

OFFICIAL STATEMENT DATED DECEMBER 5, 2023

NEW ISSUE – BOOK-ENTRY ONLY

Fitch Ratings: AA+
Moody's Investors Service: Aa1
S&P Global Ratings: AA+
See "Ratings" herein.

In the opinion of McGuire Woods LLP, under existing law and subject to the conditions described in "TAX MATTERS" herein, interest on the Bonds (i) is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. In addition, for taxable years beginning after December 31, 2022, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. Bond Counsel is further of the opinion that by the current terms of the Act (as defined herein), the principal of and interest on the Bonds, the transfer of the Bonds, and any income derived from the Bonds, including profits made in their sale or transfer, are exempt from State and local taxes in the State of Maryland; however, the terms of the Act do not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds, the interest thereon, their transfer or the income therefrom. See "TAX MATTERS" herein regarding other tax considerations.

St. Mary's County, Maryland General Obligation Bonds

\$30,000,000

Commissioners of St. Mary's County Consolidated Public Improvement Bonds, Series 2023

| | |
|-------------------------|----------------------------------------------------------------------------------------------------------------|
| Dated: | Date of Delivery |
| Due: | December 15, as shown on the inside front cover |
| Interest Payment Dates: | June 15 and December 15, beginning June 15, 2024 |
| Denomination: | \$5,000 or any integral multiple thereof |
| Optional Redemption: | Bonds maturing on or after December 15, 2034 are redeemable in whole or in part, on or after December 15, 2033 |
| Security: | General Obligations of Commissioners of St. Mary's County, Maryland |
| Purpose: | The proceeds of the Bonds are being used to finance capital projects of the County |
| Closing/Settlement: | On or about December 14, 2023 |
| Book-Entry Only Form: | The Depository Trust Company, New York, NY |
| Registrar/Paying Agent: | Manufacturers and Traders Trust Company, Baltimore, MD/Buffalo, NY |
| Bond Counsel: | McGuireWoods LLP, Baltimore, MD |
| Financial Advisor: | First Tryon Advisors, LLC, Annapolis, MD |
| Issuer Contact: | St. Mary's County Chief Financial Officer: (301) 475-4200, ext. 71200 |

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

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of McGuireWoods LLP, Baltimore, Maryland, Bond Counsel. The Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about December 14, 2023.

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

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

\$30,000,000 Consolidated Public Improvement Bonds, Series 2023

| Maturing December 15 | Principal Amount | Interest Rate* | Price or Yield* | CUSIP** | Maturing December 15 | Principal Amount | Interest Rate* | Price or Yield* | CUSIP** |
|-------------------------|---------------------|-------------------|--------------------|-----------|-------------------------|---------------------|-------------------|---------------------|-----------|
| 2024 | \$ 915,000 | 5.000% | 2.980% | 792554E78 | 2034 | \$1,495,000 | 5.000% | 2.660% [†] | 792554F93 |
| 2025 | 960,000 | 5.000% | 2.810% | 792554E86 | 2035 | 1,565,000 | 5.000% | 2.770% [†] | 792554G27 |
| 2026 | 1,010,000 | 5.000% | 2.670% | 792554E94 | 2036 | 1,645,000 | 5.000% | 2.910% [†] | 792554G35 |
| 2027 | 1,060,000 | 5.000% | 2.590% | 792554F28 | 2037 | 1,730,000 | 5.000% | 3.060% [†] | 792554G43 |
| 2028 | 1,115,000 | 5.000% | 2.550% | 792554F36 | 2038 | 1,815,000 | 4.000% | 3.380% [†] | 792554G50 |
| 2029 | 1,170,000 | 5.000% | 2.550% | 792554F44 | 2039 | 1,885,000 | 4.000% | 3.500% [†] | 792554G68 |
| 2030 | 1,230,000 | 5.000% | 2.560% | 792554F51 | 2040 | 1,965,000 | 4.000% | 3.580% [†] | 792554G76 |
| 2031 | 1,290,000 | 5.000% | 2.570% | 792554F69 | 2041 | 2,040,000 | 4.000% | 3.670% [†] | 792554G84 |
| 2032 | 1,355,000 | 5.000% | 2.590% | 792554F77 | 2042 | 2,125,000 | 4.000% | 3.750% [†] | 792554G92 |
| 2033 | 1,420,000 | 5.000% | 2.590% | 792554F85 | 2043 | 2,210,000 | 4.000% | 3.830% [†] | 792554H26 |

*The rates shown above are the interest rates payable by the County resulting from the successful bid for the Bonds on December 5, 2023 by UBS Financial Services, Inc. The yields or prices shown above were furnished by the successful bidder. Any additional information concerning the reoffering of the Bonds should be obtained from the successful bidder and not from the County.

[†] Yield to first call.

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

COMMISSIONERS OF ST. MARY’S COUNTY, MARYLAND

Certain Elected Officials

Board of County Commissioners

James R. Guy – President
Eric S. Colvin – Commissioner, District 1
Michael L. Hewitt – Commissioner, District 2
Michael R. Alderson, Jr. – Commissioner, District 3
Scott R. Ostrow – Commissioner, District 4

Christine L. Kelly – County Treasurer

Certain Appointed County Officials

David A. Weiskopf, J.D. – County Administrator
L. Jeannett Cudmore, C.P.A. – Chief Financial Officer
James M. Gotsch – Director of Public Works and Transportation
Chris Kaselemis, AICP – Director of Economic Development
Buffy N. Giddens, County Attorney

BOND COUNSEL

McGuireWoods LLP
Baltimore, Maryland

AUDITOR

SB & Company, LLC
Owings Mills, Maryland

FINANCIAL ADVISOR

First Tryon Advisors, LLC
Annapolis, Maryland

BOND REGISTRAR AND PAYING AGENT

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

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

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements". In this respect, the words "estimate," "anticipate," "expect," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the City's financial results could cause actual results to differ materially from those stated in the forward-looking statements.

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

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

The information set forth herein has been obtained from the County and other sources that are deemed to be reliable. The information from sources other than the County is not guaranteed as to accuracy or completeness nor should it be construed as representations of the County or the successful bidders.

TABLE OF CONTENTS

| | <u>Page</u> | | <u>Page</u> |
|-----------------------------------------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Summary of Offering | ii | COUNTY REVENUES | 21 |
| Map of St. Mary's County | iii | General | 21 |
| INTRODUCTION | 1 | Property Taxes and Assessments | 22 |
| General | 1 | Assessed Values and Tax Rates | 22 |
| Description of the County | 1 | Tax Levies and Collections | 23 |
| APPLICATION OF PROCEEDS | 2 | County's Largest Taxpayers | 23 |
| THE BONDS | 3 | Income Tax | 23 |
| General | 3 | STATE AND FEDERAL ASSISTANCE | 24 |
| Authorization | 3 | SUMMARY OF REVENUES AND EXPENDITURES | 25 |
| Form and Denomination | 3 | FISCAL YEAR 2023 AND 2024 BUDGETS | 26 |
| Redemption | 3 | Fiscal Year 2023 Budget | 26 |
| Payment | 4 | Fiscal Year 2024 Budget | 26 |
| Transfer and Exchange | 4 | Results for Fiscal Year 2022 with Budgeted Data for Fiscal Years 2023 and 2024 | 27 |
| Source of Payment | 4 | CERTAIN DEBT INFORMATION | 28 |
| BOOK-ENTRY ONLY SYSTEM | 5 | General | 28 |
| The Depository Trust Company | 5 | Legal Debt Limitation | 28 |
| Termination of Book-Entry Only System | 6 | Other County Debt | 29 |
| Book-Entry Only System—Miscellaneous | 6 | Schedule of Debt Service Requirements | 29 |
| BONDHOLDERS' REMEDIES | 6 | Capital Financing | 31 |
| RATINGS | 6 | Future Plans to Issue County Debt | 31 |
| LEGAL MATTERS | 7 | CERTAIN ECONOMIC AND DEMOGRAPHIC FACTORS | 32 |
| TAX MATTERS | 7 | Economic Growth and Development | 32 |
| Opinion of Bond Counsel – Federal Income Tax Status of Interest | 7 | U.S. Naval Facilities | 32 |
| Reliance and Assumptions; Effect of Certain Changes | 7 | Non-Defense Industries and Technology Commercialization | 33 |
| Certain Collateral Federal Tax Consequences | 8 | Uncrewed and Autonomous Systems | 33 |
| Original Issue Discount | 8 | Enhancing the Growth of Technology Start-Ups | 33 |
| Original Issue Premium | 8 | Advanced Manufacturing | 34 |
| Information Reporting and Backup Withholding | 9 | Public and Private Investment in the St. Mary's County Regional Airport | 34 |
| Internal Revenue Service Audits | 9 | Leisure and Hospitality | 35 |
| Tax Exemption – State of Maryland Taxation | 9 | Agriculture and Aquaculture | 35 |
| Changes in Federal and State Tax Laws and Regulations | 9 | New Construction and Infill Projects | 35 |
| COUNTY GOVERNMENT AND ADMINISTRATION | 10 | Health Services | 36 |
| General | 10 | Population | 36 |
| County Commissioners | 10 | Income | 37 |
| Treasurer | 11 | Sales and Use Tax Collections | 37 |
| Certain Appointed Officials | 11 | Education | 38 |
| Remuneration of Certain Officials | 13 | Higher Education | 38 |
| St. Mary's County Government Organization | 13 | Commercial and Residential Building Permits | 40 |
| Retirement and Pension Programs | 14 | Employment Classification | 40 |
| Other Post-Employment Benefits ("OPEB") | 15 | Business and Industrial Composition | 41 |
| Labor Relations | 16 | Employment | 41 |
| Leases and Other Contracts | 16 | Commuting Patterns | 42 |
| BUDGET AND ACCOUNTING | 16 | LITIGATION | 42 |
| Current Expense Budget | 16 | EXPERTS | 42 |
| Capital Budget and Capital Program | 16 | INVESTMENT OF COUNTY FUNDS | 43 |
| Budget Message | 17 | CONTINUING DISCLOSURE | 43 |
| Adoption of Budget | 17 | SALE AT COMPETITIVE BIDDING | 43 |
| Basis of Accounting | 17 | FINANCIAL ADVISOR | 43 |
| Accounting Policies | 17 | MISCELLANEOUS | 43 |
| COUNTY SERVICES | 18 | Appendix A—Commissioners of St. Mary's County, Maryland Financial Statements with Independent Auditor's Report for the the Fiscal Year Ended June 30, 2022 | A-1 |
| Education | 18 | Appendix B—Form of Opinion of Bond Counsel | B-1 |
| Police and Fire | 18 | Appendix C—Form of Continuing Disclosure Agreement | C-1 |
| Health | 19 | Appendix D—Form of Official Notice of Sale | D-1 |
| Recreation and Parks | 19 | | |
| Department of Land Use and Growth Management | 20 | | |
| Roads and Highways | 20 | | |
| Solid Waste | 20 | | |
| Climate Preparedness | 21 | | |

SUMMARY OF OFFERING

Issuer

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

Bonds

Commissioners of St. Mary's County Consolidated Public Improvement Bonds, Series 2023, dated their date of initial delivery, in the aggregate principal amount of \$30,000,000 (the "Bonds"). The Bonds will be fully registered in denominations of \$5,000 or any integral multiple thereof.

Interest Payment Dates

Semiannually on each June 15 and December 15 until maturity or prior redemption, beginning June 15, 2024.

Optional Redemption

The Bonds that mature on or before December 15, 2033 are not subject to redemption prior to their stated maturities. The Bonds that mature on and after December 15, 2034 are subject to redemption at any time on or after December 15, 2033 as a whole or in part at the option of the County at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest.

Security and Source of Payment of the Bonds

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

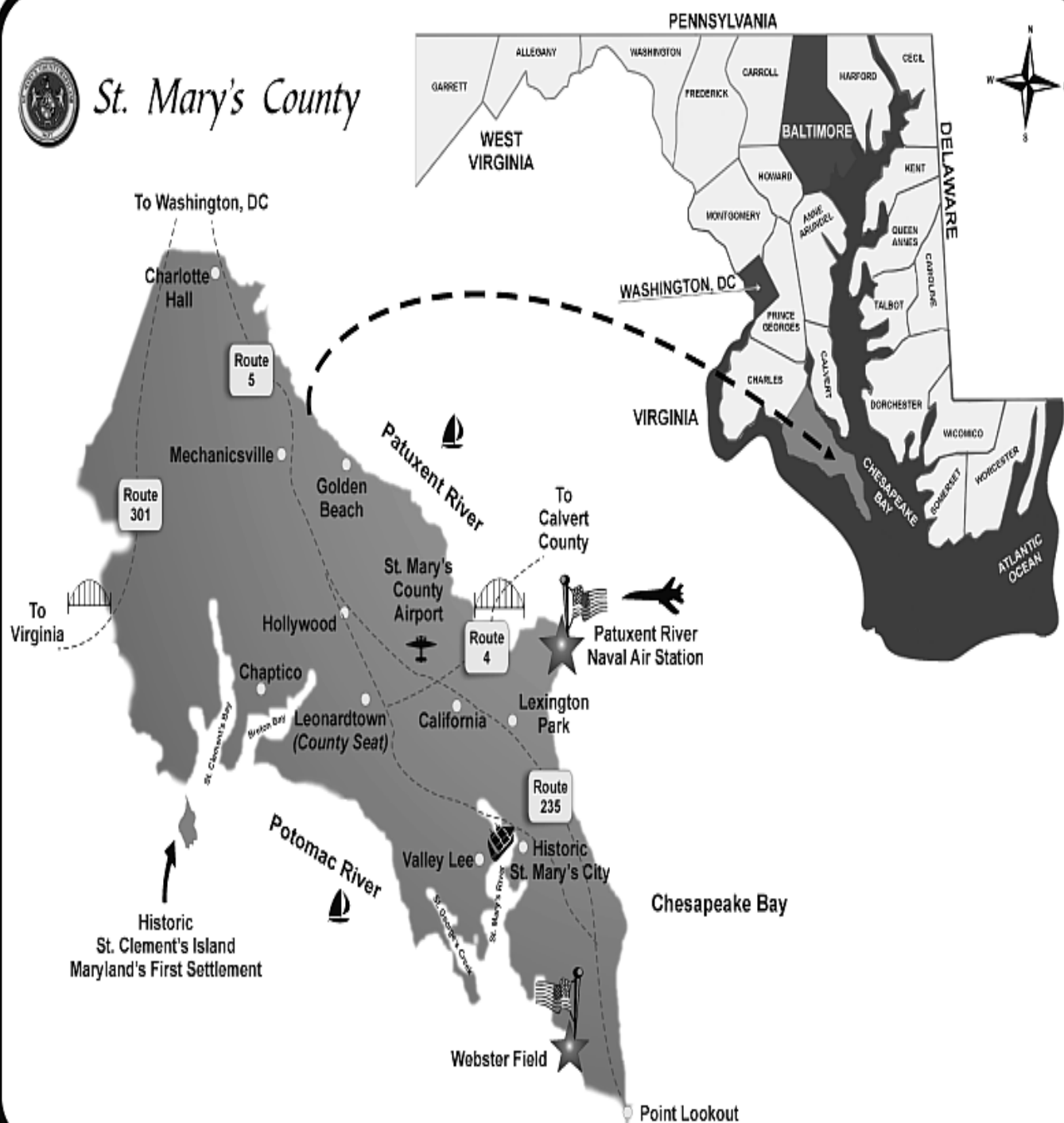
Payment Record

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

[The remainder of this page left intentionally blank]



St. Mary's County



OFFICIAL STATEMENT

St. Mary's County, Maryland General Obligation Bonds

\$30,000,000

Commissioners of St. Mary's County Consolidated Public Improvement Bonds, Series 2023

INTRODUCTION

General

The purpose of this Official Statement (excluding prices or yields) and appendices is to provide information for prospective purchasers and others regarding the Commissioners of St. Mary's County (the "County") and the \$30,000,000 Commissioners of St. Mary's County Consolidated Public Improvement Bonds, Series 2023 (the "Bonds").

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

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

Description of the County

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

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

According to the 2010 Census, the population of the County was 105,151. The 2020 Census shows the population to be 113,777, which reflects an 8.20% increase in population from 2010 to 2020. The County seat of government is located in Leonardtown, which is the only incorporated municipality in the County. Leonardtown had a population of 4,004 in the 2020 Census. The County's population for the 2030 Census is projected to be 127,840 residents.

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

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

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

APPLICATION OF PROCEEDS

The Bonds are being issued to (i) pay a portion of the costs of financing certain capital projects of the County and (ii) pay costs of issuance. In addition to the uses listed below, the original issue premium in the amount of \$2,973,709 will be used to pay for highway improvements to FDR Blvd MD4 to Pegg Road.

| Project | Costs |
|----------------------------------------------------|---------------------|
| Highways | |
| Patuxent Park Neighborhood Preservation | \$ 243,292 |
| FDR Boulevard MD 4 to Pegg Road | 9,456,272 |
| Bridge/Culvert Replacement | 176,150 |
| Asphalt Overlay | 187,234 |
| Mt. Wolfe Roundabout | 752,637 |
| Neighborhood Drainage Improvements | 2,955,000 |
| Public Facilities | |
| Adult Detention Center Upgrades | 2,783,611 |
| Sheriff's District #1 Office | 661,357 |
| Public Schools | |
| Mechanicsville Elementary School – Modernization | 4,442,100 |
| Great Mills High School – Partial Roof Replacement | 2,000,000 |
| Town Creek Elementary School – HVAC | 2,020,715 |
| Safety and Security | 3,676,432 |
| Solid Waste | |
| Clements Convenience Center | 470,200 |
| Costs of Issuance | |
| | 175,000 |
| Total | \$30,000,000 |

[The remainder of this page left intentionally blank]

THE BONDS

General

The Bonds will be dated their date of initial delivery. The Bonds will mature on December 15, in the respective years, and principal amounts and bear interest at the interest rates set forth on the inside front cover page of this Official Statement. Interest on the Bonds is payable semiannually on each June 15 and December 15, beginning June 15, 2024 until maturity or earlier redemption. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be general obligations of the County the payment of which the full faith and credit of the County will be pledged. (See “THE BONDS – Source of Payment.”)

Authorization

The Bonds will be issued pursuant to Chapter 180 of the Laws of Maryland of 2019 and Chapter 596 of the Laws of Maryland of 2020. The Bonds are authorized to be issued, sold, and delivered by a resolution of the County adopted by the Board on October 17, 2023 (the “Resolution”).

Form and Denomination

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

Redemption

The Bonds that mature on or before December 15, 2033 are not subject to redemption prior to their maturities. Bonds that mature on or after December 15, 2034 are subject to redemption at any time on or after December 15, 2033 as a whole or in part, at the option of the County, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

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

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

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

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

Payment

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

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

Transfer and Exchange

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

Source of Payment

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

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company

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

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

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

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

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

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

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

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

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

Termination of Book-Entry Only System

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

Book-Entry Only System – Miscellaneous

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

BONDHOLDERS' REMEDIES

A claim at law or in equity may be made against the County in the event that it fails to perform its obligations under the Bonds to the registered owners thereof and that any judgments or ruling by a Maryland court of competent jurisdiction resulting from such claim would be enforceable against the County. A Maryland court may have jurisdiction to entertain proceedings and power to grant additional relief, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of general obligation bonds, subject to the inherent constitutional limitations referred to below. While remedies would be available to bondholders and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute.

Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the provisions of federal bankruptcy laws or of any statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time of payment or imposing other constraints upon enforcement.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc. and S&P Global Ratings have given the Bonds the respective ratings indicated on the cover page of this Official Statement. An explanation of the significance of such ratings may be obtained from the rating agency furnishing them. The County furnished the rating agencies information contained in a preliminary form of this Official Statement and other materials and information. Generally, the rating agencies base their ratings on such material and information, and on their own investigations, studies and assumptions. It should be noted that such ratings may be changed

at any time and that no assurance can be given that they will not be revised downward or withdrawn by any or all of the rating agencies if, in the judgment of any or all, circumstances should warrant such actions. Any such downward revision or withdrawal of any or all of such ratings could have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

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

TAX MATTERS

Opinion of Bond Counsel – Federal Income Tax Status of Interest

Bond Counsel's opinion regarding the federal income tax status of the interest on the Bonds will state that, under current law and assuming continuing compliance with the Covenants (as hereinafter defined), interest on the Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. In addition, for taxable years beginning after December 31, 2022, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. See "Form of Opinion of Bond Counsel" in Appendix B hereto.

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

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

Reliance and Assumptions; Effect of Certain Changes

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

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

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the tax compliance agreement, including the Covenants, may be changed and certain actions may be taken or omitted subject to the terms and conditions set forth in such

agreement. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, banks and other financial institutions, certain insurance companies, dealers in tax-exempt obligations, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the “branch profits tax,” individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial securitization trust, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

Original Issue Discount

Bonds purchased in the initial public offering with yields higher than their applicable interest rates, as shown on the inside cover page hereof, have been sold with “original issue discount.” Each such Bond is referred to below as an “OID Bond.” The excess of (i) the stated amount payable at the maturity (excluding qualified stated interest) of any OID Bond over (ii) the issue price of the OID Bond as determined under Section 1273 of the Code (which may differ from the price shown on the inside front cover page of this Official Statement) constitutes the amount of original issue discount, which is treated in the same manner as interest on the Bonds for federal income tax purposes.

The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest. In the case of an original owner of an OID Bond, the amount of original issue discount that is treated as having accrued on such OID Bond is added to the owner’s adjusted basis in determining, for federal income tax purposes, gain or loss upon the disposition of the OID Bond (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued original issue discount will be excludable from the gross income of the owner for federal income tax purposes. The accrual of original issue discount and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial public offering may be determined according to rules that differ from those described above.

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

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

Original Issue Premium

Bonds purchased in the initial public offering with yields lower than their applicable interest rates, as shown on the inside front page hereof, have been sold with “bond premium.” Each such Bond is referred to below as an “OIP Bond.” The excess of (i) the owner’s basis in the OIP Bond immediately after acquisition over (ii) the amount payable at maturity (excluding qualified stated interest) as determined under Section 171 of the Code constitutes the amount of the bond premium. Under the Code, the bond premium is amortized based on the owner’s yield over the remaining term of the OIP Bond (or, in the case of certain callable OIP Bonds, to an earlier call date that results in a lowest yield on the OIP Bond). The owner of an OIP Bond

must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period against the bond premium allocable to that period. No deduction is allowed for such amortization of bond premium even though the owner is required to decrease the adjusted basis in the owner's OIP Bond by the amount of the amortizable bond premium, which will result in an increase in the gain (or decrease in the loss) recognized for federal income tax purposes upon a sale or disposition of the OIP Bond prior to its maturity.

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

Information Reporting and Backup Withholding

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

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

Internal Revenue Service Audits

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

Tax Exemption – State of Maryland Taxation

Bond Counsel's opinion will also state that, by the current terms of the Act, the principal of and interest on the Bonds, the transfer of the Bonds, and any income derived from the Bonds, including profits made in their sale or transfer, are exempt from State and local taxes in the State of Maryland; however, the terms of the Act do not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds, the interest thereon, their transfer or the income therefrom.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Such holders or prospective purchasers of the Bonds should consult their own tax advisors with respect to the tax status of the interest on Bonds in jurisdictions other than the State of Maryland.

Changes in Federal and State Tax Law and Regulations

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

The U.S. Department of the Treasury and the IRS and state regulatory authorities are continuously drafting regulations to interpret and apply the provisions of the Code and state law and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations.

There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Code or state laws or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds.

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

COUNTY GOVERNMENT AND ADMINISTRATION

General

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

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

County Commissioners

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

MICHAEL R. ALDERSON, JR. is serving his first term as a member of the Commissioners of St. Mary's County and represents Commissioner District 3 (Charlotte Hall, Mechanicsville, Golden Beach and the Seventh District). He was born at Patuxent River Naval Air Station, Patuxent River, MD and was raised in the Dameron area. Mr. Alderson attended St. Mary's County Public Schools and graduated from Great Mills High School in 1987. While in high school Mr. Alderson enlisted in the United States Marine Corps and graduated as platoon honor man. During his time in the Marine Corps Mr. Alderson trained as an infantryman, machine gunner and as a Light Armored Vehicle gunner. In 1990 Mr. Alderson was deployed to Saudi Arabia and Kuwait for Operations Desert Shield/Desert Storm. During his time in theater, his LAV unit was instrumental in forward operations and several reconnaissance actions. After his service, he returned to St. Mary's County and worked in the printing industry for many years. Mr. Alderson has served on the board of directors for the Northern Soccer League and is currently a member of the 7th District Optimist Club where he has served in many leadership positions including president. The idea of serving as a county commissioner came about during the soccer league board meetings when discussions about fields came up. Mr. Alderson was elected in 2022 and since his election has been named as Executive Vice President of the Tri

County Council of Southern Maryland and is also a member of the Calvert-St. Mary's Metropolitan Planning Commission. He lives in Colton's Point with his wife, Andrea, and has two sons, Sean and Andrew.

ERIC S. COLVIN is serving his second term as a member of the Commissioners of St. Mary's County and resides in Commissioner District 1 (Ridge, Piney Point, St. George's Island, and Medley's Neck). He was born and raised in Leonardtown MD, attending Leonardtown Elementary, Middle, and High Schools. Mr. Colvin graduated Summa Cum Laude with Bellavance Honors from Salisbury University with dual majors in Political Science and History and a minor in Marketing and earned an MBA degree from The College of William and Mary's Mason School of Business. He has worked for several defense contractors in the area. For the last 15 years he has worked as a Financial Analyst at Webster Field, St. Inigoes. He is the current commissioner representative to the Southern Maryland Navy Alliance. Mr. Colvin serves on the National Association of Counties IT Standing Committee and is an active participant in the Maryland Association of Counties. Mr. Colvin is a graduate of the National Association of Counties High Performance Leadership Program and the Academy for Excellence in Local Governance through the University of Maryland School of Public Policy.

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

SCOTT R. OSTROW is serving his first term as a member of the Commissioners of St. Mary's County and represents Commissioner District 4. He was raised in California and moved to St. Mary's County with his family in 2014. Mr. Ostrow holds a Bachelor's Degree in Business Administration with an emphasis in Finance and a Master's Degree in Business Administration and Leadership, both from Western Governors University. In addition to having extensive education in business management, finance and leadership, he has over 12 years of experience working in retail management. Mr. Ostrow currently works as a purchasing manager for a local federal contractor. His strong background in Finance, Business, Retail and Government makes him uniquely qualified to be a County Commissioner. Scott has a long history of civic involvement including membership in the Rotary Club of Lexington Park and prior membership in the Rotary Club of China Lake, CA. Over the years he has received several merit awards, most notably a Paul Harris Fellowship for outstanding community service. He and his wife, Jennifer, have been involved with foster care and have fostered several children. They are members of Cornerstone Presbyterian Church in Lexington Park, He is involved in various men's ministries and continues to look for other ways to make our community a better place for all its citizens.

Treasurer

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

Certain Appointed Officials

DAVID A. WEISKOPF, age 54, was appointed County Administrator in February 2023 after serving as Interim County Administrator since March 2022. Formerly, he was the County Attorney for St. Mary's County since October 2017, after serving as Deputy County Attorney since 2008. He was admitted to practice before the Court of Appeals of Maryland in 1996, has years of legal experience in business, real estate and as a trial lawyer, and has been awarded Martindale-Hubbell's AV Preeminent Peer Review Rating, as well as The Daily Record's Leadership in Law Award for 2020. He is a former Assistant Public Defender for St. Mary's County and is a past President for the St. Mary's County Bar Association. He is a member of the Maryland State Bar Committee for the Lawyer Assistance Program and current chair of the St. Mary's County Pro Bono Committee. He is also admitted to the United States Court of Appeals for the Fourth Circuit, 1998; United States Tax Court,

2018; and to the United States Supreme Court Bar, 2019. He is a former member of the Maryland Judicial Nominating Commission, 2019-2023 (gubernatorial appointment). He is a graduate of St. Mary's College of Maryland (B.A., 1993) and the University of Baltimore School of Law (J.D., 1996). He is currently an instructor for business law, management and organization theory, and business ethics in the University of Maryland School System.

L. JEANNETT CUDMORE, Chief Financial Officer, age 61, joined the County as Deputy Director in the Finance Department in October 1998 and was initially responsible for implementing and training all users on the County's new financial system. She was acting Director of Finance from January 2000 – through August 2000. During her tenure, the County has focused on the improvement of a variety of fiscal practices, including procurement, budget development and management for both operating and capital project funds, multi-year planning, periodic evaluation and monitoring of capital project expenditures and the related debt capacity. She was promoted to Chief Financial Officer in May 2015. Ms. Cudmore is a trustee on the County's Sheriff's Office Retirement Board, the St. Mary's County Retirement Benefit Trust, Length of Service Awards Program Trust, and the 457(b) Governance Committee. She is a member of GFOA, MDGFOA, MACPA, and NIGP. The County's fiscal year 2023 Budget Book received the 7th "Distinguished Budget" Presentation Award from GFOA. The Procurement Manual update was approved after 30 years on September 8, 2020 to include changes in technology and process; annual updates are provided to Commissioners. She received her B.S. degree in Business Administration with a concentration in Management from Frostburg State University (1985) and B.S. in Accounting from University of Maryland Global Campus (1994). She received her certification as CPA in 1997. Prior to working in St. Mary's County, she worked for Charles County Government and held accounting positions in the automotive and construction field. She is a graduate of the Academy for Excellence in Local Governance through the University of Maryland School of Public Policy, September 2022.

JAMES M. GOTSCH, age 59, Director of Public Works and Transportation for the Government of St. Mary's County, received BSCE (Civil Engineering) and BArch (Architecture) degrees from Texas Tech University. Mr. Gotsch was appointed the Director in February 2022. He is responsible for engineering services; St. Mary's County Regional Airport; capital, asset management, maintenance, and private development work permits in the highway right-of-way and its related stormwater, coastal resiliency, lighting and other facilities; facility services including maintenance, project and asset management; the local transit system; maintaining the County owned vehicle fleet; solid waste and recycling services; and management of the public transit system and non-public school bus transportation. Prior to that time, during his thirty-seven years plus career he has served as an Associate running a branch office for Soltesz Inc., a private Civil Engineering firm in St. Mary's County, Maryland. Mr. Gotsch worked in the private sector in 14 of Maryland's 23 counties, plus Baltimore City, and has extensive experience in local governmental procedures throughout the State.

CHRIS KASELEMIS, AICP, Director of Economic Development, age 64, received his B.S. degree from the University of Arizona with a major in accounting, and his master's in business administration, emphasis in finance, also from the University of Arizona. Mr. Kaselemis was appointed Director of Economic Development for St. Mary's County in June 2015. He previously worked for the City of Tucson for 28 years, holding various positions including Senior Management Analyst, Comprehensive Planning Administrator, Community Development and Planning Administrator, Assistant to the City Manager, Program Evaluation Office Program Manager, and Economic Initiatives Program Director. He is certified by the American Planning Association's American Institute of Certified Planners (AICP).

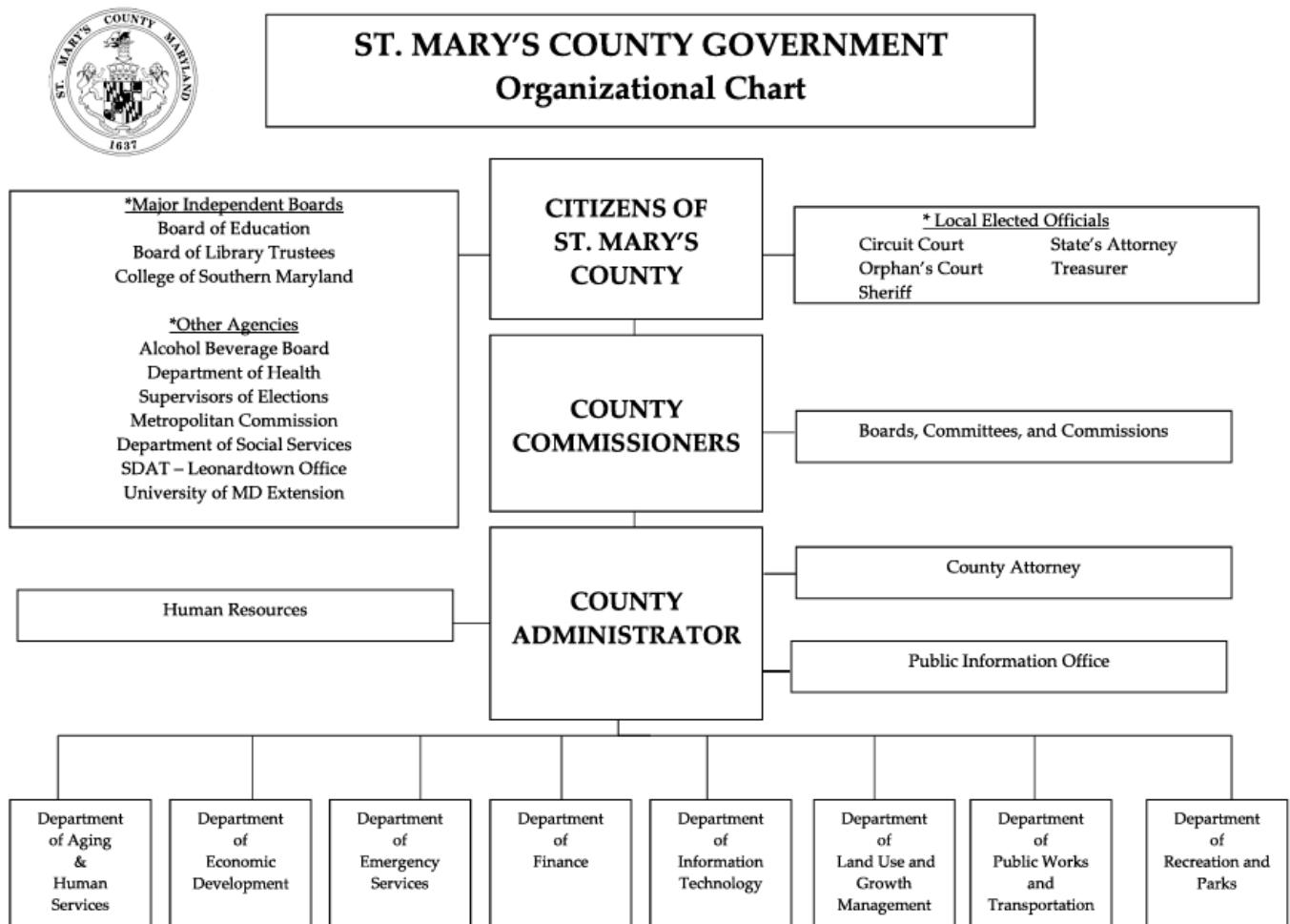
BUFFY N. GIDDENS, County Attorney, age 42, was appointed to County Attorney on October 3, 2023 after becoming Deputy Attorney in September 2022. She served as an Assistant State's Attorney for 16 years. As a prosecutor she successfully tried numerous felony and misdemeanor cases as well as practiced multiple jurisdictions in including Baltimore City, Anne Arundel County, and Calvert County. With a focus on helping individuals victimized by domestic violence, Ms. Giddens was a participant in the Family Violence Coordinating Counsel and the Multi-disciplinary Committee. Ms. Giddens was selected by the St. Mary's Judicial Nominating Committee as a potential judicial candidate in 2019 and 2022. She has received two gubernatorial citations and is member of the Maryland State Bar Association, St. Mary's County Bar Association, Southern Maryland Women's League, and has volunteered with Project Graduation, Christmas in April, and the Anne Arundel SPCA. Ms. Giddens received her J.D. from the University of Maryland, School of Law in 2006 and her B.A. in Criminal Justice and Criminology from the University of Maryland, College Park in 2002.

Remuneration of Certain Officials

The following chart sets forth the current annual remuneration for calendar year 2023 to be paid certain County officials whose salary is either set by law or determined under contractual arrangement:

| Official Title | Salary by Law | Salary by Contract |
|---------------------------------------------------|---------------|--------------------|
| President, Board of County Commissioners | \$55,000 | |
| County Commissioner | \$50,000 | |
| County Treasurer | \$76,000 | |
| County Administrator | | \$221,540 |
| Chief Financial Officer | | \$172,149 |
| Director of Public Works and Transportation | | \$172,108 |
| Director of Economic Development | | \$165,000 |
| County Attorney | | \$165,000 |

St. Mary's County Government Organization



* County Commissioners have funding responsibility only

FY2024

Retirement and Pension Programs

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

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

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

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

Both the Retirement System and the Pension System are jointly contributory. Under the Retirement System an employee contributes 5% or 7% of compensation; under the Pension System an employee contributes 7% of compensation. Pension benefits are funded by employee and employer contributions. However, the County contributes the largest amount to fund these benefits. As a percentage of payroll, effective July 1, 2023, the County's contribution rate for the Retirement System is 12.79% and 11.32% for the Pension System.

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

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

On July 1, 1986, deputies and correctional officers participating in the Maryland State Retirement System and Pension System plans were given the option to transfer their accrued service credit to the St. Mary's County Sheriff's Office Retirement Plan with membership mandatory after July 1, 1986. The Sheriff's Office Retirement Plan has a member contribution rate of 8%, with the County contributing, effective July 1, 2023, 41% of annual compensation. The retirement date is the earlier of the employee's 62nd birthday or completion of 25 years of service. The pension is payable at 2% (for years of service prior to July 1, 2008) and 2.5% (for years of service after June 30, 2008) of the member's highest average annual compensation for three consecutive years out of the ten years prior to employment separation multiplied by the number of years of creditable service. A member having 20 years of service may retire prior to age 62 at a reduced benefit. Cost of living adjustments are set at 3% annually. The plan was amended to include a DROP benefit, to update actuarial equivalence and added pop-up benefit options.

The amount of the unfunded accrued liability attributable to the County as of June 30, 2022 for the Sheriff's Office Retirement Plan was \$43,261,086. Changes to the plan's unfunded liability due to changes in assumptions and actuarial gains/losses recognized on or after July 1, 2021 will be amortized over closed periods of 20 years. DROP benefits are assumed to be funded over a participant's career (i.e., DROP exit).

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

| Fiscal Year | Retirement & Pension System | Sheriff's Department Retirement Plan | Total |
|--------------------|--------------------------------------------|-----------------------------------------------------|--------------|
| 2022..... | \$2,937,461 | \$7,004,000 | \$9,941,461 |
| 2021..... | \$2,903,407 | \$6,926,000 | \$9,829,407 |
| 2020..... | \$2,074,428 | \$6,071,020 | \$8,145,448 |
| 2019..... | \$2,180,432 | \$5,644,000 | \$7,824,432 |
| 2018..... | \$2,050,819 | \$5,147,467 | \$7,198,286 |

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

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

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

| Option | Minimum Monthly Payment Amount After 20 Years | Each Additional Year of Certified Service |
|----------------|------------------------------------------------------------------|----------------------------------------------------------|
| 1 Age 60 | \$300 | \$10 |
| 2 Age 55 | \$225 | \$10 |
| 3 Age 70 | * | \$10 |

* Individuals with less than 20 years but more than 2 years of service (during preceding 5-year period) receive \$10 per month multiplied by the number of years of certified active service, for life. Individuals with 20+ years of certified service may choose to have benefits recalculated under Option 1 of the program.

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

The cost to the County to meet these retirement benefits in fiscal year 2022 was \$1,191,998 for the current retirees and \$3,200,000 was paid to the LOSAP trust.

Other Post - Employment Benefits ("OPEB")

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

An actuarial study as of June 30, 2022 reported a net OPEB asset of \$2.289 million funded at 102.07%. With funding level above 100% in the fiscal year 2021 and fiscal year 2022 audited financial statements, the benefits are being paid from the trust in fiscal year 2023 and fiscal year 2024. This will be reviewed at the end of each fiscal year and the ADC will be funded when below 100%.

The following table outlines the activity:

| Fiscal Year | Retirees | Payments to Retirees | Actuarially Determined Contribution | Contributions Made |
|--------------------|-----------------|-----------------------------|--------------------------------------------|---------------------------|
| 2022 | 1,300 | \$4,121,069 | \$4,062,000 | \$4,121,069 |
| 2021 | 1,273 | \$3,950,813 | \$3,359,000 | \$3,950,813 |
| 2020 | 1,215 | \$3,706,715 | \$3,252,000 | \$3,706,715 |
| 2019 | 1,046 | \$3,390,502 | \$6,097,000 | \$3,390,502 |
| 2018 | 1,100 | \$3,133,686 | \$5,879,000 | \$3,133,686 |

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

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

Labor Relations

As of July 1, 2023, the County employed approximately 1,003 full time equivalent employees. The County has not entered into any collective bargaining agreements. In addition, the County has not experienced a work stoppage due to labor problems and considers its relationships with employees to be satisfactory.

Leases and Other Contracts

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

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

BUDGET AND ACCOUNTING

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

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

Current Expense Budget

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

Capital Budget and Capital Program

The Capital Budget of the County is its plan to receive and expend funds for capital projects during the ensuing fiscal year. The Capital Program of the County is its plan to receive and expend funds for capital projects during the fiscal year covered by

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

Budget Message

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

Adoption of Budget

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

Basis of Accounting

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

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

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

Accounting Policies

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

COUNTY SERVICES

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

Education

The St. Mary’s County Board of Education, consisting of five members elected for four-year terms, is responsible for the overall operation and policy decisions of the County’s public-school system. During the 2022-2023 school year, the Board of Education exercised responsibility for 28 elementary and secondary schools, including a Career and Technology Center, Fairlead Academy, Head Start and pre-kindergarten programs, and a public charter school. The Maryland State Department of Education (MSDE) approved enrollment was 16,853 students in school year 2022-2023. The 2022-2023 level of professional teachers allowed average class sizes of 18 at the kindergarten level, 18 at grades 1 and 2, 20 for grades 3 to 5, 23 for middle schools, and 21 for high schools. In June 2022, 1,133 students graduated from St. Mary’s County public schools. The County provided funding to the Board of Education in the amount of \$109,542,921 in fiscal year 2021, \$114,540,490 in fiscal year 2022, and \$121,524,907 in fiscal year 2023.

Police and Fire

The St. Mary’s County Sheriff’s Office is a full-service law enforcement agency and correctional services agency. The Sheriff has staffing authority of 167 sworn deputies, 101 correctional officers, and 112 professional staff, for a total of 380 (excluding the Sheriff) as listed in the fiscal year 2024 budget.

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

The St. Mary’s County Detention and Rehabilitation Center is responsible for housing all adult inmates sentenced and awaiting trial. The rated capacity is designed to house 321 inmates and has a current inmate population ranging from 158 to 192 with another 103 to 129 on pretrial, and 27 to 54 on home detention being monitored in the community. Between Community Corrections and the Incarcerated Population, the SMCDCRC offender and inmate population ranges from 288 to 375. The County’s capital budget and plan includes funding for a multi-phase renovation and expansion project.

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

There are seven volunteer fire departments, operating from eight stations with over 600 active members operating over 50 pieces of equipment ranging from 100-foot aerial ladder trucks, 1,500 GPM pumpers to small four-wheel drive vehicles for woods and brush fire suppression work and chief’s command vehicles. The departments are financed from state, county, dedicated fire property tax and private fund-raising sources.

Emergency Medical Services in St. Mary’s County is comprised of a combined career and volunteer Emergency Medical Services Program consisting of Emergency Medical Technicians and Paramedics. This combined system of career and volunteer providers staff seven volunteer rescue squads, operating from eight stations. There are over 425 active volunteer members and 76 county employed EMS providers, all operating 29 ambulances and 17 command and utility vehicles. We also have one independent organization, St. Mary’s Advanced Life Support (SMALS) that is funded by the County and provides support to the county’s EMS System.

The Department of Emergency Services houses six divisions including Emergency Management, 9-1-1 Emergency Communications, Radio Technical Services, Animal Services, Emergency Medical Services, and Administration. Emergency Management is responsible for mitigating, preparing for, responding to, and recovering from all natural and man-made hazards that face St. Mary’s County. The 9-1-1 Emergency Communications center is responsible for dispatch of all responders within St. Mary’s County, including law enforcement, fire, rescue, and support staff. Radio Technical Services manages and maintains the 800-MHZ 10-channel radio system and tower infrastructure for emergency radio communications for coordinated response between all first responders, including the Sheriff’s Department and all fire and rescue responders. The 9-1-1 Emergency Communications Center also has a mutual aid agreement with the Maryland State Police for simulcast of major incidents, and a direct communications link. The Emergency Services building houses both the 24/7 countywide Emergency Operations Center (EOC) and 24/7 9-1-1 Emergency Communications Center, which are both utilized to coordinate response to any

emergency. Emergency Services maintains an off-site back-up center at 100% operational readiness to ensure continuity of emergency support functions.

The Commissioners received 2023 grant funding through the Office of Local Defense Community Cooperation for “Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation.” This project will evaluate climate and man-caused threats that can impact the mission and operations of Naval Air Station-Patuxent River (NAS PAX) facilities in St. Mary’s County and will develop a resilience plan for community and infrastructure resilience activities for implementation in the County that will support the long-term sustainability and operability of NAS PAX facilities. The work will be done in partnership with the Low Impact Development Center (LID Center), a 501(c)(3) nonprofit, who will be the primary recipient for a sub-award contract. The LID Center, with contract support from Throwe Environmental LLC, will work in close collaboration with St. Mary’s County Government for eighteen months beginning in Spring 2023 to complete the analysis and develop the resilience plan. The total approved grant budget is \$539,945 of which \$50,592 is non-federal match to be provided by the County.

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

Health

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

The Health Department collects and monitors community health data to identify priority health needs and to inform residents and partners on public health issues. In addition, the agency implements culturally sensitive programs to support access to care for all residents, including those most vulnerable, such as pregnant women, children, and individuals with disabilities. SMCHD provides select clinical services for the community, including infection diagnosis and treatment, vaccinations, harm reduction services, and reproductive health services. SMCHD also offers a full range of age-appropriate healthcare services through two School-Based Health Centers. SMCHD also works to reduce the burden of chronic disease through various efforts to address risk factors such as tobacco use and obesity, as well as chronic illnesses like asthma and diabetes. Additionally, the agency prevents and controls local infectious disease outbreaks and guides county efforts to address health-related emergencies. Vital records, including birth and death certificates, may also be obtained via the Health Department. SMCHD is the local point of contact in assisting individuals with access to behavioral health services (mental health and substance use), monitoring and improving behavioral health systems to provide better outcomes for residents, and implementing public health programs to promote better behavioral health in the community. This includes addressing the ongoing opioid epidemic and behavioral health prevention initiatives related to mental health concerns and substance use. Through the St. Mary’s County Health Hub, SMCHD works to address social determinants of health by increasing access to mental and physical health services, connecting residents to critical services that promote equity, and providing community support and financial well-being coaching to help residents achieve their educational and occupational goals. The Health Department also works to maintain a safe and healthy environment in St. Mary’s County by addressing food safety and licensing/monitoring of food service facilities, recreational and drinking water quality, adequate wastewater management through septic systems, and other environmental health issues.

Recreation and Parks

The Department of Recreation and Parks operates in collaboration with three advisory boards which are appointed by the Commissioners of St. Mary’s County. These citizen advisory boards provide advice and assistance for supporting a comprehensive program of public recreation, parks and museums. The day-to-day operations of the department are carried out by a staff of 42 to include the director and deputy director and approximately 600 part-time and/or seasonal employees.

The Department of Recreation and Parks is responsible for providing County citizens with a comprehensive program of leisure opportunities through services, activities, events, facilities, and outdoor spaces. The department also develops and maintains a park system, operates a golf course, manages multiple museums and associate sites, and offers programs and services that help to enrich the quality of life for citizens.

The Administration Division provides general direction and guidance to the Recreation and Parks Department and serves as the staff liaison to three advisory boards. The division is also responsible for Capital Planning and development of the department’s various planning documents.

The Parks Division provides the grounds, turf and facility maintenance at county parks (23), playgrounds (18), waterfront public landings (15), numerous school ball fields, trails, recreational centers, libraries, and county buildings. The division also manages park operations at various county parks, (3) waterfront parks and park facilities.

The Museum Division collects, preserves, researches, and interprets historic sites and artifacts that illustrate the natural, cultural, and social histories through operations at the St. Clement's Island and Piney Point Lighthouse Museums, Drayden African American Schoolhouse, Old Jail Museum and other historical amenities. The Museum Division is accredited through the American Alliance of Museums (AAM).

The Recreation Division is responsible for planning, implementing, supervising, and evaluating a broad range of recreational programs, services, and activities for county residents, utilizing both county facilities (5) and leased spaces (2), and public schools. Most all recreational programs are self-supporting through the Recreation and Parks Enterprise Fund.

The Wicomico Shores Golf Course is a 145-acre recreational facility providing golfing, food service and banquet facilities. The golf and restaurant operations are self-supporting through the Wicomico Shores Golf Enterprise Fund.

The Commission for Accreditation of Park and Recreation Agencies (CAPRA) Review Team is recommending St. Mary's County Department of Recreation and Parks for accreditation through the National Recreation and Parks Association. CAPRA is the only national accreditation body for park and recreation agencies. This accreditation is a valuable measure of an agency's overall quality of operation, management and service to the community. It serves as a foundation for a comprehensive management system of operational best practices. Achieving CAPRA accreditation is the best way to demonstrate that St. Mary's County Recreation and Parks provides citizens with the highest level of service. The County joins the other five (5) agencies in Maryland and the one hundred eighty-nine (189) in the U.S. that are CAPRA accredited.

Department of Land Use and Growth Management

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

Roads and Highways

There are 1,662 County maintained roadways encompassing approximately 661 center lane miles. The County's fiscal year 2022 operating budget for the County Highways Division in the Department of Public Works and Transportation is \$6,368,067. The approved fiscal year 2022 capital budget for various highway projects includes projects totaling \$9,442,500. The fiscal year 2022 State Highway User revenue is estimated to be \$1,682,717 with an estimated \$1,467,672 of unobligated State Aid available for capital projects, as of December 31, 2021.

Solid Waste

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

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

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

An enterprise fund was established in 2007 to fund the Solid Waste and Recycling programs, which included implementation of an Environmental and Solid Waste Service Fee Ordinance. Ordinance 2018-13 was adopted on May 15, 2018 increasing the

rate from \$72 to \$91 per improved residential property and includes an automatic 2% annual increase. Effective July 1, 2023, the fee increased to \$100.47 for fiscal year 2024.

The County's Comprehensive Solid Waste Management and Recycling Plan update was formally approved by the MDE on December 23, 2015. The approved 2019 calendar year Maryland Recycling Rate was 30.16%. The County continues to maintain recycling percentages above the State mandated goal of 20% for Counties with a population of 150,000 or less.

Climate Preparedness

St. Mary's County Department of Emergency Services is responsible for all hazards preparedness, mitigation, and response. The consequences of climate change, including planning and adapting to the effects of rising sea levels, shoreline erosion, and more frequent and destructive storms, must be considered in planning efforts for emergency preparedness, response, and recovery. The following plans have been adopted by St. Mary's County:

- Multi-Jurisdictional Hazard Mitigation Plan, which was approved by the Maryland Department of Emergency Management (MDEM) and the Federal Emergency Management Administration (FEMA) in 2023. This plan is updated on a five-year cycle.
- Emergency Operations Plan, which was approved by the Commissioners of St. Mary's County in 2022 and has been reviewed updated annually.
- Nuisance Flooding Plan in October of 2020. This plan is updated on a five-year cycle.

The County is located on a coastal region of the Chesapeake Bay, Potomac and Patuxent Rivers and is particularly vulnerable to rising sea levels, flooding, and other impacts of climate change, including the increased frequency and severity of storms.

The Multi-Jurisdictional Hazard Mitigation Plan acknowledges that climate change impacts are already affecting the County more intensely than in previous years. Each plan referenced above provides recommendations to adapt to and mitigate the adverse effects of climate change. This enables the County to maintain its financial footing while preventing property damage and loss of life. The County will be required to incur significant costs to address the impact of climate change and the resulting recommendations, including capital projects to elevate roads, repair or replace culverts, implement stormwater runoff controls, construct additional stormwater management infrastructure, and restore dams, among other measures.

The County has initiated steps to assess its critical infrastructure for vulnerabilities to climate change and ensure that future County amenities are more resilient to climate changes.

COUNTY REVENUES

General

The County's principal source of revenue is taxes, 41.28% of which are expected to be derived from ad valorem property taxes in fiscal year 2023.

The County's second most important source of revenue is income taxes. As a percentage of total general fund revenue, income tax is expected to be 43.00% of total revenue for fiscal year 2023.

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

| General Fund Summary of Revenues | | | | | |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Taxes – Local Property | \$118,449,980 | \$115,718,458 | \$113,230,333 | \$110,200,973 | \$109,091,603 |
| – Local Income Tax | 122,381,215 | 127,908,783 | 107,335,235 | 97,443,439 | 90,410,603 |
| – Local Other | 13,775,630 | 11,916,775 | 9,366,413 | 8,927,308 | 8,441,786 |
| – State Shared | 1,993,427 | 1,856,482 | 1,552,854 | 1,674,910 | 1,187,782 |
| Licenses and Permits | 696,056 | 867,118 | 700,176 | 1,613,395 | 1,533,483 |
| Intergovernmental Revenue | 18,950,537 | 23,733,309 | 10,948,940 | 6,193,223 | 7,105,344 |
| Charges for Services | 3,791,674 | 3,349,726 | 3,067,568 | 3,060,721 | 2,975,831 |
| Fines and Forfeits | 37,401 | 19,009 | 17,909 | 66,592 | 26,758 |
| Miscellaneous | 1,748,253 | 1,167,886 | 1,595,469 | 2,101,369 | 992,605 |
| Total Revenues | \$281,824,173 | \$286,537,546 | \$247,814,897 | \$231,281,931 | \$221,765,796 |

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

Property Taxes and Assessments

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

For State and County real property tax purposes, real property is valued at market value and assessed at 100% of market value. In order to make real property tax bills simpler and easier to understand, the General Assembly, under Chapter 80 of the Acts of 2000, has required that property tax rates on real property be based on a full cash value assessment. As a result, on October 1, 2000, real property tax rates were reduced to 40% of the rate effective July 1, 2000. Beginning in fiscal year 1992, a Homestead Tax Credit is applied to some owner-occupied residential property which limits the amount of assessment increase that can be taxed. The increase is limited to a range from 0% to 10%, which is set by the Commissioners of St. Mary's County annually. The current rate for St. Mary's County is 3% as of July 1, 2023. All property is physically inspected once every three years and any increase in full cash value arising from a new property valuation phased in over the ensuing three taxable years in equal annual installments.

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

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale which indicates a maximum property tax liability for various income levels. The amount the County will provide in tax credits to homeowners in any given fiscal year will be offset by a 100% reimbursement from the State. Additionally, the County enacted a "Senior Tax Credit". This credit, which is funded from County property tax revenues, is provided for citizens who are age 70 and above and who receive the State's credit. Starting in fiscal year 2007, the County added a "Senior Tax Cap Credit" to cap the amount of assessment that is billed to seniors, this enables them to only pay increases if the property rate increases, not the assessment. Enabling legislation passed by the State in the 2016 General Assembly session, codified at Section 9-258 of the Tax-Property Article of the Annotated Code of Maryland, allowed counties to offer up to a 20% Senior Tax Credit for those that are 65 years old and have either lived in the same dwelling for at least the preceding 40 years or who are retired veterans. The County increased their Senior Credits for the fiscal year 2018 budget to include a 10% credit. Taxes saved by the qualifying senior residents as a result of these programs are \$925,000 in fiscal year 2023.

Assessed Values and Tax Rates

The following table sets forth the assessed value of all taxable property in the County for each of its five most recent fiscal years for which audited data are available and the County and State tax rates applicable in each of those years. Assessed value of tax-exempt properties owned by Federal, State, and County governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind, aggregating approximately \$2.4 billion for the fiscal year ended 2022, are not included in the table. Under applicable law, there are no limits on the property tax rates as set forth in the table.

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|----------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Assessed Value | | | | | |
| Real Property | \$13,297,426,699 | \$12,883,034,324 | \$12,545,332,781 | \$12,333,009,947 | \$12,137,669,785 |
| Personal Property Locally Assessed ... | 9,150,000 | 9,250,000 | 8,750,000 | 7,750,000 | 8,497,100 |
| Public Utilities | 138,095,000 | 128,191,000 | 129,116,000 | 136,388,000 | 124,505,000 |
| Business Corporation..... | 173,850,000 | 175,750,000 | 166,250,000 | 147,250,000 | 161,444,900 |
| Total Base | \$13,618,521,699 | \$13,196,225,324 | \$12,849,448,781 | \$12,624,397,947 | \$12,432,116,785 |
| County Tax Rate* | .8478 | .8478 | .8478 | .8478 | .8478 |
| State Tax Rate* | .112 | .112 | .112 | .112 | .112 |

* Per \$100 of Assessed Value

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

The assessable base amounted to \$14,167,769,081 for fiscal year 2023 and is projected to be \$14,945,904,000 in fiscal year 2024. The property tax rate remained the same in fiscal year 2023 of \$0.8478 for Real Property and \$2.1195 for Non-Real Property.

Tax Levies and Collections

County taxes are due and payable as of July 1 of each year and the County records property tax revenues as the taxes are billed. A 100% allowance for uncollectable taxes is established for prior year taxes receivable. Beginning October 1, interest (at the rate of 1% per month) is charged for each month or fraction thereof that real property taxes remain unpaid for the current year plus a 3% one-time penalty for all unpaid County real property taxes due in that levy year. For personal property, the percentages are 1% per month and a 3% one-time penalty. Such taxes become delinquent on October 1 in the fiscal year of billing. Delinquent taxes are satisfied, after prior notice of delinquency, at tax sales conducted by the County Treasurer in the year following delinquency. Maryland Department of Assessments and Taxation has approved a service charge of 0.14% of the amount of tax due at the second installment to cover lost interest income and administrative expenses associated with the semiannual payment schedule pursuant to Section 10-204.3 of the Tax-Property Article of the Annotated Code of Maryland.

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

| Fiscal Year | Total Tax Levy | Current Year's Taxes Collected in Year of Levy | | Total Taxes Collected (Current and Delinquent) | | Accumulated Delinquent Taxes | |
|-------------|----------------|------------------------------------------------|-------|------------------------------------------------|--------|------------------------------|--------------------------|
| | | Amount | % | Amount | % | Amount | % of Current Year's Levy |
| 2022 | \$118,655,958 | \$117,273,771 | 98.8% | \$118,617,504 | 100.0% | \$1,743,377 | 1.5% |
| 2021 | \$115,580,815 | \$114,279,478 | 98.9% | \$115,720,030 | 100.1% | \$1,704,922 | 1.5% |
| 2020 | \$112,949,692 | \$111,464,952 | 98.6% | \$113,214,110 | 100.2% | \$1,844,137 | 1.6% |
| 2019 | \$110,983,565 | \$109,426,015 | 98.6% | \$111,245,021 | 100.2% | \$2,108,555 | 1.9% |
| 2018 | \$109,347,485 | \$107,800,346 | 98.6% | \$109,584,832 | 100.2% | \$2,370,011 | 2.2% |

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

County's Largest Taxpayers

The following table sets forth a list of the County's ten largest taxpayers in respect of ad valorem property taxes for fiscal year 2023.

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

| Owner | Assessed Valuation | Percentage of 2023 Assessed Valuation | Description of Business |
|----------------------------------------|--------------------|---------------------------------------|-------------------------|
| Southern Maryland Electric | \$119,489,404 | 0.84% | Utilities |
| Great Mills Property Management | 86,022,671 | 0.61% | Commercial Real Estate |
| Abberley Crest-Lexington Park Property | 81,022,494 | 0.57% | Apartments |
| Mid-Atlantic Military | 54,334,392 | 0.38% | Military Housing |
| Wilderidge Apartments LLC | 41,777,233 | 0.29% | Residential Real Estate |
| GMX LX Owner LLC | 36,210,933 | 0.26% | Apartments |
| Tilden Enterprise Greenview Properties | 35,662,237 | 0.25% | Town Houses |
| Burch Oil Properties | 35,659,735 | 0.25% | Oil Company |
| Expedition Properties | 33,531,033 | 0.24% | Real Estate Investments |
| Settlers Landing Apartments | 33,031,607 | 0.23% | Apartments |
| Total FY2023 Top Assessments | \$556,741,739 | 3.93% | |
| Total FY2023 Final Total | \$14,167,769,081 | | |

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

Income Tax

The rate of local income taxation is set by the County, but collections are administered by the State. The local income tax is levied as a percentage of Maryland taxable income. Alternatively, the County must levy a local income tax at a rate equal to at least 2.25%, but not in excess of 3.20%. The County's local income tax rate decreased to 3.00% as of January 1, 2023. A distribution to the County of local income tax collections is made by the State in ten periodic payments.

On May 18, 2015, the United States Supreme Court issued its decision in *Comptroller of the Treasury of Maryland v. Wynne*

Et Ux. In that case, the Supreme Court affirmed the judgment of the Court of Appeals of Maryland that Maryland counties are prohibited from collecting personal income taxes from their residents to the extent that the income was earned in another state and was subject to income taxation by the other state. As a result, each Maryland county, including the County, is likely to realize a reduction in future income tax revenue distributions from the State of Maryland. In addition, taxpayers who were eligible to claim the credit on their local income tax returns for certain prior years may be eligible for refunds. Any eligible refunds will be paid by the State and the State will withhold the County's share of such refunds and interest over the eighty quarterly income tax distributions made by the State to the County, beginning with the May 2021 distribution. The County's share of the Wynne Settlement is \$268,320 and was paid in full on April 16, 2021 to the Comptroller of Maryland.

STATE AND FEDERAL ASSISTANCE

During fiscal year 2022, the County received intergovernmental State and Federal grants for operating purposes in the amount of \$18,950,537. Included in that amount are \$949,144 for State aid for police protection, \$760,034 for Cooperative Reimbursement Agreements, \$2,137,393 for transportation services, and various other grants for social services, public safety, recreation, and economic development. Public Safety includes \$5,693,867 of American Rescue.

The State also shares motor vehicle related revenues with the counties (motor fuel taxes, vehicle titling taxes, registration fees) and the funds are distributed based on road mileage and vehicle registrations. This State-shared tax distribution amounted to \$1,993,427 for St. Mary's County in fiscal year 2022.

Unrestricted state aid for public education in St. Mary's County for fiscal year 2022 amounted to \$111,575,916 and Federal impact aid amounted to \$2,319,089. Fiscal year 2023 unrestricted state aid is estimated to be \$125,382,752, and unrestricted Federal impact aid revenues are projected to be \$2,486,000. State and Federal revenues for education are accounted for in the County budget process but are received directly by the Board of Education and are not recorded in the County government financial records.

[The remainder of this page left intentionally blank]

SUMMARY OF REVENUES AND EXPENDITURES

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

General Fund Statement of Operating Revenues and Expenditures

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|------------------------------------------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|
| <u>Operating Revenues</u> | | | | | |
| Property Taxes | \$118,449,980 | \$115,718,458 | \$113,230,333 | \$110,200,973 | \$109,091,603 |
| Income Taxes | 122,381,215 | 127,908,783 | 107,335,235 | 97,443,439 | 90,410,603 |
| Other Local Taxes | 13,775,630 | 11,916,775 | 9,366,413 | 8,927,308 | 8,441,786 |
| Highway User Revenues | 1,993,427 | 1,856,482 | 1,552,854 | 1,674,910 | 1,187,782 |
| Licenses & Permits..... | 696,056 | 869,164 | 700,176 | 1,547,506 | 1,533,482 |
| Intergovernmental | 18,950,537 | 23,801,412 | 10,948,940 | 6,193,223 | 7,105,344 |
| Charges for Services..... | 3,791,674 | 3,885,094 | 3,067,568 | 3,365,994 | 3,023,296 |
| Fines & Forfeitures..... | 37,401 | 19,990 | 17,909 | 223,225 | 376,635 |
| Other Revenues | 1,748,253 | 2,610,861 | 1,678,911 | 2,077,767 | 1,132,282 |
| Total Revenues | \$281,824,173. | \$288,587,019 | \$247,898,339 | \$231,654,345 | \$222,302,813 |
| <u>Expenditures</u> | | | | | |
| General Government | \$23,318,636 | \$27,877,254 | \$25,840,297 | \$23,672,862 | \$22,039,539 |
| Public Safety | 63,902,328 | 67,426,938 | 51,374,526 | 45,633,466 | 41,447,745 |
| Public Works | 12,293,725 | 11,573,933 | 9,507,202 | 10,381,218 | 12,730,147 |
| Health | 8,167,252 | 3,929,912 | 3,656,714 | 2,789,716 | 3,024,679 |
| Social Services | 4,643,445 | 3,846,926 | 3,975,321 | 4,418,434 | 4,278,970 |
| Primary & Secondary Education | 117,466,739 | 111,930,187 | 108,833,498 | 106,264,748 | 104,290,217 |
| Post-Secondary Education..... | 4,646,956 | 4,558,686 | 4,807,300 | 4,375,137 | 4,272,365 |
| Parks, Recreation & Culture..... | 4,932,183 | 4,162,878 | 4,067,325 | 4,053,440 | 3,879,847 |
| Libraries | 3,078,258 | 2,966,364 | 2,964,146 | 2,878,050 | 2,800,572 |
| Conservation of Natural Resources | 381,276 | 356,372 | 361,975 | 680,202 | 361,450 |
| Economic Development & Opportunity | 2,764,346 | 5,197,468 | 2,551,733 | 2,463,971 | 2,773,722 |
| Debt Service..... | 14,523,048 | 12,505,995 | 13,059,682 | 11,635,436 | 11,228,198 |
| Other, principally OPEB | 6,245,394 | 6,062,751 | 3,871,540 | 4,163,946 | 3,222,191 |
| Total Expenditures..... | \$271,363,586 | \$262,395,664 | \$234,871,259 | \$223,410,626 | \$216,349,642 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | \$10,460,587 | \$26,191,355 | \$13,027,080 | \$8,243,719 | \$5,953,171 |
| Other Financing Sources & Uses | | | | | |
| Exempt Financing Proceeds | \$0 | \$924,140 | \$0 | \$0 | \$4,757,943 |
| Subsidy to Enterprise Fund | 0 | 0 | 0 | 0 | 0 |
| Capital Projects-General Fund Pay-Go | (7,663,833) | (4,680,000) | (12,989,427) | (2,774,891) | (365,518) |
| Total Other Financing Sources & Uses | (\$7,663,833) | (\$3,755,860) | (\$12,989,427) | (\$2,774,891) | \$4,392,425 |
| Net Increase (Decrease) in Fund Balance | \$2,796,754 | \$22,435,495 | \$37,653 | \$5,468,828 | \$10,345,596 |
| FUND BALANCE | | | | | |
| Beginning of the Year | \$88,118,778 | \$65,683,283 | \$65,645,630 | \$60,176,802 | \$49,831,206 |
| End of Year | \$90,915,532 | \$88,118,778 | \$65,683,283 | \$65,645,630 | \$60,176,802 |

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

General Fund Summary of Fund Balance Fiscal Years Ended June 30

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>Fund Balances</u> | | | | | |
| Non-Spendable..... | \$1,751,002 | \$1,720,180 | \$2,002,056 | \$2,091,715 | \$2,232,100 |
| Restricted | 482,106 | 382,700 | 301,231 | 289,194 | 229,487 |
| Committed | 44,615,000 | 30,961,769 | 24,301,718 | 30,800,334 | 17,334,227 |
| Assigned..... | 7,235,572 | 3,875,220 | 5,593,102 | 2,118,088 | 3,879,316 |
| Unassigned..... | 36,831,852 | 51,178,909 | 33,485,176 | 30,346,299 | 36,501,672 |
| Total Fund Balance | \$90,915,532 | \$88,118,778 | \$65,683,283 | \$65,645,630 | \$60,176,802 |

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

FISCAL YEAR 2023 AND 2024 BUDGETS

Fiscal Year 2023 Budget

The approved General Fund Operating Budget for fiscal year 2023 is \$324,829,819, includes the use of fund balance of \$25,000,000, an increase of \$36,165,279 or 12.5% more than the fiscal year 2022 budget of \$288,664,540. The budget is financed with a property tax rate of \$0.8478 per \$100 of assessed valuation for real property and \$2.1195 per \$100 of assessed valuation on personal and other operating property, which is the same rate as fiscal year 2022. The local income tax rate was reduced to 3.00% of the individual's net taxable income as of January 1, 2023.

The approved fiscal year 2023 capital budget for St. Mary's County is \$68,846,622 and the five-year capital program planned for fiscal years 2024 through 2028 amounts to \$262,733,657. The fiscal year 2023 budget is based on an estimated assessable base of \$14,187,251,000.

Fiscal Year 2024 Budget

The approved General Fund Operating Budget for fiscal year 2024 is \$318,196,923, includes the use of fund balance of \$14,000,000, a decrease of \$6,632,896 or 2.0% compared to fiscal year 2023. The budget is financed with a property tax rate of \$0.8478 per \$100 of assessed valuation for real property and \$2.1195 per \$100 of assessed valuation on personal and other operating property, which is the same rate as fiscal year 2023. The local income tax rate remains the same at 3.00% of the individual's net taxable income as of January 1, 2023.

The approved fiscal year 2024 capital budget for St. Mary's County is \$75,244,220 and the five-year capital program planned for fiscal years 2025 through 2029 amounts to \$355,872,866. The fiscal year 2024 budget is based on an estimated assessable base of \$14,945,904,000.

Some highlights of the fiscal year 2024 budget are:

- The County's recurring funding for the Sheriff's Office increased by 4.1% for non-grant activities. Funding increase primarily reflect the addition of 8 positions, promotional ranks and 6% market adjustment to SWORN-LAW scale.
- The Board of Education recurring funding increased by 4.8%, which brings total county funding to \$128,069,907; State-mandated maintenance of effort requires \$114,991,563 based on official MSDE enrollment of 16,853.25 as of September 30, 2022. Funding for the BOE represents approximately 44% of the County's non-grant and recurring revenue. When combined with State and other funding, the Board of Education unrestricted operating is \$280,622,170, 11% increase over fiscal year 2023 approved budget.
- Recurring funding for County department-based activities and programs, excluding grants, increased by \$3.4 million, or 6%.
- Departments reflect an increase of 33.25 positions and includes 18 positions in the Emergency Service Billing Fund to respond to Emergency Rescue calls in the County.
- Funding for County Departments includes 4.5% Cola increase starting on April 1, 2023, and a 2.3% mid-year Cola to meet the minimum wage mandate.
- Fee-related changes are included for Aging and Human Services, Emergency Services and Recreation & Parks Enterprise fund.
- Excise Tax is a new funding source for capital budget – approximately \$3.8 million annually projected based on consultant calculation. Residential single-family homes is \$6,697 and multi-family homes are charged \$3,218. Residential taxes collected will be used for Roads, Parks, Public Schools and Public Safety projects. Non-residential excise taxes will be used for Roads and Public Safety projects – based on \$4.11/sq. ft. for Retail/Commercial/Services, \$1.82/sq. ft. for Office/Institutional/Medical, \$0.80/sq. ft. on Industrial/Flex/Other and \$1,342.35/room on Lodging.

Results for Fiscal Year 2022 with Budgeted Data for Fiscal Years 2023 and 2024

The following table summarizes audited General Fund revenues and expenditures for fiscal year 2022 and the approved budget for fiscal years 2023 and 2024. This information is presented on a budgetary basis.

| | Audited 2022 Results | Approved 2023 Budget | Approved 2024 Budget |
|---------------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Revenues: | | | |
| Property Taxes | \$118,449,980 | \$123,731,167 | \$130,413,459 |
| Income Taxes | 122,381,215 | 128,933,804 | 137,829,481 |
| Highway User Fees | 1,993,427 | 1,889,924 | 2,280,612 |
| Other Local Taxes | 13,775,630 | 12,380,000 | 12,256,250 |
| Licenses and Permits | 696,056 | 717,870 | 723,020 |
| Grants | 18,950,537 | 27,596,697 | 14,375,485 |
| Service Charges | 3,791,674 | 4,003,027 | 4,252,606 |
| Fines and Forfeitures | 37,401 | 24,750 | 36,250 |
| Miscellaneous..... | - | 552,580 | 2,029,760 |
| Other Financing Sources | 1,748,253 | 25,000,000 | 14,000,000 |
| Total Revenues and Other Financing Sources | <u>\$281,824,173</u> | <u>\$324,829,819</u> | <u>\$318,196,923</u> |
| Expenditures: | | | |
| Current: | | | |
| General Government | \$28,318,636 | \$36,785,208 | \$38,952,968 |
| Public Safety | 63,902,328 | 80,368,885 | 72,187,471 |
| Public Works | 12,293,725 | 14,787,196 | 14,200,614 |
| Public Health | 8,167,252 | 3,733,841 | 5,680,448 |
| Social Services | 4,643,445 | 5,490,045 | 5,887,182 |
| Education | 122,113,695 | 129,821,869 | 137,343,595 |
| Recreation and Culture | 4,932,183 | 5,220,471 | 5,925,298 |
| Libraries | 3,078,258 | 3,310,048 | 3,828,048 |
| Conservation of Natural Resources | 381,276 | 815,406 | 806,701 |
| Economic Development/ Opportunity | 2,856,321 | 5,100,218 | 2,648,040 |
| Debt Service | 14,523,048 | 13,272,798 | 15,541,412 |
| Intergovernmental..... | 44,460 | 70,929 | 72,786 |
| Other..... | 6,108,959 | 66,000 | 65,000 |
| Total Expenditures | <u>\$271,363,586</u> | <u>\$298,842,914</u> | <u>\$303,139,563</u> |
| Other Financing Uses: | | | |
| Reserves..... | - | \$3,400,000 | \$3,400,000 |
| Transfers | (\$7,663,833) | 22,586,905 | 11,657,360 |
| Total Expenditures and Other Financing Uses | <u>\$279,027,419</u> | <u>\$324,829,819</u> | <u>\$318,196,923</u> |

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

[The remainder of this page left intentionally blank]

CERTAIN DEBT INFORMATION

General

The County may only issue general obligation bonds under authority conferred by legislation approved by the Maryland General Assembly. The General Assembly enacted legislation authorizing and empowering the County, from time to time, to borrow in the amounts listed below in order to finance the construction, improvement or development of public facilities in the County. Pursuant to such legislation, the County has previously issued general obligation bonds and currently has \$125,124,310 of remaining bond authority as set forth in the following table.

| Bill | Original Amount | Amount Issued to Date | Available Balance |
|--------------------|----------------------------|----------------------------------|------------------------------|
| Ch. 180, 2019 | \$30,000,000 | \$23,875,690 | \$6,124,310 |
| Ch. 596, 2020 | 33,000,000 | 0 | 33,000,000 |
| Ch. 731, 2021 | 30,000,000 | 0 | 30,000,000 |
| Ch. 130, 2023 | 56,000,000 | 0 | 56,000,000 |
| TOTAL..... | \$149,000,000 | \$23,875,690 | \$125,124,310 |

After the issuance of the Bonds, the County will have \$95,124,310 of remaining bond authority.

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

Legal Debt Limitation

Unless and until otherwise provided by the Commissioners of St. Mary’s County within the limitations provided by public general law, the aggregate amount of bonds and other evidences of indebtedness outstanding at any one time may not exceed a total of the sum of 3.15% upon the assessable real property in the County other than operating real property of a public utility and 5% upon the assessable personal property and operating real property of a public utility. However, (1) tax anticipation notes or other evidences of indebtedness having a maturity not in excess of 12 months, (2) bonds or other evidences of indebtedness issued or guaranteed by the County payable primarily or exclusively from taxes levied in or on, or other revenues of, special taxing areas or districts heretofore or hereafter established by law and (3) bonds or other evidences of indebtedness issued for self-liquidating and other projects payable primarily or exclusively from the proceeds of assessments or charges for special benefits or services are not subject to, or be included as bonds or evidences of indebtedness, in computing or applying the percent limitation described above.

All bonds or other evidences of indebtedness issued by the St. Mary’s Metropolitan Commission (the “Commission”) under the authority of the Metropolitan Commission Enabling Act are subject to the percent limitation described in the preceding paragraph, and are also subject to the debt limitation as from time to time provided in the Metropolitan Commission Enabling Act. Presently, an amount equal to at least forty (40) percent of the percent limitation of indebtedness applied to the County (as described in the paragraph above) is available to the Commission for all bonds or other evidences of indebtedness of the Commission, and the total principal amount of bonds issued pursuant to the Metropolitan Commission Enabling Act for any sanitary district may not exceed 2% of the assessed valuation within that sanitary district.

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

Schedule of Legal Debt Margin of the County Under Existing Law

| | |
|----------------------------------------------------------------|------------------|
| Estimated assessed real property value as of July 1, 2023..... | \$14,517,634,850 |
| Estimated assessed personal/utility..... | \$363,748,000 |
| Legal Debt limit – real property | 1.89% |
| Legal Debt Limit – personal/utility | 5.00% |
| Borrowing limitation under the law - combined..... | \$292,570,698 |
| Outstanding debt issued as of July 1, 2023..... | \$146,210,674* |
| Debt margin as of July 1, 2023 | \$146,360,024 |
| Ratio of debt to assessed value | 0.98% |

*Includes only debt which is subject to the legal debt limitation. The estimated assessed value represents the Final Assessment from State Department of Assessments - March 31, 2023 - SDAT Website.

Other County Debt

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

Schedule of Debt Service Requirements

The following tables set forth the schedule of debt service requirements for certain County debt outstanding as of June 30, 2023.

General Obligation Bonds, Notes and Loans⁽¹⁾

| Fiscal Year | Principal | Interest | Total Debt Service ⁽²⁾ |
|--------------------|----------------------|---------------------|------------------------------------------|
| 2024..... | \$10,291,333 | \$5,295,254 | \$15,586,587 |
| 2025..... | 8,509,375 | 4,926,323 | 13,435,698 |
| 2026..... | 7,422,769 | 4,604,863 | 12,027,632 |
| 2027..... | 7,729,132 | 4,246,788 | 11,975,920 |
| 2028..... | 8,079,132 | 3,878,363 | 11,957,495 |
| 2029..... | 8,445,500 | 3,499,138 | 11,944,638 |
| 2030..... | 8,840,500 | 3,102,213 | 11,942,713 |
| 2031..... | 7,355,500 | 2,753,563 | 10,109,063 |
| 2032..... | 7,665,001 | 2,453,759 | 10,118,760 |
| 2033..... | 7,940,000 | 2,195,963 | 10,135,963 |
| 2034..... | 8,230,000 | 1,935,756 | 10,165,756 |
| 2035..... | 8,520,000 | 1,669,156 | 10,189,156 |
| 2036..... | 8,820,000 | 1,393,850 | 10,213,850 |
| 2037..... | 9,110,000 | 1,122,650 | 10,232,650 |
| 2038..... | 7,565,000 | 862,456 | 8,427,456 |
| 2039..... | 7,815,000 | 623,884 | 8,438,884 |
| 2040..... | 5,860,000 | 422,500 | 6,282,500 |
| 2041..... | 4,015,000 | 254,500 | 4,269,500 |
| 2042..... | 2,135,000 | 131,500 | 2,266,500 |
| 2043..... | 2,220,000 | 44,400 | 2,264,400 |
| Total | \$146,568,238 | \$45,416,879 | \$191,985,117 |

(1) Includes unaudited debt service requirements for the County's Consolidated Public Improvement Bonds, Series 2022 which were issued during FY2023.

(2) Totals may not add due to rounding.

Source: St. Mary's County Department of Finance

[The remainder of this page left intentionally blank]

Schedule of Debt Service Requirements
As Adjusted to Reflect the Issuance of the Bonds
Consolidated Public Improvement Bonds, Series 2023

| Fiscal Year | Debt Service^{(1) (2)} | Principal | Interest⁽³⁾ | Adjusted Total Debt Service^{(1) (2)} |
|--------------------|---------------------------------------|---------------------|-------------------------------|----------------------------------------------------------|
| 2024..... | \$15,586,587 | \$ - | \$ 693,632 | \$ 16,280,219 |
| 2025..... | 13,435,698 | 915,000 | 1,356,725 | 15,707,423 |
| 2026..... | 12,027,632 | 960,000 | 1,309,850 | 14,297,482 |
| 2027..... | 11,975,920 | 1,010,000 | 1,260,600 | 14,246,520 |
| 2028..... | 11,957,495 | 1,060,000 | 1,208,850 | 14,226,345 |
| 2029..... | 11,944,638 | 1,115,000 | 1,154,475 | 14,214,113 |
| 2030..... | 11,942,713 | 1,170,000 | 1,097,350 | 14,210,063 |
| 2031..... | 10,109,063 | 1,230,000 | 1,037,350 | 12,376,413 |
| 2032..... | 10,118,760 | 1,290,000 | 974,350 | 12,383,110 |
| 2033..... | 10,135,963 | 1,355,000 | 908,225 | 12,399,188 |
| 2034..... | 10,165,756 | 1,420,000 | 838,850 | 12,424,606 |
| 2035..... | 10,189,156 | 1,495,000 | 765,975 | 12,450,131 |
| 2036..... | 10,213,850 | 1,565,000 | 689,475 | 12,468,325 |
| 2037..... | 10,232,650 | 1,645,000 | 609,225 | 12,486,875 |
| 2038..... | 8,427,456 | 1,730,000 | 524,850 | 10,682,306 |
| 2039..... | 8,438,884 | 1,815,000 | 445,300 | 10,699,184 |
| 2040..... | 6,282,500 | 1,885,000 | 371,300 | 8,538,800 |
| 2041..... | 4,269,500 | 1,965,000 | 294,300 | 6,528,800 |
| 2042..... | 2,266,500 | 2,040,000 | 214,200 | 4,520,700 |
| 2043..... | 2,264,400 | 2,125,000 | 130,900 | 4,520,300 |
| 2044..... | - | 2,210,000 | 44,200 | 2,254,200 |
| Total..... | \$191,985,117 | \$30,000,000 | \$15,929,982 | \$237,915,099 |

(1) Totals may not add due to rounding.

(2) Includes unaudited debt service requirements for the County's Consolidated Public Improvement Bonds, Series 2022 which were issued during FY2023.

(3) Interest rates range from 4% to 5%.

Source: St. Mary's County Department of Finance

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

| Fiscal Year | County Debt | Estimated Population | Estimated Market Value | Net Debt Per Capita | Debt to Estimated Value |
|--------------------|--------------------|---------------------------------|-----------------------------------|--------------------------------|----------------------------------------|
| 2022..... | \$125,601,740 | 114,887 | \$13,618,521,699 | \$1,093 | 0.92% |
| 2021..... | \$137,224,839 | 114,568 | \$13,196,225,324 | \$1,197 | 1.03% |
| 2020..... | \$116,598,499 | 113,777 | \$12,849,448,781 | \$1,024 | 0.90% |
| 2019..... | \$96,521,057 | 113,510 | \$12,624,397,947 | \$850 | 0.76% |
| 2018..... | \$77,355,480 | 112,664 | \$12,432,116,785 | \$686 | 0.62% |

Source: St. Mary's County Office of Finance. Audit less Special Assessment Debt and Premium

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

| Fiscal Year | General Fund Revenues | Debt Service Expenditures | Percentage |
|--------------------|----------------------------------|--------------------------------------|-------------------|
| 2022..... | \$281,824,173 | \$16,191,053 | 5.8% |
| 2021..... | \$288,587,019 | \$14,199,451 | 4.9% |
| 2020..... | \$247,898,339 | \$15,165,265 | 6.1% |
| 2019..... | \$231,654,345 | \$13,876,710 | 6.0% |
| 2018..... | \$222,302,813 | \$13,574,608 | 6.1% |

Source: St. Mary's County Department of Finance. Includes Exempt Financing and State Loan Debt

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

Rapidity of Debt Amortization*
Fiscal Years 2024-2043

| Number of Years | Principal Retired | Percent of Debt Retired |
|----------------------------|--------------------------|------------------------------------|
| 5 | \$42,031,739 | 28.7% |
| 10 | \$40,246,499 | 56.1% |
| 15 | \$42,245,000 | 85.0% |
| 20 | \$22,045,000 | 100.0% |

*Does not include the Bonds offered herein.

Capital Financing

The Commissioners of St. Mary's County has developed the County's capital budget and program to meet the demands of growth and an aging infrastructure. The fiscal year 2024 budget, \$75.2 million, reflects several projects related to the expansion and renovation of County Roads – specifically, Roadway & Safety Improvements. The Board's attention continues to be directed to the need for additions and renovations to county facilities, highway maintenance, park expansion and development projects, land preservation, and public school projects. Approximately 35% of the budget is to be financed from bond proceeds while the balance of the financing comes from other local revenue sources and State and Federal funds.

The adopted five-year capital program for fiscal year 2025 through 2029 amounts to \$355.9 million. Approximately 37% of the program is targeted for public school projects and 21% is planned for various public facility projects. The program also includes Sheriff's Headquarters Facility and Public Schools Chopticon High School Modified Limited Renovation, various park projects, and agricultural land preservation projects. The County's financial planning for the capital budget and program attempts to provide a balanced approach which utilizes current revenues (transfer and excise taxes) as well as bonded indebtedness. The financial plan for fiscal years 2025 through 2029 is structured to provide overall project financing as follows: 42% from general obligation bonds, 18% from current revenues (transfer and excise taxes), and 40% from State, Federal and other sources. The following table presents the capital budget and five-year capital program as adopted by the Commissioners of St. Mary's County.

Fiscal Year 2024 Capital Improvements Budget and Program

| Capital Project | Total Project Cost | Approved Budget FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|----------------------------------|-------------------------------|----------------------------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| Capital Project Summary: | | | | | | | |
| Public Facilities..... | \$89,096,442 | \$13,096,200 | \$9,173,500 | \$42,159,833 | \$2,420,000 | \$12,350,214 | \$9,896,695 |
| Land Conservation..... | 49,599,998 | 7,533,333 | 7,533,333 | 8,633,333 | 8,633,333 | 8,633,333 | 8,633,333 |
| Highways | 81,610,249 | 12,917,795 | 14,154,860 | 15,198,860 | 15,300,914 | 12,772,660 | 11,265,160 |
| Marine..... | 2,010,323 | 2,010,323 | 0 | 0 | 0 | 0 | 0 |
| Recreation & Parks | 46,895,114 | 8,980,114 | 22,855,000 | 9,495,000 | 1,855,000 | 1,855,000 | 1,855,000 |
| Public Schools..... | 161,904,960 | 30,706,455 | 31,239,505 | 26,169,000 | 34,096,000 | 24,004,000 | 15,690,000 |
| Total Capital Projects. | <u>\$431,117,086</u> | <u>\$75,244,220</u> | <u>\$84,956,198</u> | <u>\$101,656,026</u> | <u>\$62,305,247</u> | <u>\$59,615,207</u> | <u>\$47,340,188</u> |
| Capital Project Financing: | | | | | | | |
| County Bonds | \$175,470,000 | \$26,375,711 | \$35,451,287 | \$46,016,620 | \$26,919,721 | \$24,560,681 | \$16,145,980 |
| Transfer Tax..... | 57,000,000 | 12,000,000 | 9,000,000 | 9,000,000 | 9,000,000 | 9,000,000 | 9,000,000 |
| Excise Tax | 23,143,176 | 3,880,531 | 3,880,531 | 3,880,531 | 3,810,526 | 3,810,526 | 3,880,531 |
| General Fund Transfer ... | 7,674,020 | 7,674,020 | 0 | 0 | 0 | 0 | 0 |
| State/Federal Funds..... | 158,709,890 | 24,143,958 | 31,834,380 | 41,968,875 | 21,785,000 | 21,454,000 | 17,523,677 |
| Other Sources..... | 9,120,000 | 1,170,000 | 4,790,000 | 790,000 | 790,000 | 790,000 | 790,000 |
| Total Project Financing | <u>\$431,117,086</u> | <u>\$75,244,220</u> | <u>\$84,956,198</u> | <u>\$101,656,026</u> | <u>\$62,305,247</u> | <u>\$59,615,207</u> | <u>\$47,340,188</u> |

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

Future Plans to Issue County Debt

The County has no plans to issue additional bonds in calendar year 2023 based on the current CIP plan.

CERTAIN ECONOMIC AND DEMOGRAPHIC FACTORS

Economic Growth and Development

The Commissioners of St. Mary's County has maintained a philosophy of supporting and advancing the mission of the Naval Air Station Patuxent River, growing emerging and heritage industries, directing commercial and high-density residential growth to the development districts, and attracting and retaining a young, talented, and diverse workforce. Integral to the efficient execution of this philosophy is the efforts of the Department of Economic Development (DED). The Department's objectives include attracting new businesses, promoting the County as a location for economic activity, helping existing businesses grow, expand, and solve problems, and curating an ecosystem to help entrepreneurs and new firms start up and access resources. The Department focuses on targeted businesses with comparative advantage in agriculture and aquaculture, uncrewed and autonomous systems, aviation and aircraft modification, defense and commercialization of defense technologies, advanced manufacturing and tourism and hospitality. The Department has coordinated public-private partnerships to provide business and community development assistance with partners that include the St. Mary's Chamber of Commerce, St. Mary's County Community Development Corporation, Small Business Development Center, the College of Southern Maryland, Southern Maryland Navy Alliance, The Patuxent Partnership and numerous State of Maryland agencies.

In 2014, an Economic Development Commission (EDC) was established and charged with the development of a strategic plan to reduce the County's reliance on defense spending by broadening the local economy. Consultants from the University of Maryland and Towson University completed industry cluster and innovation network analyses, comparative studies on cyber security, irregular warfare and uncrewed systems, baseline economic studies on agriculture, and SWOT analyses on advanced manufacturing, defense, retail, service and agriculture and seafood businesses. In 2015, a private firm was engaged to analyze the County's tourism and hospitality industry with an eye to increasing quality of life aspects that support the retention and growth of a highly skilled workforce. The EDC guided the development of these studies and DED published "A Strategic Plan for Building an Innovation Driven Economy," which the Commissioners adopted in early 2017. In 2022 the Department, EDC, and a national community and economic development consulting firm guided the completion of the five-year CEDS update. The update focused on workforce development, technology transfer and development, rural development, and quality of place. The 2022 update was completed through the lens of economic resiliency, as recommended by the Economic Development Administration.

U.S. Naval Facilities

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

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

According to a Maryland Department of Commerce study on the economic impact of military installations in the State (FY 21), Pax River generated the third highest annual economic output (\$6.3 billion) of the 17 installations in Maryland. In 2021, Pax River also ranked third in size of workforce (52,317 - includes direct, indirect, and induced) of all military installations in Maryland. Between payroll and total procurement and purchases, Pax River directly contributes an estimated total of \$37.8B to the national GDP and \$2.6B to Maryland's gross state product. Pax River spent \$3.3 billion in research and development and saw an uptick in employment relative to the previous Department of Commerce report in 2016. Total direct employment grew from 21,858 (2016) to 33,730 (2021).

NAWCAD received \$2M in Federal funding over the last two years to enhance the development of the workforce pipeline to support Pax River. The funding is being used to connect talented students with paid apprenticeships and internships. The funds are enhancing the current success of the Tech Jobs Rule high school apprentice program with the Dr. James A. Forrest Career and Technology Center and creating college internship opportunities with local industry, government, and nonprofits – leading to additional education and career opportunities.

The County received a grant from the Office of Local Defense Community Cooperation Office to perform a Military Installation Resilience Analysis. The County contracted with consultants who have great expertise in this work to perform the

wide-ranging study and identify areas with the most vulnerability and how best to mitigate those concerns. The analysis looks at off-base climate related issues, as well as other issues, such as housing, that could negatively impact the base if not addressed. The final report will also identify grants and funding sources to help address areas of concern.

Non-Defense Industries and Technology Commercialization

St. Mary's County was instrumental in working with the Maryland Department of Commerce to bring about a grant through the U.S. Department of Commerce, Office of Economic Adjustment (OEA) to fund a pilot project to explore opportunities to commercialize federal patents. At the time of application, there were 1,500 patents solely tied to individuals residing in Southern Maryland. Based on this finding, a scope of work was approved to analyze the commercial potential of Navy patents generated from two naval facilities located in Southern Maryland, one in Dahlgren, Virginia (which borders Charles County) and the Naval Research Laboratory headquartered in nearby Washington, D.C. The findings of the project culminated in multiple projects and activities. These include the establishment of a user-friendly patent database including recommendations about their commercial potential, the establishment of an online innovation resource portal to better connect entrepreneurs and innovators with existing resources and support networks, and the undertaking of a regional initiative to understand what Southern Maryland can do to enhance innovation and improve the quality of life and attractiveness of the region to an already innovation-focused workforce.

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

Uncrewed and Autonomous Systems

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

The University System of Maryland (USM) entered into an agreement with the Southern Maryland Higher Education Center in 2019 to become the University System of Maryland at Southern Maryland (USMSM). In 2019, USMSM began building an 80,000 ft² research facility on the campus located directly adjacent to the regional airport, aptly named the USMSM Southern Maryland Autonomous Research and Technology (SMART) building. Construction of the SMART building was completed in the fall of 2021. Research conducted by UMD will entail uncrewed and autonomous systems testing in a laboratory environment and in the air, on ground and in the water. The County is one of the few locations in the nation that can support such testing in both restricted and unrestricted air, ground and water as the County is a peninsula bordered by the Patuxent and Potomac Rivers. As UAS can be used for many commercial purposes, the County's locational advantages for testing and the investment in research facilities has facilitated the attraction of non-defense UAS work and spurred the creation of new technology businesses.

The Association for Unmanned Vehicle Systems International (AUVSI) Student Uncrewed Aerial Systems (SUAS) Competition is designed to foster interest in Uncrewed Aerial Systems (UAS), stimulate interest in UAS technologies and careers, and to engage students in a challenging UAS mission. The competition requires students to design, integrate, report on, and demonstrate a UAS capable of autonomous flight and navigation, remote sensing via onboard payload sensors, and execution of a specific set of tasks. Since 2002, the Student UAS Competition (SUAS) has been able to operate at Webster Outlying Field (WOLF). Due to a variety of factors and new Navy-wide policies, WOLF was no longer able to host the 2022 SUAS Competition. The County immediately reached out to the competition organizers and stakeholders in and around the AeroPark Innovation District to gauge the appetite to keep the 2022 SUAS Competition in St. Mary's County. The County submitted the winning bid. The 2022 and 2023 SUAS Competition was held at AeroPark Innovation District, in collaboration with St. Mary's County Regional Airport, UMD UAS UROC, the private sector and USMSM. Robonation has assumed ownership of the SUAS competition, making a 5-year commitment to hold the competition at AeroPark.

Enhancing the Growth of Technology Start-Ups

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

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

One of the department's strategic priorities is to attract and retain a young and talented workforce. In 2019, the Department of Economic Development engaged a firm who conducted an in-depth focus group with young professionals (19-37 years old) to determine satisfaction with the area and identify desired amenities. This focus group continues to serve as a way of engaging the younger workforce in St. Mary's County's economic growth and quality of life improvement, creating representatives and liaisons to the broader community. The Department launched a multi-faceted, yearlong, talent attraction campaign focusing on a healthy work/life balance made possible by the proximity of quality-of-life assets to work locations in St. Mary's County.

Advanced Manufacturing

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

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

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

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

St. Mary's County Regional Airport is the fastest growing General Aviation airport in Maryland. Nearly 230 aircraft live at the airport, surpassing projections that anticipated less than 120 by 2020. Due to this growth, the Airport is undergoing a multi-million-dollar expansion project through collaborative efforts of private industry, St. Mary's County Government, the State of Maryland and the FAA. The current runway is 4,150 ft. and is extending to 5,350 ft. to accommodate larger aircraft and corporate jets. The St. Mary's County Regional Airport currently has more construction activity than any other part of the County.

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

St. Mary's County is leading the effort to fully realize the potential of the AeroPark Innovation District. An innovation district clusters private sector entities, government agencies, higher education institutions and quality of life assets to foster collaboration, innovation, and job creation. The University of Maryland at Southern Maryland's SMART building and the University of Maryland A. James Clark School of Engineering MATRIX LAB are the cornerstones of AeroPark. USMSM and UMD focus on both graduate and undergraduate degrees, and autonomous research, innovation and exploration. Another key asset is the Naval Air Warfare Center's TechBridge program, housed at TechPort. TechBridge uses TechPort as a collaboration space for small Navy contractors and base tenants. Additionally, TechPort houses the Naval Aviation Systems Consortium, which assists small contractors to obtain Navy contract work through a consortium model. Both tenants help further the mission of AeroPark to facilitate technology innovation and help small businesses grow.

The AeroPark Innovation District is guided by the Innovation District Master Plan, which shows how the area can be further developed to include additional residential, more offices and hangars, open spaces for events, and paths and road connections to facilitate interaction among the various workers and residents who spend time there. Recent progress at AeroPark includes branding, a signage/wayfinding template, interior improvements to the County-owned terminal building (that includes a commercial kitchen that serves daily lunch) and new private sector tenants. The County has contracted with the Maryland Economic Development Corporation to conduct due diligence to begin development work on a large parcel of County owned land that is in high demand due to its runway access.

Leisure and Hospitality

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

The "Economic Impact of Tourism in Maryland-Calendar Year 2021" analysis by Tourism Economics shows 33% growth in visitor spending in St. Mary's County in calendar year 2021 and a 38% growth in hotel tax revenues. Visitor spending in the categories of food & beverage, retail, recreation, and transportation exceeded pre-pandemic levels.

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

Agriculture and Aquaculture

More than 80% of the County's land is zoned Rural Preservation District. Traditional crop farming and commercial fishing continue but are experiencing the decline that traditional agriculture is experiencing nationwide. Grains, oilseeds, and meat production are becoming the predominant agriculture products. Alternative forms of agriculture including agritourism, retail farm markets, farm-to-table restaurants, organic production, oyster aquaculture, wineries, and breweries are also developing profitability. The Department of Economic Development is focused on assisting local farmers in marketing value-added products and creating opportunities for the direct sale of local produce and specialty products. St. Mary's County coordinates three farmers markets across the County. In 2022, total sales at the farmers markets exceeded \$3.0 million.

In May of 2019, St. Mary's County was awarded \$1 million in grant funding along with the Regional Agricultural Center (RAC) project bid from the Southern Maryland Agricultural Development Corporation (SMADC). This award capped a nearly two-decade-long effort to provide the region's nascent livestock industry with key infrastructure that it needs to reach new customers across the state and region. The RAC is designed for small to mid-sized agricultural producers with the goal of stimulating positive supply chain economics through local product processing, cost efficient distribution, joint marketing and co-branding of products. Total project cost for the Regional Agriculture Center and produce cold storage facility is estimated at \$5.7 million.

The North County Farmers Market (NCFM) outgrew its location and St. Mary's County relocated the market to a permanent, year-round destination that provides safer access for vendors and customers, a larger area for outdoor vendors and expanded parking. The new location, The Barns at New Market, includes a value-added building with a commercial kitchen where producers can process agricultural products in an approved space, refrigerator/freezer units to lengthen product life, dry good storage, and indoor customer seating. The Barns at New Market opened in April 2022 to greater than anticipated popularity. Expanded parking and septic capacity are underway to accommodate the 2024 market season.

New Construction and Infill Projects

Lexington Exchange in California, 140-acres approved for mixed use includes R&D, retail, and office. This project includes a completed 2,500-seat RNC Movie Theater and Aldi grocery store. The existing industrial use has been relocated within the County, clearing the site for new mixed-use. The most recent addition is a new Pax River Mission Systems Integration Facility (MSIF), expanding upon Booz Allen Hamilton's specialized engineering ecosystem of resources to support the Department of Defense (DOD). The new 20,000-square-foot, multi-configurable facility provides a first-of-its-kind space

in the region to rapidly design, develop, prototype, integrate, test, and evaluate innovative solutions that address the warfighter’s evolving and dynamic needs.

The 2016 Lexington Park Development District Master Plan is being implemented by adoption of 2019 zoning amendments within Lexington Park which encourages a greater variety and intensity of use in key areas identified by the Master Plan. The County is continuing to see the results of the expanded zoning within the Development District, with projects such as U-Haul and light manufacturing/fabricating interest in vacant retail space. Redevelopment is underway on the 17.8-acre Pax River Village Center (previous Millison Plaza), with plans for a national grocery store, food and beverage, retail, and other services.

Leonardtown continues to make fantastic strides as a tourist destination as well as a primary quality of life asset for all of southern Maryland. The success of the ever-improving downtown core greatly helps to attract and retain workers. In 2023, the State of Maryland redesignated Leonardtown as both an Arts and Entertainment District and a Sustainable Communities district and, for the first time, awarded the Town a Main Street designation. The Town has added new events, expanded the wharf to accommodate overnight boat docking, and added eateries and retail shops. This walkable downtown, with its historic square, waterfront location, and entertainment and service choices, is unique in Southern Maryland. In the planning stage is over 400 acres of waterfront land that is adjacent to the downtown core that will include approximately 300 homes and possibly an event center and hotel.

Health Services

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

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

Population

St. Mary’s County continues to enjoy great population growth due to the high quality of life and robust employment opportunities. The County’s population grew by over 17% from 2000 to 2022.

| Year | Population | % Change from Prior Census |
|-----------|------------|----------------------------------|
| 1960..... | 38,915* | -- |
| 1970..... | 47,388* | 21.8 |
| 1980..... | 59,895* | 26.4 |
| 1990..... | 75,974* | 26.8 |
| 2000..... | 86,211* | 13.5 |
| 2010..... | 105,151* | 22.0 |
| 2020..... | 113,777* | 8.2 |
| 2021..... | 114,568† | 0.6 |
| 2022..... | 114,887† | 0.3 |

* U.S. Census year

† Estimate

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

Income

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

| Calendar Year | <u>Personal Income (000s)</u> | | <u>% Change from Previous Year</u> | |
|----------------------|--------------------------------------|------------------------------|-------------------------------------------|------------------------------|
| | St. Mary's County | State of Maryland | St. Mary's County | State of Maryland |
| 2021 | \$7,527,632 | \$430,429,331 | 6.8 | 6.2 |
| 2020 | \$7,050,778 | \$405,454,629 | 5.9 | 5.6 |
| 2019 | \$6,660,477 | \$384,074,286 | 4.7 | 3.3 |
| 2018 | \$6,361,488 | \$371,870,268 | 3.9 | 2.8 |
| 2017 | \$6,119,942 | \$361,606,216 | 2.4 | 3.2 |
| 2016 | \$5,978,975 | \$350,384,383 | 2.9 | 3.8 |
| 2015 | \$5,811,132 | \$337,702,762 | 4.6 | 4.7 |
| 2014 | \$5,554,775 | \$322,438,196 | 3.2 | 3.5 |

Source: U.S. Bureau of Economic Analysis, CAINC1 County and MSA personal income summary: personal income, population, per capita personal income, November 16, 2022 update

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

| Calendar Year | <u>Per Capita Personal Income</u> | | <u>% Change from Previous Year</u> | |
|----------------------|------------------------------------------|------------------------------|-------------------------------------------|------------------------------|
| | St. Mary's County | State of Maryland | St. Mary's County | State of Maryland |
| 2021..... | \$65,762 | \$69,817 | 6.3 | 6.3 |
| 2020..... | \$61,874 | \$65,685 | 5.1 | 5.4 |
| 2019..... | \$58,853 | \$62,313 | 4.0 | 2.9 |
| 2018..... | \$56,583 | \$60,577 | 3.7 | 2.4 |
| 2017..... | \$54,558 | \$59,155 | 1.7 | 2.6 |
| 2016..... | \$53,623 | \$57,632 | 2.2 | 3.2 |
| 2015..... | \$52,460 | \$55,825 | 3.6 | 4.0 |
| 2014..... | \$50,615 | \$53,659 | 2.6 | 2.7 |

Source: U.S. Bureau of Economic Analysis, CAINC1 County and MSA personal income summary: personal income, population, per capita personal income, November 16, 2022 update

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

| Calendar Year | <u>Median Household Income</u> | | <u>% Change</u> | |
|----------------------|---------------------------------------|------------------------------|------------------------------|------------------------------|
| | St. Mary's County | State of Maryland | St. Mary's County | State of Maryland |
| 2022..... | \$113,717 | \$94,991 | 28.6 | 38.0 |
| 2010..... | \$88,444 | \$68,854 | -- | -- |

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates (inflation-adjusted) (S1903)

Sales and Use Tax Collections

As indicated in the following table, St. Mary's County's sales and use tax receipts for fiscal year 2022 increased by 44.1% from fiscal year 2021.

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

| | 2022 | 2021 | % Change |
|--------------------------------|---------------------|---------------------|-----------------|
| Calvert County | \$55,616,277 | \$35,709,105 | 55.7% |
| Charles County | \$124,227,405 | \$88,544,149 | 40.3% |
| St. Mary's County | \$72,595,734 | \$50,377,479 | 44.1% |
| State of Maryland..... | \$7,013,068,954 | \$4,548,724,731 | 54.2% |

Source: Maryland Comptroller Revenue Accounting Division. Summary by Subdivision and Business Activity 2021-2022.

Education

| | St. Mary's County | Charles County | Calvert County | State of Maryland | United States |
|----------------------------------|------------------------------|---------------------------|---------------------------|------------------------------|--------------------------|
| Ages 18-24: | | | | | |
| Less than high school graduate | 865 | 1,666 | 502 | 61,251 | 3,636,420 |
| High school graduate | 3,698 | 5,811 | 3,465 | 179,698 | 11,051,703 |
| Some college or associate degree | 3,578 | 4,185 | 2,314 | 200,114 | 12,373,694 |
| Bachelor's degree or higher | 1,953 | 1,919 | 1,083 | 90,650 | 4,193,006 |
| Ages 25 and older: | | | | | |
| Less than high school graduate | 5,968 | 5,574 | 2,850 | 367,917 | 23,825,064 |
| High school graduate | 17,861 | 34,093 | 17,945 | 1,009,588 | 59,908,662 |
| Some college or associate degree | 22,608 | 38,836 | 21,183 | 736,300 | 64,065,077 |
| Bachelor's degree | 17,258 | 20,948 | 13,500 | 996,167 | 49,641,033 |
| Graduate degree | 14,452 | 16,917 | 9,608 | 882,538 | 32,267,301 |

Source: U.S. Census Bureau, American Community Survey, 2022: ACS 1-Year Estimates - Educational Attainment (S1501).

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

Dropout Rates, Grades 9-12, 2022

| | |
|--------------------------------|--------------|
| Calvert County | 3.00% |
| Charles County | 3.89% |
| St. Mary's County | 7.96% |
| State of Maryland | 8.54% |

Source: Dropout Rates of Maryland Public High Schools Grades 9-12: The Maryland Report Card- 2022
Maryland State Department of Education.

Higher Education

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

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

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

sciences, management, nursing and education. Bachelor's degrees, graduate certification programs, graduate certificate programs, and doctoral degrees are presented at the USMSM.

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

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

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

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

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

The College of Southern Maryland ("CSM") is a regionally accredited public two-year institution with an emphasis on workforce development. The St. Mary's County campus is currently comprised of 3 buildings on 62 acres. The campus offers an array of associate degree programs, industry certifications, career training, and wellness and fitness activities. CSM is known as a progressive, innovative and technologically advanced institution. CSM also serves as a catalyst for business, industry and government to identify the resources needed to grow and maintain a healthy economy and community.

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

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

[The remainder of this page left intentionally blank]

Commercial and Residential Building Permits

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

| | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>Residential</u> | | | | | | |
| Multi-Family Apartment Building | 6 | 6 | 1 | 0 | 1 | 14 |
| Custom Home | 395 | 402 | 324 | 187 | 519 | 1,827 |
| Mobile Home | 17 | 17 | 10 | 15 | 20 | 79 |
| Modular Home | 7 | 6 | 1 | 2 | 7 | 23 |
| Townhouse | 116 | 146 | 157 | 77 | 140 | 636 |
| Duplex | 0 | 0 | 1 | 2 | 0 | 3 |
| Accessory Apartment | 9 | 10 | 11 | 9 | 10 | 49 |
| Addition | 320 | 357 | 435 | 495 | 459 | 2,066 |
| Renovation | 245 | 263 | 303 | 319 | 410 | 1,540 |
| Accessory Structure | 192 | 197 | 230 | 268 | 457 | 1,344 |
| Accessory Structure Addition | 12 | 12 | 9 | 14 | 22 | 69 |
| Accessory Structure Renovation | 7 | 2 | 6 | 7 | 9 | 31 |
| Swimming Pool | 63 | 61 | 113 | 127 | 135 | 499 |
| Solar Panels | 148 | 111 | 121 | 117 | 293 | 790 |
| Total | 1,537 | 1,590 | 1,722 | 1,639 | 2,482 | 8,970 |
| <u>Commercial (Non-Residential)</u> | | | | | | |
| Amusement/Recreation | 1 | 5 | 5 | 0 | 0 | 11 |
| Church & Religious Building | 3 | 2 | 3 | 2 | 0 | 10 |
| Hospital & Institutional | 0 | 0 | 0 | 0 | 0 | 0 |
| Hotel | 0 | 0 | 0 | 0 | 0 | 0 |
| Industrial | 2 | 1 | 2 | 0 | 0 | 5 |
| Office, Bank, Professional Building | 7 | 10 | 14 | 1 | 5 | 37 |
| Parking Garage | 0 | 0 | 0 | 0 | 0 | 0 |
| Utility | 4 | 3 | 1 | 2 | 0 | 10 |
| Schools & Education Building | 0 | 0 | 0 | 0 | 0 | 0 |
| Stores & Customer Service | 16 | 12 | 8 | 6 | 4 | 46 |
| Other Non-Residential Building | 6 | 7 | 31 | 25 | 20 | 89 |
| Comm. Structure Other than Building | 33 | 30 | 27 | 30 | 75 | 195 |
| Addition | 10 | 9 | 16 | 17 | 16 | 68 |
| Renovation | 39 | 42 | 26 | 34 | 77 | 218 |
| Total | 121 | 121 | 133 | 117 | 197 | 689 |

Employment Classification

Comparative figures for the Southern Maryland counties are presented below:

| | Calvert | Charles | St. Mary's |
|---------------------------------|---------|---------|------------|
| Private wage and salary workers | 78.1% | 73.0% | 79.0% |
| Government workers | 21.9% | 27.0% | 21.0% |
| Total Workforce | 21,469 | 40,823 | 73,287 |

Source: Maryland Department of Labor, License and Regulations, Office of Workforce Information and Performance, Maryland Quarterly Census of Employment and Wages (QCEW), Fourth Quarter 2022.

Business and Industrial Composition

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

| Classification | Number of Reporting Units | %* | Quarterly Average Employment | %* |
|--------------------------------------|--------------------------------------|---------------|---------------------------------------------|---------------|
| Natural Resources and Mining | 24 | 1.0% | 73 | 0.1% |
| Construction | 312 | 12.4% | 1,823 | 2.5% |
| Manufacturing | 55 | 2.2% | 317 | 0.4% |
| Trade, Transportation, and Utilities | 468 | 18.5% | 6,937 | 9.5% |
| Information | 23 | 0.9% | 109 | 0.1% |
| Financial Activities | 181 | 7.2% | 667 | 0.9% |
| Professional and Business Services | 590 | 23.4% | 39,091 | 53.3% |
| Education and Health Services | 262 | 10.4% | 4,208 | 5.7% |
| Leisure and Hospitality | 268 | 10.6% | 3,782 | 5.2% |
| Other Services | 225 | 8.9% | 859 | 1.2% |
| Federal Government | 45 | 1.8% | 10,239 | 14.0% |
| State Government | 12 | 0.5% | 1,075 | 1.5% |
| Local Government | 58 | 2.3% | 4,105 | 5.6% |
| Total | 2,526 | 100.0% | 73,287 | 100.0% |

*Columns may not add due to rounding.

Source: Department of Labor, Licensing, and Regulation, Office of Workforce Information and Performance, Maryland Quarterly Census of Employment and Wages (QCEW), Fourth Quarter 2022

Employment

The County government and public school system employ 1,002 and 2,325 individuals, respectively. Representative employment figures for other major employers in the County follow:

| Employer | Industry | Total Employees |
|----------------------------------|-----------------------------------------------|----------------------------|
| Naval Air Station Patuxent River | Military Installation | 21,420 |
| | - Federal Employees | 9,100 |
| | - Active Duty | 2,400 |
| | - Defense Contractors* | 9,500 |
| | - Non-Appropriated Fund | 420 |
| MedStar St. Mary's Hospital | Hospital System | 1,100 |
| V2X Inc. | Tech Products & Services | 800 |
| BAE Systems | Tech Products & Services | 700 |
| KBR | Logistics, Engineering, Operations Management | 700 |
| Lockheed Martin | Advanced Technology Systems | 675 |
| General Dynamics | Defense Engineering & Services | 600 |
| St. Mary's College of Maryland | Higher Education | 555 |
| J.F. Taylor | Systems Engineering & Services | 500 |
| PAE Applied Technologies | Training, Logistics Services | 500 |
| Boeing | Aerospace, Engineering Services | 450 |
| Booz Allen Hamilton | Consulting, Analytics | 425 |
| Precise Systems | Engineering, IT & Management Services | 400 |
| Sikorsky | Engineering & Logistics | 400 |
| Northrop Grumman | Aerospace, Engineering Services | 325 |
| SAIC | Engineering & Management Services | 300 |

*Defense Contractor employees headquartered at Naval Air Station Patuxent River also reflected in total employment of entity.

Source: St. Mary's County Department of Economic Development and Maryland Department of Commerce, 2022

The following table sets forth St. Mary's County's unemployment rate as compared with other counties of Southern Maryland, the State of Maryland and the United States for the years 2018-2022.

Annual Unemployment Rate

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| Calvert County..... | 3.5% | 3.2% | 5.2% | 4.6% | 2.9% |
| Charles County..... | 3.9% | 3.7% | 6.6% | 5.7% | 3.3% |
| St. Mary's County..... | 3.8% | 3.4% | 4.8% | 4.5% | 3.1% |
| State of Maryland..... | 3.9% | 3.6% | 6.7% | 5.8% | 3.2% |
| United States..... | 3.9% | 3.7% | 8.1% | 5.4% | 3.6% |

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

The number of persons living in St. Mary's County who were available for work and composed the County's labor force numbered 58,238 in July 2023 while total employment was 57,191 resulting in an unemployment rate of 1.8% for this period. Comparative July 2022 unemployment rates are given below for other counties of Southern Maryland, the State of Maryland and the United States.

| | |
|-------------------------------|-------------|
| Calvert County..... | 3.3% |
| Charles County..... | 3.6% |
| St. Mary's County..... | 3.6% |
| State of Maryland..... | 3.4% |
| United States..... | 3.5% |

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

Commuting Patterns

The U.S. Census Bureau 2020 American Community Survey (ACS) 5-Year Estimate determined the work commuting patterns for the labor forces of each of Maryland's counties and the City of Baltimore. Of the counties located in Southern Maryland, St. Mary's County has the largest percentage of its labor force (those 16 and over) who work within their resident county. Comparative figures for the Southern Maryland counties are presented below:

| | |
|-------------------------------|--------------|
| Calvert County..... | 43.8% |
| Charles County..... | 39.2% |
| St. Mary's County..... | 75.7% |

Source: U.S. Census Bureau 2020 American Community Survey (ACS) 5-Year Estimate

LITIGATION

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

EXPERTS

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

INVESTMENT OF COUNTY FUNDS

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

CONTINUING DISCLOSURE

In order to assist participating underwriters (as defined in SEC Rule 15c2-12 (the "Rule")) to comply with the requirements of paragraph (b)(5) of the Rule, the County will execute a Continuing Disclosure Agreement (the "Disclosure Agreement") prior to or simultaneously with the issuance of the Bonds. In the Disclosure Agreement, the County will covenant for the benefit of the Beneficial Owners from time to time of the Bonds to provide certain financial information and operating data relating to the County (the "Annual Report") by not later than March 31 of each year, commencing March 31, 2024 with respect to the fiscal year ending June 30, 2023, and to provide notices of the occurrence of certain listed events. Potential investors should note that certain of the listed events have been included for purposes of compliance with the Rule but are not relevant to the Bonds. The form of the Disclosure Agreement is set forth in Appendix C.

The County has failed to comply with some of its obligations under its prior continuing disclosure undertakings within the last five years. In addition, the County incurred two financial obligations in 2020, but failed to file notice thereof within ten business days of such event and also failed to file notice in a timely manner of such failure to file. The County has made supplemental filings with EMMA to address these failures. The County is committed to complying with its continuing disclosure obligations and has assigned responsibility for future compliance with the office of the Chief Financial Officer. Except as described in this paragraph (to the extent the foregoing constitutes a material failure), in the previous five years, the County has not failed to comply in any material respect with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

SALE AT COMPETITIVE BIDDING

The Bonds were offered by the County at competitive bidding on December 5, 2023, in accordance with the Official Notice of Sale (the form of which is attached as Appendix D). The interest rates shown on the inside front cover page of this Official Statement are the interest rates to the County resulting from the award of the Bonds at the competitive bidding. The yields or prices shown on the inside front cover page of this Official Statement were furnished by the successful bidder for the Bonds. All other information concerning the nature and terms of any reoffering should be obtained from the successful bidder for the Bonds and not from the County.

FINANCIAL ADVISOR

First Tryon Advisors, LLC has served as financial advisor (the "Financial Advisor") to the County with respect to the sale of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent on the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendixes thereto.

MISCELLANEOUS

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

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

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

For the Year Ended June 30, 2022

This page intentionally left blank

JUNE 30, 2022

CONTENTS

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------|
| REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS | 1 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | 4 |
| FINANCIAL STATEMENTS | |
| Statement of Net Position | 19 |
| Statement of Activities | 21 |
| Balance Sheet – Governmental Funds | 22 |
| Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position | 23 |
| Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds | 24 |
| Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 25 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Budgetary Basis) – General Fund | 26 |
| Statement of Net Position – Proprietary Funds | 27 |
| Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Funds | 28 |
| Statement of Cash Flows – Proprietary Funds | 29 |
| Statement of Net Position – Fiduciary Funds | 30 |
| Statement of Changes in Net Position – Fiduciary Funds | 31 |
| Notes to the Financial Statements | 32 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of County Proportionate Share of the Net Pension Liability of the Maryland State Retirement and Pension System | 109 |
| Schedule of County Contributions to the Maryland State Retirement and Pension System | 110 |
| Schedule of Changes in Net Pension Liability and Related Ratios – Sheriff’s Office Retirement Plan | 111 |
| Schedule of Contributions – Sheriff’s Office Retirement Plan | 112 |
| Schedule of Changes in Net Pension Liability and Related Ratios – Length of Service Program | 113 |
| Schedule of Contributions – Length of Service Program | 114 |
| Schedule of Changes in Net OPEB Liability and Related Ratios | 115 |
| Schedule of Contributions - OPEB | 116 |



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

COMBINING AND INDIVIDUAL FUND STATEMENTS

| | |
|-----------------------------------------------------------------------------------------------------------|-----|
| Combining Balance Sheet – Non-Major Governmental Funds | 118 |
| Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds | 119 |

OTHER SUPPLEMENTAL INFORMATION

| | |
|-------------------------------------------------------------------------------------|-----|
| Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund | 122 |
| Schedule of Expenditures – Budget and Actual – General Fund | 124 |
| Schedule of Unexpended Appropriations for Capital Projects | 128 |



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

Commissioners of St. Mary's County

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Commissioners of St. Mary's County (the County) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as individually listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, required supplementary information, and budget and actual schedules as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Owings Mills, Maryland
November 21, 2022

SB & Company, LLC

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

This section of the Annual Financial Report of St. Mary's County, Maryland (the County) presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2022. We encourage readers to use the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$389.0 million (net position). Approximately \$17.6 million, or 4.5%, is attributable to the County's enterprise funds, which include business-type activities for Solid Waste and Recycling, Recreation and Parks Activities, and the Wicomico Golf Course. Unrestricted Net Position for FY2022 is \$82.7 million, a change from FY2021 (\$56.1 million), an increase of approximately \$26.6 million. Net position includes approximately \$303.5 million of net investment in capital assets. The net investment in capital assets represents the capitalized assets, net of accumulated depreciation and outstanding debt.
- The County's overall net asset position reflects an increase of \$47.6 million compared to the prior year.
- Governmental activities' total indebtedness decreased by approximately \$11.8 million during the fiscal year ended June 30, 2022. No additional debt was added in FY2022. Payments on the debt totaled approximately \$11.8 million. The estimated post-closure costs of the landfill decreased by approximately \$0.2 million and there was an increase in the accrual for compensated absences of approximately \$0.075 million.
- As of June 30, 2022, the County's governmental funds reported combined fund balances of \$123.0 million, a decrease of \$9.3 million compared to the prior year. The general fund reflected an increase of \$2.8 million. The capital projects fund reflected a decrease of \$13.4 million. The fund balance for the non-major funds increased by \$1.4 million. The County's governmental fund balances as of June 30, 2022 include \$29.1 million for capital projects, \$90.9 million in general funds, and \$3.0 million for the other non-major funds. The general fund balance of \$90.9 million includes: \$2.2 million that is nonspendable and restricted, as well as \$44.6 million which is committed to the following: \$17.9 million for the Bond Rating Reserve, \$1.625 million for County's Rainy-Day Fund and \$25 million for use of non-recurring in the FY2023 Budget. In addition, the general fund has an assigned balance of approximately \$7.2 million which includes encumbrances.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Financial Highlights (continued)

- With the FY2022 budget, the State's allocations/funding to the County continue to be level funded or close to the same as in past years. Cost shifts continue and this budget continues to focus on funding recurring expenses with recurring revenues. The County deems it prudent to stay the course with respect to basic government services, while maintaining reserves adequate to cushion against changes over which it has little influence. The County approved the budget using \$10.8 million of unassigned fund balance. Maintaining a healthy fund balance can help the County to weather negative revenue results and avoid sudden disruption or elimination of services, by allowing time for a plan to be developed to address negative trends.
- The non-major funds are special purpose funds that correspond to special assessments, the emergency services support fund, emergency services billing fund and a revolving loan fund set up to assist volunteer fire and rescue squads in financing their acquisition of capital assets.
- The business-type operating activities reflect a total increase in net position of \$350,189. Fee-based recreation activities posted a decrease of \$262,548. This decrease reflects the continuation of the impact from COVID-19 along with new aquatic center started mid-year at CSM Leonardtown campus. This fund is an accumulation of a large number of recreation activities, and fees are adjusted so that the fund, over the long term, breaks even, with no significant net position being accumulated. Fee-based solid waste and recycling activities posted an increase of \$479,879 with environmental service fee set at \$96.57. The Wicomico Golf Course reflects an increase of \$132,858 in net position reflects the continuation of reduced expenses compared to past years. The enterprise funds are reviewed for sustainability as a part of the annual budget process. At the same time, increased costs for personal, utilities and general operating costs has been realized. During FY2023, consideration will continue to be given to the fee schedules as well as cost control, to restore this activity to a balanced budget.
- As of June 30, 2022, the unassigned fund balance for the general fund (primary operating fund) was \$36.8 million, or 13.5% of general fund expenditures. Assigned fund balance of the general fund was \$7.2 million, or 5.8%, of the total fund balance.

Overview of the Financial Statements

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

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Overview of the Financial Statements (continued)

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

The *statement of net position* presents information on all of the County's assets and deferred outflows of resources liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, health, social services, economic development, and recreation and parks. The business-type activities of the County include Recreation Activity, Wicomico Golf Course and Solid Waste & Recycling.

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

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

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Overview of the Financial Statements (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The County adopts an annual appropriated budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund, the County's primary fund. The budget to actual statement can be found on page 26 of this report.

Proprietary funds: Proprietary funds, also known as *Enterprise funds*, are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for Recreation Activity Fund, Wicomico Golf Course and the Solid Waste & Recycling Fund. The proprietary fund financial statements can be found on pages 27 to 29 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary Funds are established for retiree benefit trusts, specifically the Sheriff's Office Retirement plan, the Length of Service Awards for Fire & Rescue and the Retiree Benefit Trust of St. Mary's County, Maryland, which addresses the County's retiree health benefits. The basic fiduciary fund financial statements can be found on pages 30 and 31 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are part of the basic financial statements and can be found on pages 32 to 107 of this report.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Overview of the Financial Statements (continued)

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligations to retiree benefits. Required supplementary information can be found on pages 109 to 116 of this report. Combining and Individual Fund Statements on pages 118 and 119. Other supplementary information can be found on pages 122 to 131.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the County, assets exceeded liabilities by \$389.0 million at the close of the current fiscal year. The County's net position is divided into three categories: net investment in capital assets, restricted net position; and unrestricted net position. \$303.2 million of the County's net position reflects its net investment in capital assets (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net position represents 0.7% of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government has a balance of \$83.0 million.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Government-wide Financial Analysis (continued)

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

As of June 30, 2022, the Commissioners of St. Mary's County reports positive balances in all three categories of net position.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Government-wide Financial Analysis (continued)

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

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

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

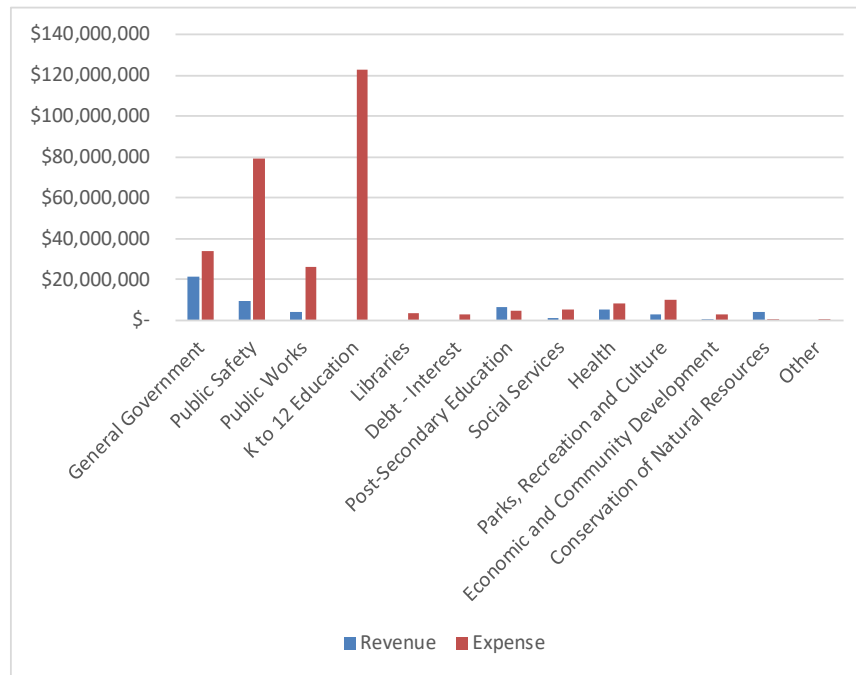
Business-type activities: Business-type activities reflected an increase in net position of \$350,189.

COMMISSIONERS OF ST. MARY'S COUNTY

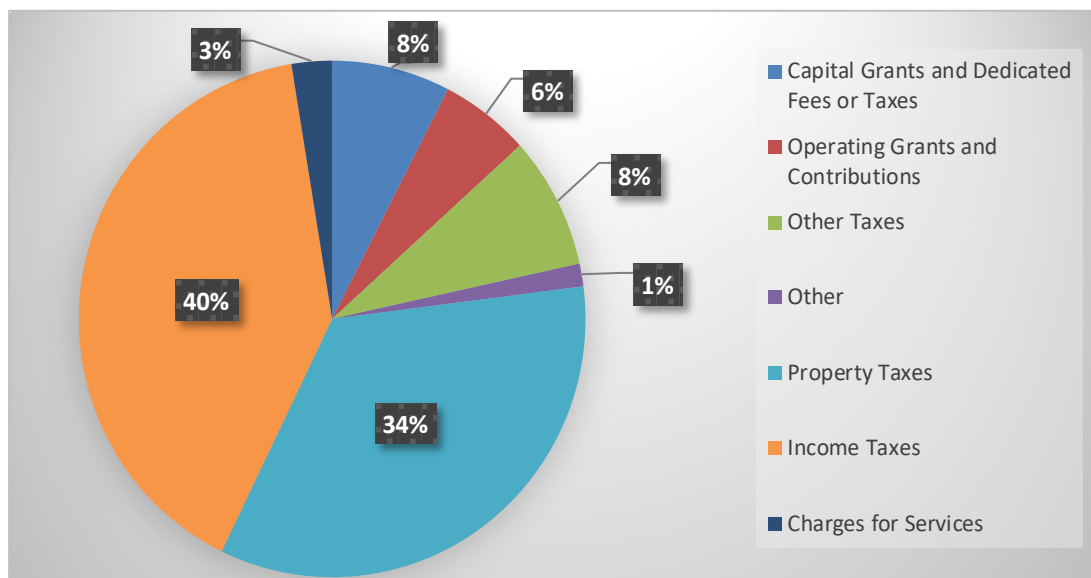
Management's Discussion and Analysis June 30, 2022

Government-wide Financial Analysis (continued)

Expenses and Program Revenues – Governmental Activities (in millions)



Revenues By Source – Governmental Activities



COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Financial Analysis of the Government's Funds

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

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

As of June 30, 2022, the County governmental funds reported combined ending fund balances of \$123.0 million, a decrease of \$9.3 million compared to the prior year. The Capital Projects fund accounts for \$29.1 million. Of the total fund balance, approximately \$36.8 million, or 30% of this total, constitutes unassigned general fund balance, which is available for spending at the government's discretion in the General Fund. Assigned fund balance includes encumbrances and miscellaneous revolving fund reserved for specific uses. Restricted and committed fund balances include \$42.5 million for capital projects, \$17.9 million for the Bond Rating Reserve, \$1.625 million for Rainy Day Fund, and \$25.0 million for non-recurring operating and pay-go funding in the FY2023 budget. Non-spendable fund balance includes \$1.3 million committed to liquidate inventories and \$0.5 million in interfund advances. Unassigned fund balance represents almost 13.6% of general fund expenditures.

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

The capital projects fund has a total fund balance of \$29.1 million. This balance reflects the accumulated unspent balance of impact fees, transfer taxes, and pay-go, which has been appropriated for specific projects, but remains unspent as of June 30, 2022. These funds have been budgeted, and the capital projects are in progress. A listing of the unexpended balances appears on pages 128 through 131.

Proprietary funds: The County's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. At the end of year, the Wicomico Golf Course Fund reflected unrestricted deficit net position of (\$621,908). The Recreation Activities Fund reflected unrestricted deficit net position of (\$240,663), and the unrestricted net position of the Solid Waste and Recycling Fund amounted to \$1.3 million. On a combined basis, there was a \$582,310 increase in unrestricted net position over the prior year.

COMMISSIONERS OF ST. MARY’S COUNTY

Management’s Discussion and Analysis June 30, 2022

General Fund Budgetary Highlights

In addressing the budget to actual variances, this section focuses generally on comparisons to the original approved budget. The “other supplementary information” on pages 122 through 127 reflects the original and final budgets as well as the actual results in more detail. Variances continue in inter-governmental revenues from COVID-19 and American Rescue related grants where budget and actual expenditures are in different years – based on extended timing to expend. Biggest variance is seen in Public Safety grants. FY2022 actual results reflect revenues that are \$219,713 less than the original budget. Property Taxes had a negative variance of \$532,419, income tax had a positive variance of \$1.6 million and other local taxes also had a positive variance of \$2.4 million. The FY2022 budget for income tax revenue is based upon an annual growth rate of 4% applied to tax year 2019 results based on returns filed. The FY2022 Budget reduced the income tax rate to 3.10%, which was effective on January 1, 2022. As the information on pages 128 and 129 shows, there are a variety of smaller offsetting variances; these were considered when developing the revenue budget for FY2023. The County will continue to monitor closely the developments in property and income taxes, as these are such a significant component of funding. Given the economy, it is likely that the rate of growth in property taxes will be steady at approximately 3.5% annually. As for income taxes, the County will continue to budget based on its specific taxable income statistics, as provided by the State, rather than the State’s distributions, which are based on State-wide cash flow.

Expense variances fall into several categories. Just like the grant revenue variances, the related expenditures are also occurring in different years compared to budget. As with past years, the biggest variance is in personal services due to the high number of temporary vacancies for departments and elected officials. The FY2022 added over 64.75 positions, and includes 22 for the new emergency billing fund. The variance in personal services totals \$5 million, of which over \$4 million is in the Sheriff’s Office. Savings also came from capitalized equipment, principally new and replacement vehicles with combined savings of over \$3.7 million – due to long lead time to receive order. Estimates for subsequent budgets will be reviewed considering these recurring positive variances.

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

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

General Fund Budgetary Highlights (continued)

Recurring expenses must be supported by recurring revenues in order to be sustainable. The County builds a budget based on sustainable levels of revenues, and uses any excess generated in one year to fund non-recurring items in subsequent budget years. As indicated previously, the County has retained significant fund balance to position it to be able to address the uncertain future caused by the economy, especially as it relates to State and Federal funding. As a part of each annual budget process, the County Commissioners review the prior year unassigned fund balance and decides if it needs to be used for non-recurring expenditures. It also retains a significant reserve balance not identified for such purposes. Higher reserves at this time will enable us to soften the impact of further cuts or cost shifts, allowing some additional time to implement longer term cost reduction measures, as might be appropriate. With the Commissioners Fund Balance policy, it reinforces using fund balance for non-recurring expenses and it also stipulates that County Reserves, which includes the 6% Bond Rating Reserve, Rainy Day Fund and Unassigned fund balance, should be at or above 15% of general fund revenue. The FY2022 ratio is 20%.

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

Capital Asset and Debt Administration

- Capital assets:** The County investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to \$433.6 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure and land development rights. The net increase in the County's investment in capital assets for the fiscal year ended June 30, 2022 was \$20,113,279. It should be noted that the capital asset balances include the County's infrastructure (i.e., roads), as the County has fully implemented the requirements of the Governmental Accounting Standards Board (GASB) Statement 34.

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

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Capital Asset and Debt Administration (continued)

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

- Approximately \$12.2 million in road costs were capitalized, including \$4.7 million in roads developed/constructed by third parties.
- Buildings & Improvements include capitalized Animal Shelter - \$7.1 million and \$22.3 million capitalized for the Adult Detention Center Upgrades.
- Construction in progress totals \$26 million – Capital Improvements project capitalized in subsequent years.

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

Long-term debt: As of June 30, 2022, the County had the following debt, and other similar obligations outstanding, as set forth in the table below. The full faith and credit and unlimited taxing power of the County are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the General Obligation Bonds.

| <u>Primary Government</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>Amounts Due Within One Year</u> |
|-----------------------------------------|-----------------------|-----------------------|----------------------------------------|
| General Obligation Bonds (GOB) - County | \$ 127,739,249 | \$ 137,876,145 | \$ 8,517,573 |
| State Loans | 857,137 | 980,576 | 123,440 |
| Exempt Financing (Equipment & Vehicles) | <u>1,386,995</u> | <u>2,952,023</u> | <u>595,431</u> |
| | <u>\$ 129,983,381</u> | <u>\$ 141,808,744</u> | <u>\$ 9,236,444</u> |
| <u>Business-Type Activities</u> | | | |
| Exempt Financing (Equipment) | <u>\$ 473,874</u> | <u>\$ 718,171</u> | <u>\$ 197,434</u> |

The County did not issue any debt in FY2022.

As of June 30, 2022, the County had an AA+ rating from Fitch Ratings, an "AA+" from S & P Global Ratings and an "Aa1" rating from Moody's Investors Service, Inc., which were confirmed by rating agencies in June 2022 for the upcoming sale in FY2023. Rating reviews issued by the agencies have typically cited the County's low debt burden with rapid amortization, careful management of the capital program, healthy reserves, budget flexibility, a stable economy, and prudent fiscal policies. The County's debt policy, adopted by the Board, provides that the ratio of debt to assessed value not exceed 3.15%, to include the debt of St. Mary's Metropolitan Commission, and debt service expense as a percent of current general fund revenue does not exceed 10%.

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

Capital Asset and Debt Administration (continued)

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

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

Economic Factors and Next Year's Budgets and Rates

- The total general fund FY2023 expenditure budget is \$324.8 million; this budget includes the use of unassigned fund balance, \$25 million for non-recurring expenditures and capital improvement expenditures, committed in fund balance and the \$11 million for the second year of the American Rescue Plan Act. The property tax income is based on information provided by the State as to estimated taxable assessed value of \$14.1 billion, a 3.9% increase over the prior year's estimate of \$13.6 billion. The impact of triennial assessments shows an increase in the full value are somewhat mitigated by the County's cap of 3%. Assessments continue to reflect a moderate growth, but steady; this resulted in revenue estimate at 4% over the prior year. Initial billings for FY2023 are comparable to the estimates. The real property tax rate remains at .8478 per \$100 of assessed value, which is higher than constant yield tax rate by .0208. The personal property tax rate, which is 2.5 times the real property tax rate, is \$2.1195. The income taxes were budgeted at \$128.9 million, with reduced rate to 3.00% of net taxable income as of January 1, 2023 using 5% growth in local tax returns. This represents a revenue increase of 6.8% over the FY2022 budget and reflects both the estimated County specific tax returns as well as \$7.6 million estimated for interest and penalties as well as the share of State-wide unallocated taxes that will be distributed to the County by the State. Based on increase revenues over budget for the last couple of years, an additional \$4.3 million was included based on the higher standard deduction on federal taxes. Continual monitoring of the property tax and income tax revenue, which represents approximately 85% of the total revenues, will be a major part of the FY2024 budget development, and any indications of reduction will be offset by reduced expenditures.
- FY2022 budget includes the 1st half of the American Rescue Plan Act of \$11 million with the second half in FY2023. Current allocations include funding for broadband, water & sewer infrastructure, Fire & Rescue, and Health Department funding for nurses, COVID-19 surge response and funding for Lexington Health Department Hub. As of September 2022, the Commissioners have allocated the majority of the \$22 million, with a final spend date of December 2026.

COMMISSIONERS OF ST. MARY’S COUNTY

Management’s Discussion and Analysis June 30, 2022

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

- A new program started in September 2021 for the enterprise fund at College of Southern Maryland’s Wellness Activity Center – which makes available a pool and activity space in Leonardtown continues. Increased activity for the enterprise funds continue to get back to pre-COVID-19 levels.
- Although the general economy of the State and United States effects the County, the activities and operations of the Patuxent Naval Air Base in St. Mary’s County has a stabilizing effect on the local economy. Operations at the base, which is the busiest flight center in the world, continues to grow. Approximately 20,200 workers support the base.
- Airport & AeroPark Innovation District continues to expand with runway extension underway. P3 mixed-use innovation builds on existing growth of commercial aviation sector and work/life balance for residents.
- The population growth continues and is estimated to be 114,568, a 9% growth over the 2010 census.
- The County ranks near the top in the State for growth in the labor force, average weekly wages, and median household income. We consistently post unemployment rates that are well below State averages. These factors indicate a stable economy.
- County is developing Key Niche growth sectors – Leisure & Tourism, Historic Sites, Recreation, Water Sports, and Agritourism. Leisure includes Aquaculture, Wineries, and Breweries.
- Continued Real Estate Development at Lexington Exchange and St. Mary’s Marketplace.

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

COMMISSIONERS OF ST. MARY'S COUNTY

Management's Discussion and Analysis June 30, 2022

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

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

Requests for Information

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Net Position As of June 30, 2022

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

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

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

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

Statement of Activities
For the Year Ended June 30, 2022

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

COMMISSIONERS OF ST. MARY'S COUNTY

Balance Sheet – Governmental Funds As of June 30, 2022

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position As of June 30, 2022

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Fund balance of governmental funds | \$ 123,040,446 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds: | |
| Capital assets, net | 415,970,019 |
| Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the fund financial statements | |
| | 55,170,428 |
| Deferred outflow and inflow of resources related net deferred pension and OPEB activity are not financial resources and therefore are not reported in the funds | |
| | (3,471,733) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Bonds and notes payable | (129,983,381) |
| Compensated absences | (7,024,163) |
| Landfill post-closure costs | (3,035,000) |
| Net pension liability | (81,593,645) |
| Net OPEB asset | <u>2,289,016</u> |
| Net position of governmental activities | <u>\$ 371,361,987</u> |

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2022

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2022

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

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

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

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

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

| | | |
|----------------------------------------------------------------------------------------|-------------------|------------|
| Net pension liability and net OPEB liability and related deferred outflows and inflows | 7,252,678 | |
| Compensated absences and pension liability | 75,095 | |
| Landfill post closure cost | 216,000 | |
| Payments of debt principal | <u>11,825,363</u> | 19,369,136 |

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

| | |
|--|-------------------|
| | <u>16,982,736</u> |
|--|-------------------|

| | | |
|---------------------------------------------------|----|--------------------------|
| Change in net position of governmental activities | \$ | <u><u>47,213,291</u></u> |
|---------------------------------------------------|----|--------------------------|

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Budgetary Basis) – General Fund For the Year Ended June 30, 2022

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Net Position - Proprietary Funds As of June 30, 2022

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds For the Year Ended June 30, 2022

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2022

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

**Statement of Net Position – Fiduciary Funds
As of June 30, 2022**

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Changes in Net Position - Fiduciary Funds For the Year Ended June 30, 2022

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

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

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

COMMISSIONERS OF ST. MARY’S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

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

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

St. Mary’s County Library (the Library) operates a main library in Leonardtown and branch libraries in Lexington Park and Charlotte Hall.

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

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

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

St. Mary’s County Library
23630 Hayden Farm Lane
Leonardtown, Maryland 20650

Basis of Presentation

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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

Government-Wide Financial Statements

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

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

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property tax, income tax, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements (continued)

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

Fund Financial Statements

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. When these assets are held under the terms of a formal trust agreement either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

Fiduciary Funds (continued)

Custodial funds generally are used to account for assets that the government holds on behalf of others as their agent. The reporting focus for fiduciary funds is on net position and changes in net position and accounting principles used are similar to proprietary funds.

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

Basis of Accounting

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

- a. Accrual Basis – Both governmental and business-type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.
- b. Modified Accrual Basis – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means knowing or able to reasonably estimate the amount. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year-end. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures (including capital outlay) are recorded when the related liability is incurred. However, debt service expenditures (principal and interest), as well as expenditures related to compensated absences and claims and judgments, are recorded only when due.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

- c. Budget Basis of Accounting - Actual results of operations are presented in the Statement of Revenues, Expenditures, Encumbrances, and Other Financing Sources and Uses - Budget (Non-GAAP Basis) and Actual - General Fund, in order to provide a meaningful comparison of actual results with budget estimates. Under the budget basis, encumbrances are recorded as the equivalent of expenditures, as opposed to only a reservation of fund balance as on a general accepted accounting principles (GAAP) basis.

Measurement Focus

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

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

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

Accounting Policies

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

Budget and Budgetary Accounting

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget and Budgetary Accounting (continued)

- a. Prior to April 1 of each year, the County shall have prepared a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. The budget is legally enacted through passage of an ordinance by June 1.
- d. All revisions that alter the expenditures of each fund must be approved by the County or the Chief Financial Officer.
- e. Formal budgetary integration is employed as a management control device during the year for the general fund, special assessment fund and enterprise funds.
- f. The budget for the general fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America, except that appropriations of fund balance are treated as other financing sources. Budget comparisons presented for the general fund in this report are on a non-GAAP basis. The capital projects funds' budgets are prepared on a project-length basis, and accordingly, annual budgetary comparisons are not presented in the financial statements. The enterprise funds' budgets are flexible annual operating budgets. Budgetary comparisons are not presented in the financial statements for the enterprise funds.
- g. The budgeted amounts are as adopted, including amendments, by the County.

Encumbrances

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

Cash, Cash Equivalents, and Investments

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Investments (continued)

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

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

Long-Term Receivables

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

Annual, Personal, and Sick and Safe Leave Benefits

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

If not prohibited by employment contract, the maximum compensatory leave accrual for exempt employees is 80 hours. If not prohibited by employment contract, the maximum compensatory leave accrual for law enforcement employees and correctional officers is 480 hours.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the County to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Capital Assets

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

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

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

Primary Government

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

Component Units

St. Mary's County Public Schools

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

St. Mary's County Library

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

St. Mary's County Metropolitan Commission

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

Inventory and Prepaid Expenditures

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations

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

Pension Accounting

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Primary Government

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

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

Cash Deposits

As of June 30, 2022, the carrying amount of the County's deposits was \$156,925,147 (in addition, petty cash totaling approximately \$25,100 at various County departments) and the collected bank balance was \$157,495,879. Of the collected bank balance, \$2,758,398 was covered by Federal Deposit Insurance Corporation (FDIC), and \$154,166,749 was covered by collateral held either in the pledging bank's trust department or by the pledging bank's agent.

Investments

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

Money market account is not evidenced by securities.

Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. As permitted by GASB Statement No. 79, the MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated "AAAM" by Standards and Poor's. The County is not subject to any limitations or restrictions on withdrawals of its investments in the MLGIP.

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

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

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

Component Units

St. Mary's County Public Schools

Deposits

Custodial credit risk: Custodial credit risk for deposits is the risk that in the event of a bank failure, the School System's deposits may not be returned to it. Maryland State Law prescribes that local government units such as the School System must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of FDIC insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2022, all of the School System's deposits, including the certificate of deposit, were either covered by federal depository insurance or were covered by collateral held by the School System's agent in the School System's name. As of June 30, 2022, the carrying amount of the School System's deposits was \$9,637,637 and the bank balance was \$12,048,171.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Short-Term Investments

Maryland State Law authorizes the School System to invest in obligations of the United States government, Federal government obligations and repurchase agreements secured by direct government or agency obligations, the State's sponsored investment pool, or interest-bearing accounts in any bank. As of June 30, 2022, short-term investments consist primarily of deposits in the MLGIP. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The School System has no policy on credit risk.

The carrying amount and market value of such investments were \$24,745,638, \$431,680, and \$101,123 for governmental activities, business-type activity, and fiduciary responsibilities, respectively.

The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940, which is MLGIP's share price.

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

Long-Term Investments

As of June 30, 2022, the Capital Projects Fund's long-term investment consisted of a certificate of deposit which had a maturity of greater than one year but less than five years.

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Long-Term Investments (continued)

The investments of the MABE Trust are stated at fair value and are managed by Wells Fargo Advisors and consist of money market funds, U.S. government and agency fixed income and asset backed securities, equity securities, mutual funds and exchange traded funds, and corporate bonds and corporate asset backed securities. The MABE Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Although all of the investments in the MABE Trust are considered Level 1 and Level 2, the School Systems membership investment in the MABE Trust is considered Level 2. As of June 30, 2022, the pooled net position of the MABE Trust was \$537,118,808, in total, of which the School System's allocated investment balance was \$60,987,474. The School System places no limits on the amount they may be invested with any one issuer. The School System may terminate its membership in the MABE Trust and withdrawal its allocated investment balance by providing written notice six months prior to the intended date of withdrawal.

St. Mary's County Library

Cash Deposits and Investments

As of June 30, 2022, the carrying amount of the Library's cash was \$301,808 and the bank balances totaled \$305,428. As a government entity, the Library's bank balance is fully insured. As of June 30, 2022, there was no uninsured or uncollateralized bank balance.

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Library (continued)

Cash Deposits and Investments (continued)

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

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

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

St. Mary's County Metropolitan Commission

Deposits

The carrying amount of MetCom's deposits was \$54,475,529 as of June 30, 2022 and the bank balance was \$55,224,889. Of the bank balances, \$500,000 was covered by federal depository insurance as of June 30, 2022 with the remaining \$53,975,529 adequately covered by collateral.

Cash and cash equivalents consisted of the following:

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Investments

Investments in the MLGIP are not evidenced by securities. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate MLGIP. Separately issued financial statements may be obtained from the contractor: David Rommel, PNC Bank, One East Pratt Street, 5th Floor West, Baltimore, Maryland 21202. In addition, the State Treasurer has established an advisory board composed of MLGIP participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares. The MLGIP is rated AAAm by Standards and Poor's.

As of June 30, 2022, MetCom's investments, for both custodial and credit risk purposes, consisted solely of shares in the MLGIP. This investment is not deemed to have either risk. MLGIP is managed as a Rule 2a-7 pool. Therefore, MetCom faces no interest rate risk. The cost and fair value of the MLGIP investments as of June 30, 2022 was \$5,030,163.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

3. CAPITAL ASSETS

Primary Government

A summary of changes in capital assets is as follows:

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

3. CAPITAL ASSETS (continued)

Primary Government (continued)

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

3. CAPITAL ASSETS (continued)

Primary Government (continued)

Governmental activities

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

Total Depreciation - Governmental Activities

\$ 17,651,126

Business-type activities

| | |
|--------------------------|-----------|
| Recreation activity fund | \$ 17,278 |
| Solid waste/recycling | 244,022 |
| Wicomico | 116,484 |
| | <hr/> |

Total Depreciation - Business-Type Activities

\$ 377,784

Component Units

St. Mary's County Public Schools

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

3. CAPITAL ASSETS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

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

Governmental activities

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

Business-type activities

| | |
|--------------|------------------|
| Food service | <u>\$ 69,962</u> |
|--------------|------------------|

St. Mary's County Library

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

3. CAPITAL ASSETS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission

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

4. PROPERTY TAX

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

4. PROPERTY TAX (continued)

The real property tax rate during the year ended June 30, 2022 was \$0.8478 per \$100 of assessed value based on the full valuation method. The Constant Yield tax rate for FY2022 was \$0.8290. The personal property tax rate during the year ended June 30, 2022 was \$2.1195 per \$100 of assessed value. The County Treasurer bills and collects all property taxes.

A 100% allowance for uncollectible receivables is established for prior year taxes receivable. County property tax receivable as of June 30, 2022, net of the allowance for uncollectible receivables of \$186,099, is \$1,557,278 (this amount does not include state and emergency services taxes receivable). On October 1, a 3% penalty is assessed, and interest begins accruing at a rate of 1% for each month that real and personal property taxes are delinquent (unless taxpayer has elected semiannual payment option as described above).

5. SPECIAL TAX ASSESSMENT AND UNEARNED REVENUE

Primary Government

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

As of June 30, 2022, there were no delinquent special assessment receivables due from taxpayers.

Component Units

St. Mary's County Public Schools

Unearned Revenue

General Fund

Unearned revenue primarily consists of payments received under restricted programs in excess of the expenses/expenditures incurred to date under those programs as of June 30, 2022 of \$5,013,493.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

5. SPECIAL TAX ASSESSMENT AND UNEARNED REVENUE (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Unearned Revenue (continued)

Capital Projects Fund

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

Enterprise Fund

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

6. LONG-TERM OBLIGATIONS

Primary Government

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities

General Obligation Bonds

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

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

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

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

General Obligation Bonds (continued)

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

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

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

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

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

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

2018 Exempt Financing Equipment Lease

On October 27, 2017, the County entered into an agreement with TD Equipment Finance, Inc. to borrow \$4,200,000 for the purchase of vehicles and other replacement equipment. The lease bears interest at a rate of 1.78% per annum, payable annually through 2022. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. This equipment lease was paid off during year ending June 30, 2022.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

2018 Exempt Financing Equipment Lease –Taxable

On October 27, 2017, the County entered into an agreement with TD Equipment Finance, Inc. to borrow \$4,200,000 for the purchase of vehicles and other replacement equipment. The lease bears interest at a rate of 1.78% per annum, payable annually through 2022. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. This equipment lease was paid off during year ending June 30, 2022.

2020 Exempt Financing Equipment Lease

On October 11, 2019, the County entered into an agreement with Banc of America Public Capital Corp. to borrow \$2,650,000 for the purchase of vehicles and other replacement equipment. The lease bears interest at a rate of 1.7077% per annum, payable annually through 2024. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the primary government portion of the 2020 exempt financing equipment lease as of June 30, 2022, based on the total final lease amount of \$2,650,000, are as follows:

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

2021 Exempt Financing Equipment Lease

On December 1, 2020, the County entered into an agreement with Banc of America Public Capital Corp. to borrow \$1,300,000 for the purchase of vehicles and other replacement equipment. The lease bears interest at a rate of 0.9796% per annum, payable annually through 2025. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the primary government portion of the 2021 exempt financing equipment lease as of June 30, 2022, based on the total final lease amount of \$1,300,000, are as follows:

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

2021 Exempt Financing Equipment Lease (continued)

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

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

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Special Assessment Debt

Special assessment fund debt payable as of June 30, 2022 is composed of the following loans payable to the Maryland Department of Natural Resources:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Holly Point Shore Erosion Control, originally payable in twenty-five annual installments of \$10,029 without interest, guaranteed by the full faith and credit of the County. | \$ 100,286 |
| Villas on Waters Edge Shore Erosion, payable in twenty annual installments of \$21,796, without interest, guaranteed by the full faith and credit of the County. | 217,960 |
| Kingston Creek Waterway #2, payable in twenty-five annual installments of \$10,544, without interest, guaranteed by the full faith and credit of the County. | 158,151 |
| | <u>\$ 476,397</u> |

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

The annual requirements to amortize all debt outstanding as of June 30, 2022 including interest of \$34,147,630 except for the accrued landfill closure and post-closure costs, accumulated unpaid leave benefits, and exempt financing, are as follows:

| <u>For the years ending June 30,</u> | <u>Governmental Activities</u> | | |
|--------------------------------------|--------------------------------|----------------------|-----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2023 | \$ 8,480,440 | \$ 4,244,389 | \$ 12,724,829 |
| 2024 | 8,789,440 | 3,910,751 | 12,700,191 |
| 2025 | 7,404,440 | 3,598,288 | 11,002,728 |
| 2026 | 6,460,137 | 3,327,788 | 9,787,925 |
| 2027 | 6,716,500 | 3,021,213 | 9,737,713 |
| 2028-2032 | 34,462,473 | 10,427,911 | 44,890,384 |
| 2033-2037 | 34,852,707 | 4,794,375 | 39,647,082 |
| 2038-2041 | 17,525,000 | 822,915 | 18,347,915 |
| Subtotal | 124,691,137 | <u>\$ 34,147,630</u> | <u>\$ 158,838,767</u> |
| Plus: premium | 3,905,249 | | |
| Total | <u>\$ 128,596,386</u> | | |

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

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

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

Business-Type Activities

2020 Exempt Financing Equipment

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

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

2021 Exempt Financing Equipment

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units

St. Mary's County Public Schools

Long-term debt as of June 30, 2022 consists of equipment financing obligations, accumulated compensated absences payable, net OPEB obligation, and net pension liability. The following is a summary of changes in the School System's long-term liabilities for the year ended June 30, 2022:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|----------------------------------------|------------------------------|-------------------|-----------------------|---------------------------|--------------------------------|
| <i>Governmental activities</i> | | | | | |
| Equipment financing agreements | \$ 761,667 | \$ - | \$ 325,708 | \$ 435,959 | \$ 392,717 |
| Compensated absences | 5,173,190 | 639,487 | 482,952 | 5,329,725 | 598,274 |
| Net OPEB liability | 497,160,412 | - | 140,131,577 | 357,028,835 | - |
| Net pension liability | 15,058,899 | - | 4,032,492 | 11,026,407 | - |
| | <u>\$ 518,154,168</u> | <u>\$ 639,487</u> | <u>\$ 144,972,729</u> | <u>\$ 373,820,926</u> | <u>\$ 990,991</u> |
| <i>Business-type activities</i> | | | | | |
| Compensated absences | <u>\$ 189,544</u> | <u>\$ 60,520</u> | <u>\$ 50,228</u> | <u>\$ 199,836</u> | <u>\$ 14,201</u> |

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

The School System entered into various lease-purchase agreements to acquire certain office equipment and various student, teacher and administrative computers. These agreements have varying terms consisting of combined monthly payments of \$41,486 at interest rates ranging from 1.99% to 4.00%, with two leases expiring FY 2023 and one lease expiring in early FY2024. All items purchased under the lease-purchase agreements are pledged as collateral under the agreements. Principal and interest payments for lease-purchase agreements are recorded as expenditures of the General Fund when due. Principal payments are reported as reductions of long-term obligations in the government-wide financial statements.

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Library

Long-term debt consists of accrued compensated absences. The following is a summary of the changes in long-term debt for the year ended June 30, 2022:

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

St. Mary's County Metropolitan Commission

Long-term bonds payable as of June 30, 2022 are as follows:

| <u>Bond Payable Description</u> | <u>Due</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------|------------|-------------|----------------------|----------------------|
| Thirtieth issue | 2012-2029 | 2.96% | \$ 655,813 | \$ 6,875 |
| Thirty-sixth issue | 2013-2033 | 4.31% | 738,000 | 33,356 |
| Thirty-eighth issue | 2015-2034 | 3.51% | 1,021,000 | 32,657 |
| Fortieth issue | 2015-2027 | 2.08% | 3,429,000 | 217,006 |
| Forty-eighth issue | 2019-2049 | 3.39% | 6,803,500 | 4,715,940 |
| Forty-ninth issue | 2019-2029 | 1.82% | 214,500 | 37,993 |
| Fiftieth issue | 2020-2030 | 0.96% | 4,586,500 | 913,727 |
| Fifty-first issue | 2021-2034 | 1.79% | 16,952,581 | 1,851,843 |
| Fifty-second issue | 2023-2036 | 1.79% | 13,210,248 | 2,298,962 |
| Fifty-fourth issue | 2021-2051 | 2.67% | 9,524,068 | 5,436,332 |
| | | | 57,135,210 | 15,544,691 |
| Less: current portion | | | 4,130,381 | 1,511,477 |
| | | | <u>\$ 53,004,829</u> | <u>\$ 14,033,214</u> |

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Thirtieth Issue

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

The bonds may be prepaid at the following premiums:

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

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

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

Thirty-first Issue

On December 19, 2012, the Commission issued \$8,719,514 of Infrastructure Financing Bonds in conjunction with the CDA.

The bonds mature on May 1 in 20 annual installments, beginning in 2013 and ending in 2032. Interest rates on the bonds range from 0.61%-3.42%. Interest was payable on May 1, 2013 and semiannually thereafter on each May 1 and November 1 to maturity. In July 2021 MetCom advance refunded 2012 Series B to an interest rate of 1.79% reducing its total debt service payments. The refunded debt service was awarded via the RFP process and included 2012, 2013, and 2014 Bonds under the new 2021B Series with payments being issued monthly through 2034.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Thirty-sixth Issue

On October 2, 2013, the Commission issued \$15,948,168 of Infrastructure Financing Bonds in conjunction with the CDA. As of June 30, 2022, the unspent proceeds were \$738,000.

The bonds mature on May 1 in 20 annual installments, beginning in 2014 and ending in 2033. The average interest yield on these bonds is 4.31%. Interest was payable on May 1, 2014 and semiannually thereafter on each May 1 and November 1 to maturity. In July 2021 MetCom advance refunded 2013 Series A to an interest rate of 1.79% reducing its total debt service payments. The refunded debt service was awarded via the RFP process and includes 2012, 2013, and 2014 Bonds under the new 2021 B Series with payments being issued monthly through 2034.

Thirty-eighth Issue

On August 28, 2014, the Commission issued \$22,075,230 of Infrastructure Financing Bonds in conjunction with the CDA. The bonds mature on May 1 in 20 annual installments, beginning in 2015 and ending in 2034. The average interest yield on these bonds is 3.51%. Interest was payable on May 1, 2015 and semiannually thereafter on each May 1 and November 1 to maturity.

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

Fortieth Issue

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Fortieth Issue (continued)

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

Forty-eighth Issue

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

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

Forty-ninth Issue

On November 21, 2019, the Commission issued \$279,594 of Infrastructure Financing Bonds, 2019, Series BI, in conjunction with the CDA. There were no unspent proceeds as of June 30, 2022.

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

Fiftieth Issue

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Fiftieth Issue (continued)

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

Fifty-first Issue

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

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

Fifty-second Issue

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

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

Fifty-fourth Issue

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

The bonds mature on April 1, 2051 in 30 annual installments, beginning in 2022 and ending in 2051. The average interest yield on these bonds is 2.67%. Interest was payable on April 1, 2022 and semiannually thereafter on each April 1 and October 1 to maturity. The bonds may be prepaid in whole or in part, at any time after June 1, 2031.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

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

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

As of June 30, 2022, MetCom has nineteen loans from the Maryland Water Quality Financing Administration.

- Loan number eighteen for \$4,712,200 was used to upgrade the Marley-Taylor WRF.
- Loan number nineteen for \$976,700 was used to replace the Lexington Park Wastewater Pumping Station.
- Loan number twenty-two for \$1,136,984 was used for the Andover Road/Estates sewer projects and for arsenic remediation wells.
- Loan number twenty-five for \$191,593 was used for the Hollywood Water Extension to provide arsenic remediation.
- Loan number twenty-six for \$582,547 was used for Patuxent Park Sewer Line Repair and the Marlay-Taylor Methane Powered CoGeneration Project.
- Loan number twenty-eight for \$443,927 was used for the St. Clements Shore Well.
- Loan number thirty-two in the amount of \$4,874,202 is for the Radio Read Meter Project.
- Loan number thirty-three in the amount of \$394,000 is for the Shangri La Drive/South Essex Drive Sewer Rehabilitation.
- Loan number thirty-four in the amount of \$21,082,400 is for the Marlay-Taylor Wastewater Reclamation Facility Enhanced Nutrient Removal ENR project.
- Loan number thirty-five in the amount of \$5,270,600 is also for Marlay-Taylor Wastewater Reclamation Facility ENR project. This loan will be paid for by Navy charges and is therefore taxable.
- Loan number thirty-seven in the amount of \$2,420,291 is for the Route 235 and Route 712 Interceptor Rehabilitation.
- Loan number forty-one in the amount of \$1,705,500 is for MetCom's share of Leonardtown's MDE loan for the ENR project. Loan number forty-one is a shared project with the Town of Leonardtown for the Leonardtown Wastewater Treatment Plan ENR Upgrade. Of the total proceeds in the amount of \$7,500,000, MetCom is contributing 22.74% in debt service.
- Loan number forty-two in the amount of \$3,368,474 is for the St. Clement's Shores Water Line Extension.
- Loan number forty-three in the amount of \$2,491,768 is for the Piney Point Water.
- Loan number forty-four in the amount of \$5,292,504 is for the Great Mills Wastewater Pumping Station.
- Loan number forty-five in the amount of \$2,052,427 is for Phase I of the Town Creek Water line replacement project.
- Loan number forty-six in the amount of \$1,543,828 is for Phase 4 of the Patuxent Park Water Line Replacement Project.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

- Loan number forty-seven in the amount of \$1,550,260 is for Phase 4 of the Patuxent Park Sewer Line Replacement Project. Both projects funded by loan forty-six and forty-seven are joint projects with the County Government.
- Loan number fifty-three in the amount of \$2,389,167 is for Phase 2 of the St. Clements Shores Water System Replacement project.

Changes in Long-Term Debt

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

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

7. FUND BALANCES

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

7. FUND BALANCES (continued)

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

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

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

The non-spendable fund balance includes:

- Inventory - The amount of inventory as of June 30, 2022 carried as an asset.

The restricted fund balance includes:

- Domestic violence programs - The amount of marriage license fees committed for domestic violence programs, by resolution.
- County matching funds for approved grants - The amount of county funding that is committed as a match to grants that were budgeted in FY2022, but for which the period extends beyond June 30, 2022. These funds will be needed to meet the obligations of the grant.
- Revenues appropriated for capital projects - The amount of revenue collected to date, which has been obligated through the budget process for specific capital projects and will be used for future capital project expenses.

The committed fund balance includes:

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

7. FUND BALANCES (continued)

The debt service fund assigned fund balance includes:

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

The general fund assigned fund balance is composed of:

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

When unassigned fund balance is used, it is used for one-time, non-recurring expenses. In May 2022, as part of the approval of the fiscal year 2023 budget, the Board approved to use Fiscal year 2021 unassigned fund balance for operating non-recurring \$4,058,950 and Pay-Go to other funds of \$20,941,050. A total amount of \$26,178,909 remains unused of the fiscal year 2021 unassigned fund balance; to help avoid sudden disruption or elimination of services, by allowing time for a plan to be developed to address such changes, revenue shortfalls or cost shifts.

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

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

8. RETIREMENT PLANS

Maryland State Retirement and Pension System

Summary of Significant Accounting Policies

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

General Information about the Pension Plan (continued)

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

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

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

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

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

Contributions. (ERS) The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 6% of their annual pay. The County's contractually required contribution rate for the System for the year ended June 30, 2022 was approximately \$3.2 million, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the System from the County were approximately \$3.2 million for the year ended June 30, 2022.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

8. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

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

As of June 30, 2022, the County reported a liability of approximately \$20.0 million for its proportionate share of the System's net pension liability. The System's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the System's net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2022, the County's proportion for the System was 0.13 percent, which was substantially the same as its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the County recognized pension expense for the System of \$1,314,480. As of June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

| | <u>Deferred Outflow</u> | <u>Deferred Inflow</u> |
|-------------------------------------------------------------|-------------------------|------------------------|
| Contributions subsequent to year end | \$ 3,160,112 | \$ - |
| Changes in assumptions | 3,774,971 | 418,015 |
| Difference between projected and actual investment earnings | 1,898,563 | 10,805,215 |
| Difference between actual and expected experience | - | 1,494,796 |
| Total | <u>\$ 8,833,646</u> | <u>\$ 12,718,026</u> |

\$3.2 million reported as deferred outflows of resources related to the System resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the System pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the System will be recognized in pension expense as follows:

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

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

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The County's proportionate share of the System net pension liability calculated using the discount rate of 6.80 percent is \$19,999,186. Additionally, the County's proportionate share of the System net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (5.80 percent) is \$33,216,336, or 1-percentage-point higher (7.80 percent) is \$8,217,872.

Sheriff's Office Retirement Plan

The membership data related to the St. Mary's County Sheriff's Office Retirement Plan (SORP or the Plan) at July 1, 2021 was as follows:

| | |
|--------------------------------------------------------------------|-----|
| Retirees and beneficiaries currently receiving benefits | 124 |
| Terminated plan members entitled to but not yet receiving benefits | 17 |
| Terminated plan members who are not vested, but owed a refund | 41 |
| Active plan members | 210 |

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

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

- Employment with the Sheriff's Office
- Transferring credit and contributions from another governmental employer's defined pension plan in the State of Maryland
- Requesting credit for pre-employment military service
- Leaves of absence due to line-of-duty injury or illness

Normal Retirement

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

Normal Retirement (continued)

For purposes of calculating the amount of the normal retirement benefit, participants will receive credit for one month of Credited Service for each 22 days of unused sick leave.

Early Retirement

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

Late Retirement

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

Final Average Earnings

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

Disability Retirement

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

Death Benefits

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

Deferred Vested Benefit

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

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

Withdrawal of Employee Contributions

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

Deferred Retirement Option Program (DROP)

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

DROP Benefit

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

- An amount equal to the participant's monthly retirement benefit under the Plan, calculated as of the date the participant enters DROP;
- Interest monthly at a minimum annual rate of 3.5%;
- The participant's biweekly SORP employee contributions while in DROP calculated at the same percentage of salary as any other SORP participant; and

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

DROP Benefit (continued)

- Any cost-of-living adjustments (COLAs) that would have been payable when eligible if a participant had retired and begun receiving retirement benefits instead of participating in DROP.

Salary Increases During DROP Period

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

Termination of Employment at End of DROP

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

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

Disability During DROP Period

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

DROP End Date

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

Net Pension Liability of the County

The components of the net pension liability of the Sheriff's plan at June 30, 2022 were as follows:

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

Actuarial Assumptions

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

| | |
|---------------------------|----------------------------------------------------------------------------------------------------------|
| Inflation | 2.50% |
| Salary increases | Rates vary by participant service |
| Investment rate of return | 7.25%, net of invest expense, including inflation |
| Mortality | RP-2014 Combined Healthy tables with Blue Collar adjustment and generational projection by Scale MP-2016 |

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

Asset Allocation

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

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

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

As of June 30, 2022, the Sheriff's office retirement plan reported a net pension liability of \$43,261,086. The net pension liability was measured as of July 1, 2020 and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2022.

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

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

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

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

Discount Rate

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

Recommended Contribution Level

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

The County is required to contribute at an actuarially determined rate, currently 39.9% of covered payroll. Contribution requirements of plan members and the county are established and may be amended by the Commissioners. The amount of the Sheriff's Department's current year covered payroll is \$17,960,000. The following employer contributions were made during the fiscal year ended June 30, 2022:

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

8. RETIREMENT PLANS (continued)

Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit

Plan Description

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

Eligibility and Benefits

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

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

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

- 1) Any person who has reached the age of sixty (60) and who has completed a minimum of twenty (20) years of certified active volunteer service with any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit, or combination thereof, shall receive two hundred dollars (\$200) per month for life. Payments will begin in the month following eligibility.
- 2) Any person who has reached the age of fifty-five (55) and who has completed a minimum of twenty (20) years of certified volunteer service with any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit or combination thereof, shall receive one hundred fifty dollars (\$150) per month for life.

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

8. RETIREMENT PLANS (continued)

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

Eligibility and Benefits (continued)

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

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

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

Point System

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

- 1) One (1) point is credited for each hour of attendance in a recognized training course, provided that not more than twenty (20) points may be credited for all training courses attended per year.
- 2) One (1) point is credited for each company or county drill that is a minimum of two (2) hours in duration attended in its entirety, provided that not more than twenty-five (25) points may be credited for all drills attended per year.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

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

Point System (continued)

- 3) One (1) point is credited for each official company or county meeting pertaining to St. Mary's County fire services or rescue services attended, provided that not more than fifteen (15) points may be credited for all meetings attended per year.
- 4) One (1) point is credited for each call to which a volunteer responds, provided that not more than forty (40) points may be credited for all calls responded to per year.
- 5) Twenty-five (25) points are credited for completion of a one-year term as an appointed or elected officer in any of the fire or rescue service organizations of the County, provided that not more than one (1) office shall be counted in any calendar year.
- 6) One-half (1/2) of a point is credited for each hour of acceptable collateral duties, such as but not limited to apparatus and building maintenance, official standby and fire prevention, provided that not more than twenty-five (25) points may be credited for all collateral duties performed per year.
- 7) A volunteer member who serves or has served full-time military service in the armed forces of the United States receives credit at the rate of five (5) points for each month served, provided that not more than fifty (50) points can be credited for any calendar year. A maximum of four (4) years of creditable service may be acquired in this manner. The volunteer member must have been an active member for one (1) year prior to enlistment. The volunteer member must be reinstated within six (6) months after discharge.

This length of service program is funded by the County Commissioners by annual appropriations. The total contribution for the fiscal year ended June 30, 2022 was approximately \$4.4 million.

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

Net Pension Liability of the County

The components of the net pension liability of the LOSAP plan at June 30, 2022 were as follows:

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

8. RETIREMENT PLANS (continued)

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

Actuarial Assumptions

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

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net position liability, calculated using a single discount rate of 6.00% as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one (1) percentage point lower or one (1) percentage point higher.

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

Asset Allocation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

8. RETIREMENT PLANS (continued)

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

Asset Allocation (continued)

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

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

As of June 30, 2022, the LOSAP plan reported a net pension liability of \$18,333,373. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2022.

For the year ended June 30, 2022, the LOSAP plan recognized pension expense of \$1,711,841 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|----------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience | \$ 528,668 | \$ 1,088,227 |
| Changes in assumptions | 299,204 | 77,215 |
| Net difference between projected and actual earnings on pension plan investments | <u>953,578</u> | <u>-</u> |
| Total | <u>\$ 1,781,450</u> | <u>\$ 1,165,442</u> |

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

8. RETIREMENT PLANS (continued)

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

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

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

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

Component Units

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

St. Mary's County Public Schools

Contribution rates for employer and other non-employer contributing entities (including the State of Maryland) are established by annual actuarial valuations using the individual entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability. The School System made required contributions totaling \$6,902,094 or 4.45% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling \$13,578,904 or 8.76% of current covered payroll for fiscal year 2022. The contributions made by the State of Maryland on behalf of the School System were recognized as both revenue and expenditures in the General Fund as required by the GASB Codification.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

8. RETIREMENT PLANS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

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

St. Mary's County Library

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

For fiscal year 2022, the State contributed \$340,270 to SRPS on behalf of the Library. In accordance with GASB Statement No. 24, the State's contribution amount has been shown as State aid revenue and pension expenditure. The State's contribution amounted to approximately 15% of covered payroll.

St. Mary's Metropolitan Commission

Retirement and Pension Plan

MetCom's contribution to the System was \$646,369 for year ended June 30, 2022.

As of June 30, 2022, MetCom reported a liability of \$4,200,218 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MetCom's proportion of the net pension liability was based on MetCom's share of contributions to the pension plan relative to the contribution of all participating employers. As of June 30, 2022, MetCom's proportion was 0.028%.

Nationwide Retirement Solutions

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

9. INTERFUND BALANCES

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

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

10. COMMITMENTS AND CONTINGENCIES

Primary Government

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

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

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

Component Units

St. Mary's County Public Schools

Legal Proceedings

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

School Construction

As of June 30, 2022, the School System had entered into various school construction commitments which are not reflected in the statement of net position or balance sheet - governmental funds. They will be funded by the State of Maryland or County bond issues, totaling approximately \$19,448,532.

Grant Programs

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

10. COMMITMENTS AND CONTINGENCIES (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Health Insurance

The School System is under a modified retrospective billing arrangement with a commercial insurance carrier to provide group health coverage. Under this arrangement, the insurance carrier assesses an initial charge paid by the School System through monthly premiums. At the end of the coverage period, there is a settlement of the difference between the billed premium and the actual claims and expenses. A deficiency in the billed premium represents the callable margin, which is owed by the School System, up to a maximum of 5%. If the actual claims and expenses are less than the billed premium, the School System would be entitled to a refund. For the year ended June 30, 2022, no refund was due.

St. Mary's County Library

Grant Audit

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

Support

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

11. OTHER POST EMPLOYMENT BENEFITS

Primary Government

Plan Description

The County provides health, prescription and vision care insurance benefits to eligible retirees and their eligible dependents and life insurance for retirees only. Eligible persons include employees, former employees, or beneficiaries who are receiving pensions, and meet the eligibility requirements of the Maryland State Retirement and Pension System and the St. Mary's County Sheriff's Department Retirement Plan. The County pays a percentage of premiums based on years of service.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Primary Government (continued)

Plan Description (continued)

For employees retiring prior to July 1, 2010, the percentage ranges from 26.6% with five years of service to 85% with 16 or more years of service. The percentages for employees retiring on or after July 1, 2010 range from 21.25% with 10 years of service to 85% with 25 years of service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by the Board of County Commissioners.

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

As of June 30, 2022, membership consisted of:

| | |
|---------------------------------------------------------|-----|
| Retirees and beneficiaries currently receiving benefits | 511 |
| Active plan members | 789 |

The Trustees determine how much is contributed to the OPEB Trust as part of the budget process. The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the actuarially determined contribution (ADC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB codification. The ADC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period of thirty years. The current ADC is \$4,062,000. The County contributed the pay-go amount of \$4,121,069 to the OPEB Trust during the year ended June 30, 2022.

Investments

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Primary Government (continued)

Investments (continued)

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

For the year ended June 30, 2022, the annual money weighted rate of return of the OPEB Trust was -4.73%.

Net OPEB Liability of the County

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

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

Actuarial Assumptions

The total OPEB liability as determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

| | |
|-------------------------------|---------------------------------------------------------------|
| Actuarial cost method | Projected Unit Credit |
| Amortization method | Level percent of payroll |
| Remaining amortization period | 16 for FYE 2022 |
| Asset valuation method | Market Value Assets |
| Investment rate of return | 6.00% |
| Payroll growth rate | 3.50% |
| Inflation | 2.30% |
| Healthcare cost trend rate | 5.8% trending to 4.0% (pre-Medicare) and 3.9% (post-Medicare) |
| Discount Rate | 7.50% |

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Primary Government (continued)

Actuarial Assumptions (continued)

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

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

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

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units

St. Mary's County Public Schools

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

As of June 1, 2022, the date of the last actuarial valuation, approximately 907 retirees were receiving benefits, and 1,685 active employees are potentially eligible to receive future benefits.

The School System contributes the pay as you go portion, along with an annually budgeted prefunding amount of the annual determined contribution (ADC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Codification. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ADC rate is 7.77% of annual covered payroll. The School System contributed \$12,041,416 for the year ended June 30, 2022, consisting of contributions towards current healthcare and life insurance premiums accounted for in the general fund with \$3,988,149 in additional contributions during the current year to prefund future benefits to the retirement benefit trust fund.

The components of the School Systems net OPEB liability as June 30, 2022 are as follows:

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

Actuarial Assumptions

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Actuarial Assumptions (continued)

| | |
|----------------------------|---------------------------|
| Actuarial cost method | Entry age normal |
| Inflation | 2.50% |
| Salary increase | 3.50% |
| Investment rate of return | 7.00% |
| Discount rate | 3.88% |
| Healthcare cost trend rate | Ultimate trend rate of 4% |
| Mortality | PR 2014 not generational |

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return, expected returns, net of investment expense and inflation are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the MABE Trust as of June 30, 2022 was (10.92%).

Discount rate. The discount rate used to measure the total OPEB liability was 3.88 percent, based on a 20-year municipal bond rate average of AA/Aa or higher. The projection of cash flow used to determine the discount rate assumed that the School System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.88%) or 1-percentage-point higher (4.88%) than the current discount rate:

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

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

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

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2022, the School System recognized OPEB expense of \$23,632,178. As of June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------|-----------------------------------|----------------------------------|
| Changes in experience | \$ 44,104,963 | \$ 15,610,523 |
| Changes in assumptions | 65,809,630 | 150,086,413 |
| Projected and actual earnings | 6,915,050 | - |
| Total | <u>\$ 116,829,643</u> | <u>\$ 165,696,936</u> |

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Library

Plan Description

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

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

The Trust assets are invested with the Maryland Association of Counties (MACO) OPEB Trust. The OPEB Trust does not issue a stand-alone financial report. The Library Board of Trustees receive quarterly and annual reports from the firm Asset Strategy to monitor the performance of investments.

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

| | |
|---------------------------------------------------------|----|
| Retirees and beneficiaries currently receiving benefits | 10 |
| Active plan members | 33 |

Investments

The Library's investment authority is established in the Retiree Benefit Trust of St. Mary's County Library. For the year ended June 30, 2022, the annual money weighted rate of return of the OPEB Trust was -15.64%.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Library (continued)

Investments (continued)

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

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

Actuarial Assumptions

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

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

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

The discount rate used to measure the total OPEB liability was 3.86% as of June 30, 2022. The projection of cash flow used to determine the discount rate assumed that the Library's contributions will be made at rates equal to current contributions levels.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Library (continued)

Actuarial Assumptions (continued)

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

| | 1% Decrease 2.86% | Discount Rate 3.86% | 1% Increase 4.86% |
|--------------------|----------------------|------------------------|----------------------|
| Net OPEB liability | <u>\$ 2,438,940</u> | <u>\$ 1,815,693</u> | <u>\$ 1,327,305</u> |
| | 1% Decrease 2.94% | Medical Trend 3.94% | 1% Increase 4.94% |
| Net OPEB liability | <u>\$ 1,262,248</u> | <u>\$ 1,815,693</u> | <u>\$ 2,564,677</u> |

For the year ended June 30, 2022, the Library recognized OPEB expense of \$267,527. As of June 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Difference between actual and expected experience | \$ 303,921 | \$ 487,737 |
| Changes in assumptions | 1,134,915 | 1,254,114 |
| Difference between projected and actual earnings on pension plan investments | 96,326 | - |
| Total | <u>\$ 1,535,162</u> | <u>\$ 1,741,851</u> |

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's Metropolitan Commission

Plan Description

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

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

As of June 30, 2022, membership consisted of:

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

Investments

MetCom's investment authority is established in the Retiree Benefit Trust of St. Mary's County Metropolitan Commission. For the year ended June 30, 2022, the annual money weighted rate of return of the OPEB Trust was -10.4%.

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's Metropolitan Commission (continued)

Actuarial Assumptions

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

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

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

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

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

The discount rate used to measure the total OPEB liability was 6.68% as of June 30, 2022. The projection of cash flow used to determine the discount rate assumed that the MetCom's contributions will be made at rates equal to current contributions levels.

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's Metropolitan Commission (continued)

Actuarial Assumptions (continued)

| | 1% Decrease 3.00% | Medical Trend 4.00% | 1% Increase 5.00% |
|--------------------|----------------------|------------------------|----------------------|
| Net OPEB liability | \$ 1,507,482 | \$ 3,529,350 | \$ 6,060,353 |

| | 1% Decrease 5.68% | Discount Rate 6.68% | 1% Increase 7.68% |
|--------------------|----------------------|------------------------|----------------------|
| Net OPEB liability | \$ 5,646,844 | \$ 3,529,350 | \$ 1,784,596 |

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences Between expected and actual experience | \$ 652,580 | \$ - |
| Changes of assumptions | - | 587,345 |
| Net Difference between projected and actual earnings on OPEB plan Investments | 842,508 | - |
| | \$ 1,495,088 | \$ 587,345 |

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

| <u>Years Ending June 30,</u> | <u>Amount</u> |
|------------------------------|-------------------|
| 2023 | \$ 192,504 |
| 2024 | 179,041 |
| 2025 | 114,335 |
| 2026 | 345,232 |
| 2027 | (2,890) |
| Thereafter | 79,521 |
| Total | \$ 907,743 |

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements

June 30, 2022

12. LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and Federal laws and regulations require the County to place a final cover on landfill sites when the site stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,035,000 reported as landfill closure and post-closure care liability at June 30, 2022 represents the cumulative amount reported to date. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

13. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and related disasters. The County is a member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML) and the Maryland Association of Counties. The LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability and property coverage.

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

Notes to the Financial Statements June 30, 2022

14. SELF-INSURANCE

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

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

REQUIRED SUPPLEMENTARY INFORMATION

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule Schedule of County's Proportionate Share of the Net Pension Liability of the Maryland State Retirement and Pension System June 30, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|-------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| County's proportion of the System net pension liability (asset) | 0.13% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.05% | 0.09% |
| County's proportionate share of the System net pension liability | \$ 19,999,186 | \$ 25,828,781 | \$ 21,900,552 | \$ 21,827,060 | \$ 21,380,865 | \$ 23,903,575 | \$ 21,747,150 | \$ 16,643,117 |
| Total | \$ 19,999,186 | \$ 25,828,781 | \$ 21,900,552 | \$ 21,827,060 | \$ 21,380,865 | \$ 23,903,575 | \$ 21,747,150 | \$ 16,643,117 |
| County's covered-employee payroll | \$ 32,849,075 | \$ 30,017,844 | \$ 24,077,933 | \$ 24,077,933 | \$ 23,960,863 | \$ 22,117,812 | \$ 20,945,112 | \$ 20,945,112 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 60.88% | 86.04% | 90.96% | 90.65% | 89.23% | 108.07% | 103.83% | 79.46% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.94% | 72.34% | 72.34% | 71.18% | 69.38% | 65.79% | 68.78% | 71.87% |

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

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Contributions and Related Ratios of the Net Pension Liability of the Maryland State Retirement and Pension System June 30, 2022

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 2,937,461 | \$ 2,903,407 | \$ 2,074,428 | \$ 2,180,432 | \$ 2,050,819 | \$ 2,012,485 | \$ 1,973,642 | \$ 2,205,647 |
| Contributions in relation to the contractually required contribution | <u>(2,937,461)</u> | <u>(2,903,407)</u> | <u>(2,074,428)</u> | <u>(2,180,432)</u> | <u>(2,050,819)</u> | <u>(2,012,485)</u> | <u>(1,973,642)</u> | <u>(2,205,647)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| County's covered-employee payroll | \$ 32,849,075 | \$ 30,017,844 | \$ 24,077,933 | \$ 23,960,863 | \$ 23,960,863 | \$ 22,117,812 | \$ 20,945,112 | \$ 20,945,112 |
| Contributions as a percentage of covered-employee payroll | 8.94% | 9.67% | 8.62% | 9.10% | 8.56% | 9.10% | 9.42% | 10.53% |

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

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Changes in Net Pension Liability and Related Ratios – Sheriff's Office Retirement Plan June 30, 2022 (Amounts in 000's)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|----------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Total pension liability: | | | | | | | | | |
| Service cost | \$ 4,979 | \$ 4,834 | \$ 3,944 | \$ 3,829 | \$ 4,129 | \$ 3,979 | \$ 3,826 | \$ 3,687 | \$ 3,475 |
| Interest | 10,889 | 10,153 | 9,532 | 9,180 | 8,576 | 7,867 | 7,317 | 6,564 | 6,286 |
| Differences between expected and actual experience | - | 1,486 | - | (8,105) | - | 626 | - | - | - |
| Changes of assumptions | - | - | - | 4,551 | - | 1,308 | - | 3,445 | - |
| Benefit payments, including refunds of member contributions | (7,604) | (5,034) | (4,775) | (4,430) | (4,324) | (3,672) | (3,436) | (3,193) | (2,862) |
| Net change in total pension liability | 8,264 | 11,439 | 8,701 | 5,025 | 8,381 | 10,108 | 7,707 | 10,503 | 6,899 |
| Total pension liability – beginning | 154,001 | 142,562 | 133,861 | 128,836 | 120,455 | 110,347 | 102,640 | 92,137 | 85,238 |
| Total pension liability – ending (a) | <u>\$ 162,265</u> | <u>\$ 154,001</u> | <u>\$ 142,562</u> | <u>\$ 133,861</u> | <u>\$ 128,836</u> | <u>\$ 120,455</u> | <u>\$ 110,347</u> | <u>\$ 102,640</u> | <u>\$ 92,137</u> |
| Plan fiduciary net position: | | | | | | | | | |
| Contributions – employer | \$ 7,004 | \$ 6,926 | \$ 6,071 | \$ 5,644 | \$ 5,147 | \$ 5,149 | \$ 4,816 | \$ 5,197 | \$ 5,605 |
| Contributions – member | 1,156 | 1,383 | 1,181 | 1,103 | 1,055 | 1,085 | 1,011 | 945 | 1,082 |
| Net investment income | (11,681) | 28,260 | 5,126 | 3,434 | 5,661 | 7,724 | (1,803) | (465) | 8,480 |
| Benefit payments, including refunds of member contributions | (7,604) | (5,034) | (4,775) | (4,430) | (4,324) | (3,672) | (3,436) | (3,193) | (2,862) |
| Administrative expense | (114) | (138) | (40) | (162) | (114) | (93) | (122) | (79) | (78) |
| Net change in plan fiduciary net position | (11,238) | 31,398 | 7,564 | 5,589 | 7,425 | 10,193 | 466 | 2,405 | 12,227 |
| Plan fiduciary net position – beginning | 130,244 | 98,846 | 91,282 | 85,693 | 78,268 | 68,075 | 67,609 | 65,204 | 52,977 |
| Plan fiduciary net position – ending (b) | <u>\$ 119,006</u> | <u>\$ 130,244</u> | <u>\$ 98,846</u> | <u>\$ 91,282</u> | <u>\$ 85,693</u> | <u>\$ 78,268</u> | <u>\$ 68,075</u> | <u>\$ 67,609</u> | <u>\$ 65,204</u> |
| County's Net Pension Liability – ending (a) – (b) | <u>\$ 43,259</u> | <u>\$ 23,757</u> | <u>\$ 43,716</u> | <u>\$ 42,579</u> | <u>\$ 43,143</u> | <u>\$ 42,187</u> | <u>\$ 42,272</u> | <u>\$ 35,031</u> | <u>\$ 26,933</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 73.34% | 84.57% | 69.34% | 68.19% | 66.51% | 64.98% | 61.69% | | 70.77% |
| Covered employee payroll | \$ 17,960 | \$ 17,357 | \$ 15,216 | \$ 14,216 | \$ 12,965 | \$ 13,981 | \$ 12,740 | \$ 12,774 | \$ 13,537 |
| County's net pension liability as a percentage of covered employee payroll | 240.86% | 136.87% | 287.30% | 299.51% | 332.77% | 301.75% | 331.81% | 274.24% | 198.96% |

Notes to schedule:

Information prior to 2014 is not available.

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Contributions – Sheriff's Office Retirement Plan June 30, 2022 (Amounts in 000's)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|
| Actuarially determined contribution | \$ 7,004 | \$ 6,926 | \$ 6,071 | \$ 5,644 | \$ 5,147 | \$ 5,149 | \$ 4,816 | \$ 5,197 | \$ 5,144 |
| Contributions related to the actuarially determined contribution | <u>7,004</u> | <u>6,926</u> | <u>6,071</u> | <u>5,644</u> | <u>5,147</u> | <u>5,149</u> | <u>4,816</u> | <u>5,197</u> | <u>5,605</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (461)</u> |
| Covered employee payroll | \$ 17,960 | \$ 17,357 | \$ 15,216 | \$ 14,216 | \$ 12,965 | \$ 13,981 | \$ 12,740 | \$ 12,774 | \$ 13,537 |
| Contributions as a percentage of covered employee payroll | 39.00% | 39.90% | 39.90% | 39.70% | 39.70% | 36.83% | 37.80% | 40.68% | 41.41% |

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|----------------------------------------------------------------------------------------------------------|
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percentage of Payroll over (closed) |
| Remaining amortization period | Varies, 16 - 20 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.5 percent |
| Salary increases | Rates vary by participant service |
| Investment rate of return | 7.25 percent, net of pension plan investment expense, including inflation |
| Retirement age | Rates vary by participant age and service |
| Mortality | RP-2014 Combined Healthy tables with Blue Collar adjustment and generational projection by Scale MP-2016 |

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Changes in Net Pension Liability and Related Ratios – Length of Service Program June 30, 2022 (Amounts in 000's)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|----------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Total pension liability: | | | | | |
| Service cost | \$ 572 | \$ 497 | \$ 482 | \$ 608 | \$ 608 |
| Interest | 1,446 | 1,402 | 1,457 | 1,400 | 1,355 |
| Differences between expected and actual experience | 617 | - | (1,741) | - | - |
| Changes of assumptions | 349 | - | - | - | (206) |
| Benefit payments, including refunds of member contributions | (1,192) | (1,149) | (1,097) | (1,015) | (964) |
| Net change in total pension liability | 1,792 | 750 | (899) | 993 | 793 |
| Total pension liability – beginning | 24,690 | 23,940 | 24,839 | 23,846 | 23,053 |
| Total pension liability – ending (a) | <u>\$ 26,482</u> | <u>\$ 24,690</u> | <u>\$ 23,940</u> | <u>\$ 24,839</u> | <u>\$ 23,846</u> |
| Plan fiduciary net position: | | | | | |
| Contributions – employer | \$ 4,392 | \$ 2,149 | \$ 2,097 | \$ 1,815 | \$ 1,566 |
| Contributions – member | - | - | - | - | - |
| Net investment income | (1,219) | 1,081 | 4 | 151 | 19 |
| Benefit payments, including refunds of member contributions | (1,192) | (1,149) | (1,097) | (1,015) | (964) |
| Administrative expense | (27) | (24) | (12) | (22) | (9) |
| Net change in plan fiduciary net position | 1,954 | 2,057 | 992 | 929 | 612 |
| Plan fiduciary net position – beginning | 6,194 | 4,137 | 3,144 | 2,215 | 1,603 |
| Plan fiduciary net position – ending (b) | <u>\$ 8,148</u> | <u>\$ 6,194</u> | <u>\$ 4,137</u> | <u>\$ 3,144</u> | <u>\$ 2,215</u> |
| County's Net Pension Liability – ending (a) – (b) | <u>\$ 18,334</u> | <u>\$ 18,496</u> | <u>\$ 19,803</u> | <u>\$ 21,695</u> | <u>\$ 21,631</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 30.77% | 25.09% | 17.28% | 12.66% | 9.29% |
| Covered employee payroll | N/A | N/A | N/A | N/A | N/A |
| County's net pension liability as a percentage of covered employee payroll | N/A | N/A | N/A | N/A | N/A |

Notes to schedule:

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

COMMISSIONERS OF ST. MARY'S COUNTY

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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|------------------------------------------------------------------|------------|----------|----------|----------|----------|
| Actuarially determined contribution | \$ 2,482 | \$ 2,482 | \$ 2,576 | \$ 2,576 | \$ 2,325 |
| Contributions related to the actuarially determined contribution | 4,392 | 2,149 | 2,097 | 1,815 | 1,566 |
| Contribution deficiency (excess) | \$ (1,910) | \$ 333 | \$ 479 | \$ 761 | \$ 759 |
| Covered employee payroll | N/A | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered employee payroll | N/A | N/A | N/A | N/A | N/A |

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|-----------------------------------------------------------------------------------|
| Actuarial cost method | Traditional Unit Credit |
| Amortization method | Level payments over closed periods |
| Remaining amortization period | Remaining periods range from 12 to 20 years |
| Asset valuation method | Market value |
| Inflation | 2.50 percent |
| Salary increases | Not applicable |
| Investment rate of return | 6.0 percent, compounded annually, net of expenses |
| Retirement age | Normal retirement age |
| Mortality | PUB-2010 Public Safety Mortality table with generational projection scale MP-2021 |

COMMISSIONERS OF ST. MARY'S COUNTY

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---------------------------------------------------------------------------------|-------------------|--------------------|------------------|------------------|------------------|------------------|
| Total OPEB liability: | | | | | | |
| Service cost | \$ 2,285 | \$ 2,051 | \$ 2,162 | \$ 2,083 | \$ 2,268 | \$ 2,233 |
| Interest | 7,711 | 6,636 | 6,671 | 6,311 | 6,624 | 6,250 |
| Differences between expected and actual experience | (252) | 13,902 | 265 | 212 | (5,530) | 183 |
| Changes of assumptions | - | (9,191) | (5,904) | - | (6,080) | (1,199) |
| Benefit payments, including refunds of member contributions | (4,121) | (3,951) | (3,707) | (3,391) | (3,134) | (3,009) |
| Net change in total OPEB liability | 5,623 | 9,447 | (513) | 5,215 | (5,852) | 4,458 |
| Total OPEB liability – beginning | 105,004 | 95,557 | 96,070 | 90,855 | 96,707 | 92,249 |
| Total OPEB liability – ending (a) | <u>\$ 110,627</u> | <u>\$ 105,004</u> | <u>\$ 95,557</u> | <u>\$ 96,070</u> | <u>\$ 90,855</u> | <u>\$ 96,707</u> |
| Plan fiduciary net position: | | | | | | |
| Contributions – employer | \$ 4,121 | \$ 3,951 | \$ 3,707 | \$ 3,391 | \$ 3,134 | \$ 3,009 |
| Contributions – member | - | - | - | - | - | - |
| Net investment income | (5,627) | 30,069 | 3,820 | 6,804 | 8,360 | 8,203 |
| Benefit payments, including refunds of member contributions | (4,121) | (3,951) | (3,707) | (3,391) | (3,134) | (3,009) |
| Administrative expense | (327) | (573) | (392) | (575) | (396) | (51) |
| Net change in plan fiduciary net position | (5,954) | 29,496 | 3,428 | 6,229 | 7,964 | 8,152 |
| Plan fiduciary net position – beginning | 118,871 | 89,375 | 85,947 | 79,718 | 71,754 | 63,602 |
| Plan fiduciary net position – ending (b) | <u>\$ 112,917</u> | <u>\$ 118,871</u> | <u>\$ 89,375</u> | <u>\$ 85,947</u> | <u>\$ 79,718</u> | <u>\$ 71,754</u> |
| County's Net OPEB Liability (asset) – ending (a) – (b) | <u>\$ (2,290)</u> | <u>\$ (13,867)</u> | <u>\$ 6,182</u> | <u>\$ 10,123</u> | <u>\$ 11,137</u> | <u>\$ 24,953</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 102.07% | 113.21% | 93.53% | 89.46% | 87.74% | 74.20% |
| Covered employee payroll | 50,809 | 47,375 | 43,741 | 40,075 | 39,830 | 39,756 |
| County's net OPEB liability (asset) as a percentage of covered employee payroll | -4.51% | -29.27% | 14.13% | 25.26% | 27.96% | 62.77% |

Notes to schedule:

Information prior to 2017 is not available.

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Contributions - OPEB **June 30, 2022 (Amounts in 000's)**

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|------------------------------------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Actuarially determined contribution | \$ 4,062 | \$ 3,359 | \$ 3,252 | \$ 6,097 | \$ 5,879 | \$ 5,217 |
| Contributions related to the actuarially determined contribution | 4,121 | 3,951 | 3,707 | 3,391 | 3,134 | 3,009 |
| Contribution deficiency (excess) | <u>\$ (59)</u> | <u>\$ (592)</u> | <u>\$ (455)</u> | <u>\$ 2,706</u> | <u>\$ 2,745</u> | <u>\$ 2,208</u> |
| Covered employee payroll | \$ 50,809 | \$ 47,375 | \$ 43,741 | \$ 40,075 | \$ 39,830 | \$ 39,756 |
| Contributions as a percentage of covered employee payroll | 8.11% | 8.34% | 8.47% | 8.46% | 7.87% | 7.57% |

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---------------------------------------------------------------|
| Valuation date | 6/1/2020 |
| Actuarial cost method | Projected Unit Credit |
| Amortization method | Level percent of payroll |
| Remaining amortization period | 16 for FYE 2022 |
| Asset valuation method | Market Value Assets |
| Investment rate of return | 6.00% |
| Payroll growth rate | 3.50% |
| Inflation | 2.30% |
| Healthcare cost trend rate | 5.8% trending to 4.0% (pre-Medicare) and 3.9% (post-Medicare) |
| Discount rate | 7.50% |

COMBINING AND INDIVIDUAL FUND STATEMENTS

COMMISSIONERS OF ST. MARY'S COUNTY

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

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

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

This page intentionally left blank.

OTHER SUPPLEMENTAL INFORMATION

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Revenues and Other Financings Sources-Budget and Actual General Fund For the Year Ended June 30, 2022

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

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Revenues and Other Financings Sources-Budget and Actual General Fund For the Year Ended June 30, 2022

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

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

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

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

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

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

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

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

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

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

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

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

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

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND**Schedule of Unexpended Appropriations for Capital Projects
For the Year Ended June 30, 2022****LAND PRESERVATION**

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

HIGHWAYS

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

MARINE

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

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

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

PUBLIC WORKS

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

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND**Schedule of Unexpended Appropriations for Capital Projects (continued)
For the Year Ended June 30, 2022****PIERS AND BOAT RAMPS**

| | | |
|--------------------------------------|------------|------------|
| St. Inigoes Landing Boating Facility | \$ 250,000 | \$ 250,000 |
|--------------------------------------|------------|------------|

PUBLIC SCHOOLS

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

RECREATION & PARKS

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

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND**Schedule of Unexpended Appropriations for Capital Projects (continued)
For the Year Ended June 30, 2022****RECREATION & PARKS (continued)**

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

SOLID WASTE

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

| | | | |
|-------|--|--|-----------------------|
| Total | | | <u>\$ 114,886,469</u> |
|-------|--|--|-----------------------|

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Commissioners of St. Mary's County
Leonardtown, Maryland

\$30,000,000
Commissioners of St. Mary's County
Consolidated Public Improvement Bonds, Series 2023

Ladies and Gentlemen:

We have acted as bond counsel to Commissioners of St. Mary's County (the "County") in connection with the issuance by the County of its \$30,000,000 Consolidated Public Improvement Bonds, Series 2023 (the "Bonds").

In connection with this opinion, we have examined (i) the Constitution of the State of Maryland (the "State"), (ii) the applicable laws of (A) the State and the County, including, without limitation, Chapter 180 of the Laws of Maryland of 2019 and Chapter 596 of the Laws of Maryland of 2020 (together, the "Acts"), a Resolution of the Board of Commissioners of St. Mary's County approved on October 17, 2023 and effective on October 31, 2023 (the "Resolution") and a Bond Order executed and delivered by the County Administrator on December 5, 2023 (the "Bond Order") and (B) the United States of America, including, without limitation, the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) copies of proceedings and other documents relating to the Bonds as we deem necessary to render this opinion.

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

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

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

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

Based on the foregoing, we are of the opinion that, under current law:

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

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

3. The Bonds are valid and legally binding general obligations of the County to which the County's full faith and credit are pledged, payable as to both principal and interest from ad valorem taxes, unlimited as to rate and amount, which the County is empowered to levy on all real and tangible personal property subject to taxation by the County.

4. To provide for the payment of the principal of and interest on the Bonds, the County has, by the adoption of the Resolution and the delivery of the Bond Order, covenanted to levy such ad valorem taxes in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of such principal and interest.

5. Under current law, interest on the Bonds (i) is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, for taxable years beginning after December 31, 2022, such interest is included in the “adjusted financial statement income” (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In providing the opinions set forth in this paragraph 5, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the County. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The Non-Arbitrage Certificate and Tax Covenants of even date herewith executed and delivered by the County (the “Tax Certificate”) contains covenants (the “Covenants”) under which the County has agreed to comply with such requirements. Failure by the County to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issue of the Bonds. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes. We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

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

6. Under existing law of the State, the principal of and interest on the Bonds are exempt from State and local taxes in the State; however, the law of the State does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the principal of or interest on the Bonds.

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

Our services as Bond Counsel to the County have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and tax-exempt status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information, including the Official Statement relating to the Bonds, that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds.

This opinion is delivered solely for your benefit in connection with the issuance of the Bonds and may not be relied upon by any other person or for any other purpose without our prior written consent in each instance. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of December 14, 2023 (the “Disclosure Agreement”), is executed and delivered by Commissioners of St. Mary’s County (the “County”) in connection with the issuance of \$30,000,000 Commissioners of St. Mary’s County Consolidated Public Improvement Bonds, Series 2023 (the “Bonds”). The County hereby covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 3. *Scope of Agreement.*

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

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

SECTION 4. *Provision of Annual Reports.* The County shall, not later than March 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2023, provide to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB, directly or through an intermediary, an Annual Report which is consistent

with the requirements of Section 5 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement, provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report.

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

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

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

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

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

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

SECTION 6. *Reporting of Significant Events.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 10. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrences of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

SECTION 12. *Limitation on Remedies and Forum.*

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

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

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

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

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

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

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

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

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

COMMISSIONERS OF ST. MARY'S COUNTY

By: _____
Chief Financial Officer

NOTICE OF SALE

ST. MARY'S COUNTY, MARYLAND

\$30,000,000*

COMMISSIONERS OF ST. MARY'S COUNTY
CONSOLIDATED PUBLIC IMPROVEMENT BONDS, SERIES 2023

Electronic Bids via **PARITY®** will be received for the purchase of the above-captioned issue of general obligation bonds (the "Bonds") of Commissioners of St. Mary's County (the "County") at the office of the Chief Financial Officer of the County, 41770 Baldrige Street, Leonardtown, Maryland 20650, until 11:00 a.m. local time on Tuesday, December 5, 2023.

Dated Date and Interest Payment Dates. The Bonds will be dated their date of initial delivery. Interest on the Bonds will be payable semiannually on each June 15 and December 15, commencing June 15, 2024, until maturity or prior redemption.

Principal Amounts and Principal Payment Dates. The Bonds will be issued in serial form in the aggregate principal amount of \$30,000,000* and will mature, subject to prior redemption, on December 15 in the following years and in the following principal amounts:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|
| 2024 | \$ 910,000 | 2034 | \$1,490,000 |
| 2025 | 960,000 | 2035 | 1,565,000 |
| 2026 | 1,010,000 | 2036 | 1,640,000 |
| 2027 | 1,060,000 | 2037 | 1,725,000 |
| 2028 | 1,110,000 | 2038 | 1,810,000 |
| 2029 | 1,165,000 | 2039 | 1,885,000 |
| 2030 | 1,225,000 | 2040 | 1,965,000 |
| 2031 | 1,285,000 | 2041 | 2,050,000 |
| 2032 | 1,350,000 | 2042 | 2,140,000 |
| 2033 | 1,420,000 | 2043 | 2,235,000 |

*Preliminary, subject to adjustment as provided herein.

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

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

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

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

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

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

Authorization and Use of Proceeds. The issuance of the Bonds is authorized by Chapter 180 of the Laws of Maryland of 2019 and Chapter 596 of the Laws of Maryland of 2020 and Resolution No. 2023-21 adopted by the Board of County Commissioners of St. Mary's County (the "Board") on October 17, 2023 (the "Resolution"), for the purpose of financing certain public improvements in the County.

Optional Redemption. The Bonds maturing on or before December 15, 2033 are not subject to redemption prior to their maturities. The Bonds maturing on or after December 15, 2034 are subject to redemption prior to their respective maturities, at the option of the County, at any time on or after December 15, 2033, either as a whole or in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. The procedures for redemption of the Bonds, including the requirements for giving notice of such redemption, are described in the Preliminary Official Statement (hereinafter defined) and are incorporated herein by reference.

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

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

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **PARITY®**. Bids will be communicated electronically to the County at 11:00 a.m. local time, on December 5, 2023. Prior to that time, a prospective

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date that the Bonds are awarded by the County to the successful bidder.

Award of Bonds. The County will not consider and will reject any bid for the purchase of less than all of the Bonds. THE RIGHT IS RESERVED TO REJECT ANY AND ALL BIDS AND TO WAIVE ANY IRREGULARITY OR NON-CONFORMITY IN ANY BID. Bids will be opened promptly after 11:00 a.m. local time (as determined in accordance with the time as maintained on **PARITY®**) on December 5, 2023. The award, if made, will be made as promptly as possible after the bids are opened to the bidder offering the lowest true interest cost to the County in any legally acceptable bid. The lowest true interest cost shall be determined in accordance with the true interest cost (TIC) method by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the price bid. The TIC shall be as determined by the financial advisor to the County based on the terms of this Notice of Sale and all amendments thereto and on each bid as submitted. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, then such award will be made to the bidder offering the highest premium. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, with the same premium, the Bonds will be awarded by lot to one of such bidders. The judgment of the County shall be final and binding upon all bidders with respect to the form and adequacy of any bid received and as to its conformity to the terms of this Notice of Sale.

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

If a federal funds wire transfer is used, the County shall distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Deposit Deadline. If the Deposit is not received by the Deposit Deadline, the award of the sale of the Bonds to the successful bidder may be

cancelled by the County in its discretion without any financial liability of the County to the successful bidder or any limitation whatsoever on the County's right to sell the Bonds to a different purchaser upon such terms and conditions as the County shall deem appropriate.

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

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

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

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

Delivery of Bonds. The Bonds will be delivered on December 14, 2023, or as soon as practicable thereafter, at the expense of the County, for the account of the successful bidder, through the facilities of DTC in New York, New York, upon payment of the amount of the successful bid (including any premium), less the Deposit theretofore made. Payment for the Bonds shall be made in federal funds. The Bonds will be issued by means of book-entry system with no physical distribution of bond certificates made to the public. The successful bidder for the Bonds, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., its partnership nominee.

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

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

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

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

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

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

By order of

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

\$ _____
Commissioners of St. Mary's County
Consolidated Public Improvement Bonds, Series 2023

ISSUE PRICE CERTIFICATE
(Qualified Competitive Bid)

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

1. Reasonably Expected Initial Offering Price.

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

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

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

2. Defined Terms.

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

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

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 5, 2023.

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

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

[NAME OF PURCHASER], as Purchaser

By: _____
Name: _____
Title: _____

Dated: _____, 2023

SCHEDULE A
Expected Offering Prices of the Bonds

SCHEDULE B
Copy of Bid

\$ _____
Commissioners of St. Mary's County
Consolidated Public Improvement Bonds, Series 2023

ISSUE PRICE CERTIFICATE
(Nonqualified Competitive Bid)

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

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

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

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

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

3. ***Defined Terms.***

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

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

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

(d) ***Offering Period*** means, with respect to an Undersold Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (December 12, 2023), or (ii) the date on which the Purchaser has sold a Substantial Amount of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.

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

(f) ***Sale Date*** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 5, 2023.

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

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

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

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

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

Title: _____

Dated: _____, 2023

SCHEDULE A
Sale Prices of the 10% Maturities

SCHEDULE B
Initial Offering Prices of the Undersold Maturities

SCHEDULE C
Pricing Wire