30, 2020. Somerset County, Maryland's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Somerset County, Maryland's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with audit standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Somerset County, Maryland's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Somerset County, Maryland's compliance.

Opinion on Each Major Federal Program

In our opinion, Somerset County, Maryland, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Somerset County, Maryland is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Somerset County, Maryland's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Somerset County, Maryland's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "JHM Group LLC".

Salisbury, Maryland
January 29, 2021

SOMERSET COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

<u>Description</u>	<u>Catalog of Federal Domestic Assistance Numbers</u>	<u>Passthrough Grantor's Numbers</u>	<u>Expenditures to Subrecipients</u>	
<u>Department of Housing and Urban Development</u>				
Passed through Maryland Department of Housing and Community Development:				
CDBG - Entitlement Grants Cluster:				
Housing Rehabilitation	14.218	MD-19-CD-26	\$ 14,474	\$ -
Sub-Total CDBG - Entitlement Grant Cluster			14,474	-
CDBG - Disaster Recovery Grants Cluster:				
Hurricane Sandy 14	14.269	MD-14-DR	129,446	-
Hurricane Sandy 15	14.269	MD-15-DR-1	2,556,463	-
Sub-Total CDBG - Disaster Recover Grants Cluster			2,685,909	-
Homeless Initiative - Catholic Charities	14.228	MD-18-HI-5	64,306	-
Homeless Initiative - Lower Shore Shelter	14.228	MD-18-HI-6	38,756	-
Sub-Total			103,062	-
Total Department of Housing and Urban Development			2,803,445	-
<u>Department of Homeland Security</u>				
Passed through State of Maryland Department of Emergency Management:				
Emergency Services - Homeland Security Grant	97.067	19SHSP857	67,321	-
Emergency Management Performance Grant	97.042	19EMPG857	69,459	-
Total Department of Homeland Security			136,780	-
<u>Department of Treasury</u>				
Passed through				
Coronavirus Aid, Relief, and Economic Security Act	21.019		61,239	-
Total Department of Treasury			61,239	-
<u>Department of Health and Human Services</u>				
Passed through State of Maryland Department of Human Resources:				
States Attorney Child Support	93.563	CSEA/CRA-20-023	163,893	-
Non Support Grant - Sheriff	93.563	CSEA/CRA-18-039	6,820	-
Bike Trail-Prevent Obesity grant - Recreation	93.757	1422	5,200	-
Total Department of Health and Human Services			175,913	-
<u>Department of Agriculture, Natural Resources</u>				
Passed through the Maryland Department of Agriculture:				
Soil Conservation Planner Grant	10.917	MDA-1821H	14,217	-
Deal Island Pen. Open Ditch Drainage Assessment	11.419	14-19-2525 CZM 145	68,896	-
Total Department of Agriculture, Natural Resources			83,113	-
<u>Department of Transportation</u>				
Federal Aviation Administration (AIP)	20.106	3-24-0012-013	204,189	-
Federal Aviation Administration (AIP)	20.106	3-24-0012-014	159,674	-
Federal Aviation Administration (AIP)	20.106	3-24-0012-015	593,180	-
Sub-Total			957,043	-
Passed through the State Highway Administration:				
Highway Planning and Construction Cluster:				
Transportation Alternatives Program	20.219	TAP-323-1(5)E	2,723,788	-
Bryan Hall Bridge	20.205		1,739,717	-
Sub-Total Highway Planning and Construction Cluser			4,463,505	-
State and Community Highway Safety	20.616	LE 20-024	1,500	-
Sub-Total			1,500	-
Passed through the Maryland Department of Human Resources:				
Federal Transit - Formula Grants	20.507		200,000	-
Sub-Total			200,000	-
Total Department of Transportation			5,622,048	-
Total Expenditures of Federal Awards			\$ 8,882,538	\$ -

SOMERSET COUNTY, MARYLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

Note 1. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Somerset County, Maryland and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Somerset County, Maryland has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

SOMERSET COUNTY, MARYLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2020

A. Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Somerset County, Maryland.
2. No material weaknesses were identified and no significant deficiencies are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Somerset County, Maryland, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses were identified and no significant deficiencies are reported in the Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Somerset County, Maryland expresses an unmodified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported on this schedule.
7. The programs tested as major programs include:
 - Recreational Trails Program – CFDA #20.219
 - Airport Improvement Program – CFDA #20.106
 - Federal Aid Highway Program – CFDA #20.205
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Somerset County, Maryland was determined to be a low-risk auditee for the year ended June 30, 2020.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None