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**THE COUNTY COMMISSIONERS FOR  
ST. MARY'S COUNTY, MARYLAND**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2009**

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**Murphy & Murphy, CPA, LLC**

**The County Commissioners for St. Mary's County**

**June 30, 2009**

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# **The County Commissioners for St. Mary's County**

**June 30, 2009**

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## Independent Auditor's Report

County Commissioners for St. Mary's County, Maryland  
Leonardtown, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the fiduciary fund activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County Commissioners for St. Mary's County, Maryland, as of and for the year ended June 30, 2009, which collectively comprise the County Commissioners for St. Mary's County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's Commissioners for St. Mary's County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the St. Mary's County Public Schools, which represents 39% and 48%, respectively, of the assets and revenues of the total reporting entity. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions on the financial statements, insofar as they relate to the amounts included for the St. Mary's County Public Schools, are based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the fiduciary fund activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners for St. Mary's County, Maryland, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2009, on our consideration of the County Commissioners for St. Mary's County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

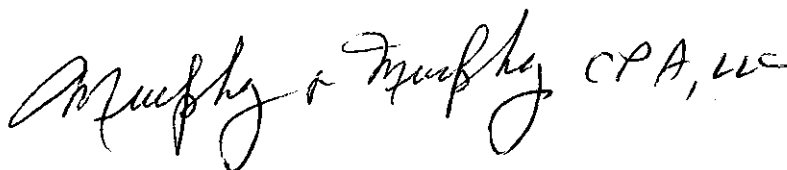
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The management's discussion and analysis, the statement of revenues, expenditures, encumbrances and other financing sources and uses – budget (NON-GAAP) basis and actual – general fund, and the schedules of employer contributions and funding progress for the Sheriff's Office Retirement Plan and the Retiree Health Benefit Plan on pages 3-13, 108 and 109-110, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County Commissioners for St. Mary's County, Maryland's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements on pages 111 and 112 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of revenues and other financing sources - budgetary (Non-GAAP) basis and actual - general fund presented on pages 113 and 114, and the schedule of expenditures and other financing uses - budgetary (Non-GAAP) basis and actual - general fund presented on pages 115 through 119 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

La Plata, Maryland  
November 16, 2009

A handwritten signature in black ink that reads "Murphy & Murphy CPA, LLC". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Annual Financial Report of St. Mary's County, Maryland presents a narrative overview and analysis of the financial activities of St. Mary's County Government for the fiscal year ended June 30, 2009. 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 of St. Mary's County Government exceeded its liabilities at the close of the most recent fiscal year by \$200 million (*net assets*). Approximately \$15 million, or 7.5%, is attributable to the County's enterprise funds, which include business-type activities for Solid Waste and Recycling (SW&R), Medical Adult Daycare Services (MADS), Recreation and Parks recreation activities, and the Wicomico Golf Course. Approximately 24.8% of the total net assets, or \$49.7 million (*unrestricted net assets*), may be used to meet ongoing obligations to citizens and creditors. Unrestricted net assets related to governmental activities are \$50.2 million. The unrestricted net assets for the enterprise funds (*business-type activities*) reflect a deficit of \$543,473, as both the SW&R and MADS enterprise funds posted operating shortfalls. Other components of the net assets are \$19.5 million of restricted net assets and approximately \$130.9 million of net investment in capital assets. The net investment in capital assets represents the capitalized assets, net of accumulated depreciation and outstanding debt.
- The Government's overall net asset position reflects an increase of \$1.2 million over the prior year.
- As of June 30, 2009, the County's governmental funds reported combined fund balances of \$48.3 million, a decrease of \$26.7 million over the prior year. The general fund and the capital projects fund reflected decreases of \$8.7 and \$18 million, respectively, both of which were planned and budgeted. The fund balance for the non-major funds increased \$363,549. The County's governmental fund balances at June 30, 2009 include \$19.2 million for capital projects, \$28.7 million in general funds, and \$363,549 for the other non-major funds. The general fund balance includes \$1.8 million that is reserved, the largest components of which are encumbrances and inventory. In addition, the general fund reflects designations of approximately \$18 million, including a bond rating reserve of \$11.9 million and a Rainy Day Fund of \$1.625 million. Of the remaining \$4.5 million, designations include \$3 million for the FY2010 operating budget, as well as transfers budgeted in FY2010 in the amount of \$600,000 to MADS to address its deficit issues and \$500,000 for pay-go funding for capital projects. The County's undesignated fund balance is slightly less than \$9 million, including both the FY2009 results as well as the FY2008 fund balance that was intentionally not applied to the FY2010 budget, in order to retain resources to address the likely State cuts in allocations to the County in FY2011 and FY2012. This will be addressed as a part of the FY2011 budget process. The non-major funds are special purpose funds that correspond to special assessments, the Emergency Services Support Fund, and a revolving loan fund set up to assist volunteer fire and rescue squads in their acquisition of capital assets. The special assessments fund reflects a deficit because expenditures are incurred by the County and then are reimbursed by various entities pursuant to written agreements over varying periods of time, which correspond to the underlying asset. The decrease in the capital projects fund balance was expected since the County deferred the sale of bonds until FY2010, and it also reflects the fact that expenditures, which were planned, utilized resources that had been accumulated, such as transfer taxes and impact fees, which are dedicated to capital projects.
- The business-type operating activities reflect a decrease in net assets of \$443,193. Fee-based recreation activities posted an increase of \$39,286. This fund is an accumulation of a large number of recreation activities, and fees will be adjusted so that the fund, over the long term, breaks even, with no significant net assets being accumulated. Additionally, the County is providing an annual general fund subsidy of \$50,000, as support of these services, which are largely directed to the youth of the County. Fee-based solid waste and recycling

activities posted a decrease of \$279,927, despite a General fund subsidy of \$872,675. At the time that the transfer station is constructed and operational, the County expects to implement fee changes to better match the operational costs. FY2009 results were worse than budgeted due to the duplication of components of the annual environmental/solid waste fee; this was corrected in the FY2010 budget. The Wicomico Golf Course reflects a decrease of \$321,042, due principally to the transfer of the assets under construction, for which debt had been taken out in FY2007. As planned, the asset was transferred from the Capital Projects fund to the Wicomico Golf Course Fund and placed in service in FY2009. The net assets of the Medical Adult Daycare Services Fund increased \$118,490, entirely due to the \$480,235 subsidy from the General fund. This increase was planned as it is the County's intention to eliminate the accumulated deficit, and such additional funding is included in the FY2010 budget. As a part of the FY2010 budget process, the County determined that it would cease to operate the MADS as a County program, transitioning it to private operation.

- At June 30, 2009, the unreserved fund balance for the general fund (primary operating fund) was \$28.7 million, or 15% of general fund expenditures, excluding pass-throughs. Designated fund balance of the general fund was \$18 million, or 66.7% of unreserved fund balance.
- St. Mary's County Government's total general obligation indebtedness, including general obligation bonds and Water Quality loans, decreased by \$9.6 million during the fiscal year ended June 30, 2009. Additions included \$200,000 in State loans for capital projects, as well as a net increase in the accrual for compensated absences of \$363,901. Payments on the debt totaled \$9.8 million, with another reduction in the amount of \$200,000, representing the revision of estimated post-closure costs of the landfill.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to St. Mary's County Government's basic financial statements. St. Mary's County Government's basic financial statements comprise three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required and non-required supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 St. Mary's County Government 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 St. Mary's County Government include general government, public safety, public works, health, social services, economic development, agricultural land preservation and recreation and parks, community services, planning and zoning, and permits and inspections. The business-type activities of St. Mary's



County Government include the Medical Adult Daycare Services, Wicomico Golf Course, Solid Waste and Recycling Activities and the Recreation Activities, including an indoor swimming pool.

The government-wide financial statements include not only St. Mary's County Government itself (known as the *primary government*), but also legally separate component units. St. Mary's County Government has the following component units: St. Mary's County Public Schools, St. Mary's County Board of Library Trustees, the Metropolitan Commission, and the Building Authority. 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 14 to 17 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. St. Mary's County Government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of St. Mary's County Government 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.

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*.

St. Mary's County Government maintains five individual governmental funds: general, capital projects, special assessments, fire and rescue revolving funds, and emergency support. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, capital projects and non-major funds (special assessments, fire and rescue revolving, and emergency support funds). The detail for the non-major funds is presented as part of supplementary information following the notes to the financial statements.

St. Mary's County Government 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 basic governmental fund financial statements can be found on pages 18 to 19 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. St. Mary's County Government uses enterprise funds to account for its Medical Adult Daycare Services, the Wicomico Golf Course, and fee-based Solid Waste and Recycling Activities and Recreation Activities. The proprietary fund financial statements can be found on pages 21 to 23 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 St. Mary's County Government'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 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 24 to 27 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 28 to 107 of this report.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning St. Mary's County Government's progress in funding its obligations to retiree benefits. Required supplementary information can be found on pages 108 to 110 of this report. Other supplementary information can be found on pages 111 to 121.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial condition and position. In the case of St. Mary's County, assets exceeded liabilities by \$200 million at the close of the current fiscal year. St. Mary's County Government's net assets are divided into three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Approximately 65.4% of the County's net assets reflect its investment in capital assets net of depreciation (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 assets represent 9.8% of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used. Unrestricted net assets of the government have a balance of \$49.7 million (24.8% of total net assets) which may be used to meet the government's ongoing obligations to citizens and creditors.

#### ST. MARY'S COUNTY GOVERNMENT'S NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>						
Current Assets	\$104,051,832	\$126,316,492	\$ 1,122,811	\$ 2,390,991	\$105,174,643	\$128,707,483
Other Non-Current Assets	20,222,377	21,496,045	0	0	20,222,377	21,496,045
Capital Assets, net of accumulated depreciation	<u>208,027,170</u>	<u>193,261,478</u>	<u>17,309,849</u>	<u>16,920,487</u>	<u>225,337,019</u>	<u>210,181,965</u>
<b>Total Assets</b>	<b><u>\$332,301,379</u></b>	<b><u>\$341,074,015</u></b>	<b><u>\$18,432,660</u></b>	<b><u>\$19,311,478</u></b>	<b><u>\$350,734,039</u></b>	<b><u>\$360,385,493</u></b>
<b>LIABILITIES</b>						
Current Liabilities	\$ 33,544,209	\$ 33,545,594	\$ 1,478,386	\$ 1,281,740	\$ 35,022,595	\$ 34,827,334
Non-current Liabilities	<u>113,555,162</u>	<u>124,388,090</u>	<u>2,003,195</u>	<u>2,264,438</u>	<u>115,558,357</u>	<u>126,652,528</u>
<b>Total Liabilities</b>	<b><u>\$147,099,371</u></b>	<b><u>\$157,933,684</u></b>	<b><u>\$ 3,481,581</u></b>	<b><u>\$ 3,546,178</u></b>	<b><u>\$150,580,952</u></b>	<b><u>\$161,479,862</u></b>
<b>NET ASSETS</b>						
Invested in Capital Assets, net of related debt	\$115,400,807	\$ 90,843,291	\$15,494,552	\$14,822,415	\$130,895,359	\$105,665,706
Restricted	19,548,718	36,326,286	0	747,128	19,548,718	37,073,414
Unrestricted	<u>50,252,483</u>	<u>55,970,754</u>	<u>(543,473)</u>	<u>195,757</u>	<u>49,709,010</u>	<u>56,166,511</u>
<b>Total Net Assets</b>	<b><u>\$185,202,008</u></b>	<b><u>\$183,140,331</u></b>	<b><u>\$14,951,079</u></b>	<b><u>\$15,765,300</u></b>	<b><u>\$200,153,087</u></b>	<b><u>\$198,905,631</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$332,301,379</u></b>	<b><u>\$341,074,015</u></b>	<b><u>\$18,432,660</u></b>	<b><u>\$19,311,478</u></b>	<b><u>\$350,734,039</u></b>	<b><u>\$360,385,493</u></b>

At June 30, 2009 St. Mary's County Government reports positive balances in all three categories of net assets as a whole.

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

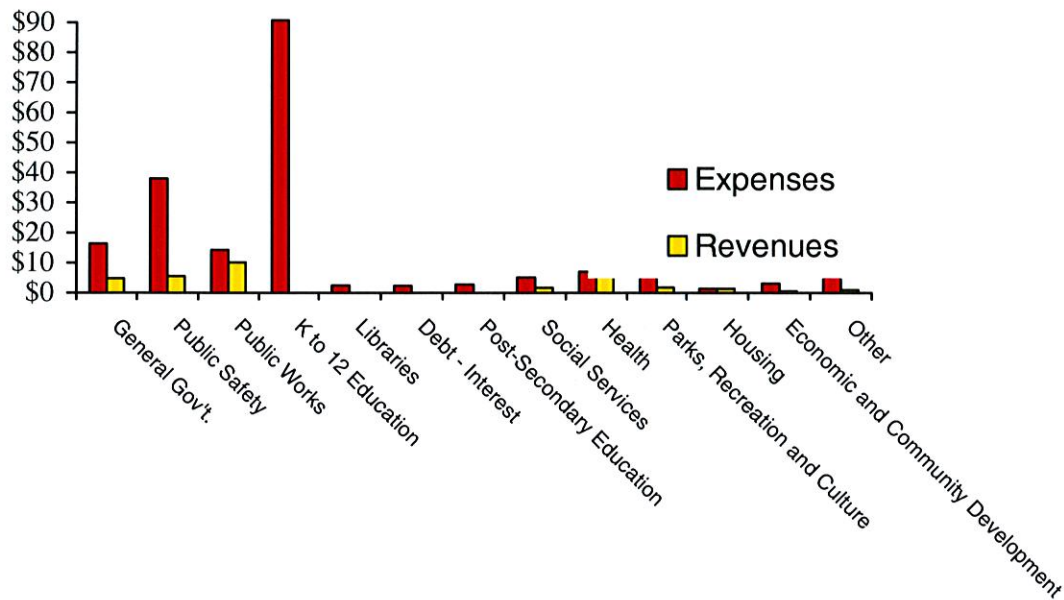
**ST. MARY'S COUNTY GOVERNMENT'S CHANGES IN NET ASSETS**  
Years Ended June 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business -Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Program Revenues:</b>						
Charges for Services	\$ 8,592,477	\$10,684,183	\$ 3,900,654	\$ 3,953,431	\$ 12,493,131	\$ 14,637,614
Environment/Solid Waste Fees	0	0	2,272,980	2,277,540	2,272,980	2,277,540
Operating Grants and Contributions	21,644,726	16,245,566	381,871	346,544	22,026,597	16,592,110
Capital Grants and Dedicated Fees or Taxes	2,833,220	1,308,781	0	0	2,833,220	1,308,781
<b>General Revenues:</b>						
Property Taxes	87,183,424	77,889,130	0	0	87,183,424	77,889,130
Income Taxes	61,471,674	62,829,665	0	0	61,471,674	62,829,665
Other Taxes	13,309,660	17,965,403	0	0	13,309,660	17,965,403
Investment Earnings	628,327	3,001,001	9,062	51,706	637,389	3,052,707
Construction in Progress-Wicomico Clubhouse	0	(1,570,909)	0	1,570,909	0	0
Transfer Capital Assets-Solid Waste Facilities	0	(776,663)	0	776,663	0	0
Debt Transfer	0	575,508	0	(575,508)	0	0
Gain/Loss on Disposals and/or Transfers	0	0	0	3,931	0	3,931
Transfer of Capital Assets net of accumulated depreciation	0	0	0	12,020,143	0	12,020,143
Transfer to OPEB Trust	0	(3,439,138)	0	0	0	(3,439,138)
Subsidies to Enterprise Funds	(1,402,910)	(1,810,994)	1,402,910	1,810,994	0	0
Roads Developed by Third Parties	5,140,269	0	0	0	5,140,269	0
Exempt Financing Proceeds - Vehicles	1,778,443	0	0	0	1,778,443	0
Capital Projects Funding	2,624,064	0	0	0	2,624,064	0
Miscellaneous	<u>146,119</u>	<u>5,889,138</u>	<u>30</u>	<u>32</u>	<u>146,149</u>	<u>5,889,170</u>
<b>Total Revenues</b>	<b><u>\$203,949,493</u></b>	<b><u>\$188,790,671</u></b>	<b><u>\$ 7,967,507</u></b>	<b><u>\$22,236,385</u></b>	<b><u>\$211,917,000</u></b>	<b><u>\$ 211,027,056</u></b>
<b>Program Expenses:</b>						
General Government	15,847,731	10,613,195	0	0	15,847,731	10,613,195
Public Safety	38,256,966	32,998,160	0	0	38,256,966	32,998,160
Public Works	14,428,668	12,032,412	3,811,523	3,920,107	18,240,191	15,952,519
Health	6,991,219	1,815,133	0	0	6,991,219	1,815,133
Social Services	5,132,079	4,407,680	0	0	5,132,079	4,407,680
Primary and Secondary Education	90,733,752	85,119,750	0	0	90,733,752	85,119,750
Post-Secondary Education	2,791,419	2,628,285	0	0	2,791,419	2,628,285
Parks, Recreation, and Culture	7,858,709	5,002,944	4,599,177	4,314,039	12,457,886	9,316,983
Housing	1,366,689	1,210,838	0	0	1,366,689	1,210,838
Libraries	2,417,419	2,443,366	0	0	2,417,419	2,443,366
Conservation of Natural Resources	365,678	379,302	0	0	365,678	379,302
Economic Development and Opportunity	3,110,950	3,321,142	0	0	3,110,950	3,321,142
Interest on Debt	2,372,161	2,833,088	0	0	2,372,161	2,833,088
Other, principally Retirees' Health	<u>10,585,404</u>	<u>11,303,489</u>	<u>0</u>	<u>0</u>	<u>10,585,404</u>	<u>11,303,489</u>
<b>Total Expenses</b>	<b><u>\$202,258,844</u></b>	<b><u>\$176,108,784</u></b>	<b><u>\$ 8,410,700</u></b>	<b><u>\$ 8,234,146</u></b>	<b><u>\$210,669,544</u></b>	<b><u>\$184,342,930</u></b>
Increase/(Decrease) in Net Assets	1,690,649	12,681,887	(443,193)	14,002,239	1,247,456	26,684,126
Net Assets - Beginning	183,140,331	170,458,444	15,765,300	1,763,061	198,905,631	172,221,505
Prior Period Adjustment	<u>371,028</u>	<u>0</u>	<u>(371,028)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Assets - Ending</b>	<b><u>\$185,202,008</u></b>	<b><u>\$183,140,331</u></b>	<b><u>\$14,951,079</u></b>	<b><u>\$15,765,300</u></b>	<b><u>\$200,153,087</u></b>	<b><u>\$198,905,631</u></b>

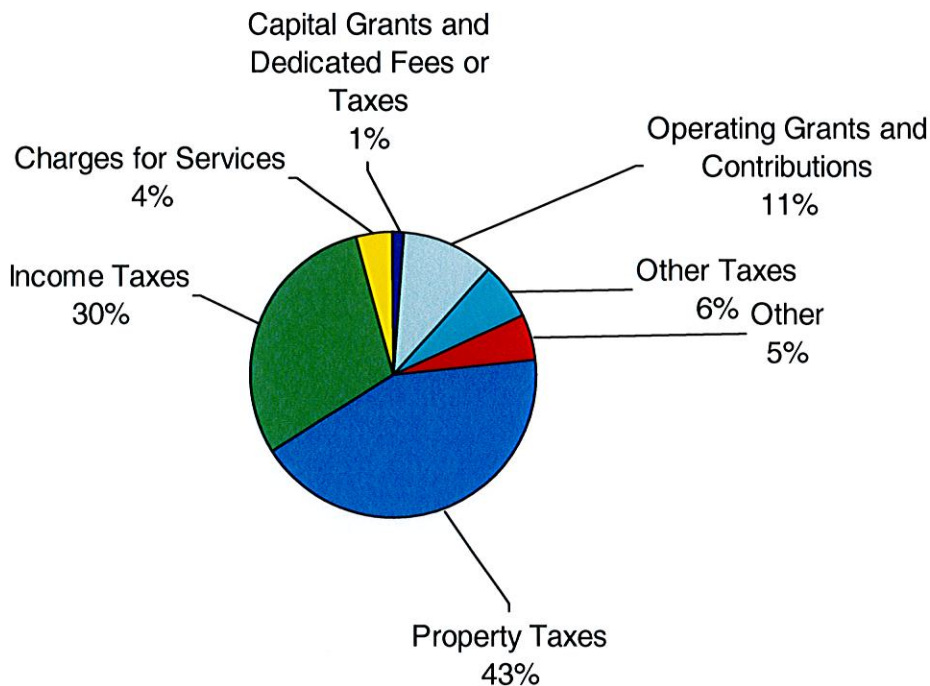
**Governmental activities:** Governmental activities reflected an increase in net assets of \$1.7 million. The governmental funds reflected a net decrease of \$26.7 million, reflecting the planned use of fund balances for capital projects as well as non-recurring expenditures such as supplemental transfers to fund OPEB trusts.

**Business-type activities:** Business-type activities reflected a decrease in net assets of \$.4 million. Wicomico Course fee-based activities and Solid Waste and Recycling fee-based activities posted decreases while the Medical Adult Daycare and Recreation and Parks posted increases.

Expenses and Program Revenues – Governmental Activities  
(in millions)



Revenues By Source – Governmental Activities



## Financial Analysis of the Government's Funds

As noted earlier, St. Mary's County Government uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The focus of St. Mary's County Government's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing St. Mary's County Government's financing requirements. In particular, *unreserved 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, 2009, St. Mary's County Government's governmental funds reported combined ending fund balances of \$48.3 million, a decrease of \$26.7 million over the prior year. Approximately \$28.7 million, or 59.3% of this total, constitutes *unreserved fund balance*, which is available for spending at the government's discretion, including designations of \$4.1 million for the 2010 budget, \$11.9 million for the Bond Rating reserve, and \$1.625 million for the Rainy Day fund. The application of fund balance to the subsequent year's budget and these designations are discussed elsewhere in this section. Reserved fund balance includes \$18.5 million for capital projects as well as approximately \$1.8 million committed to liquidate encumbrances, for inventories, or dedicated for a variety of restricted purposes. The reserved fund balance does not significantly affect the availability of fund resources for future use.

The general fund is the chief operating fund of St. Mary's County Government and is central to the budget process and management of current resources. At June 30, 2009, unreserved fund balance of the general fund was \$27 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.1% of total general fund expenditures, excluding pass-throughs, while total fund balance represents 15% of that same amount.

In addressing the budget to actual variances, this section focuses generally on comparisons to the original approved budget. The "other supplementary information" on pages 113 through 119 reflects the original and revised budgets as well as the actual results, in more detail. The County experienced positive variances for property taxes, which came in about \$1.7 million more than the original budget. However, the State's allocations as well as general economic conditions are reflected in other revenues, such as income taxes and recordation taxes, which were below budget by \$2.3 and \$3.2 million, respectively. Fees, permits, and charges for services, many of which relate to real estate-related transactions, though individually small, generally reflected amounts significantly less than budgeted. The effects of this deterioration were mitigated by actions that the County took to reduce its expenses. Generally, turn-over savings were generated almost across the board, as a "soft freeze" was imposed. Additionally, the County implemented a number of risk management efforts that yielded significant cost savings, including liability premium savings in excess of \$400,000 as well as significantly improved experience and corresponding cost decreases of almost \$500,000 related to workers compensation costs, which are a direct result of the transition to a self-insured program effective July 1, 2008. The volatility of the prior year in utility and fuel costs had resulted in a budget that was higher than was actually needed for FY2009, generating some savings as well.

In addition, throughout all departments, there is an accumulation of individually small positive expense variances. 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. There was also neither a significant snowfall nor other unplanned event that required the use of significant emergency reserve funds.

Additionally, the County had planned a bond sale for FY2009, which was deferred to FY2010 in light of cash flow needs as well as the economic and market conditions. Deferral meant that almost \$900,000 of payments on the new issue that were budgeted in FY2009 were not expended.

The Board's philosophy is to build a budget based on sustainable levels of revenues, and use any excess generated in one year to fund non-recurring items in a subsequent budget. Given the various scenarios for the State's balancing of its own budget as well as the general economic conditions, these funds may be used to bridge funding gaps that may occur due to reductions in funding from sources such as the State or from grants as well as to bridge the gap for selected revenues that may be temporarily lower than normal due to unusual economic conditions. With the low property tax rate and an income tax rate that is less than the maximum allowed by the State, the County has maintained ample capacity for revenue enhancement, should future needs arise. The positive fund balance generated in FY2009 will be considered in the FY2011 budget process. This will be combined with the \$6,988,383 of FY2008 fund balance that was intentionally retained to address the likely continued revenue volatility and State cuts in FY2011 and beyond.

The fund balance of St. Mary's County Government's general fund decreased by \$8.7 million during the fiscal year ended June 30, 2009. This reduction was less than the \$11 million that was planned, largely due to the factors identified previously.

The capital projects fund has a total fund balance of \$19.2 million, including \$662,112 which has been designated in reserve, available at the direction of the Board of County Commissioners, to cover unanticipated costs, through a supplemental budgetary process. The balance of \$185 million reflects the accumulated unspent balances of impact fees, recordation taxes, transfer taxes, and pay-go, which has been appropriated for specific projects, but remains unspent as of June 30, 2009. These funds have been budgeted and the capital projects are in progress.

**Proprietary funds:** St. Mary's County Government'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 the year, unrestricted net assets of the Wicomico Golf Course Fund accounted for \$138,253. The Recreation Activities Fund reflected a deficit of \$102,008, the Solid Waste and Recycling fund reflected a deficit of \$340,962, and the Medical Adult Daycare Services reflected a deficit of \$238,756. On a combined basis, there was a \$.35 million decrease in unrestricted net assets. Factors concerning these funds' finances are addressed in the discussion of St. Mary's County Government's business-type activities.

### **General fund Budgetary Highlights**

The final budget for the General fund was approximately \$2 million less than the original budget. Revisions were made to address some of the lowered revenue expectations, such as recordation and interest income, as well as adjustments for changes in grants. During the year, revenues and expenditures were generally below budget, as the County managed its way through the deteriorating revenue picture through a variety of expense control measures described previously, including use of the \$1.3 million budget stabilization reserve which was set up out of recurring revenues when the FY2009 budget was originally adopted, in anticipation of softening revenues, though specifics were not identified.

## Capital Asset and Debt Administration

- **Capital assets:** St. Mary's County Government's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$225.3 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 St. Mary's County Government's investment in capital assets for the fiscal year ended June 30, 2009 was \$15.2 million. 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.

### ST. MARY'S COUNTY GOVERNMENT'S CAPITAL ASSETS (At Cost, Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$31,061,709	\$24,805,834	\$1,078,666	\$1,078,666	\$32,140,375	\$25,884,500
Building and Improvements	61,692,793	54,783,177	3,166,849	752,380	64,859,642	55,535,557
Facilities Under Construction	4,796,374	8,462,494	0	1,818,447	4,796,374	10,280,941
Solid Waste Facilities	0	0	11,522,871	11,522,871	11,522,871	11,522,871
Infrastructure	97,590,641	92,995,165	264,471	281,165	97,855,112	93,276,330
Vehicles	4,548,881	3,408,181	1,256,421	1,450,950	5,805,302	4,859,131
Equipment	<u>8,336,772</u>	<u>8,806,627</u>	<u>20,570</u>	<u>16,008</u>	<u>8,357,342</u>	<u>8,822,635</u>
	<u>\$208,027,170</u>	<u>\$193,261,478</u>	<u>\$17,309,848</u>	<u>\$16,920,487</u>	<u>\$225,337,018</u>	<u>\$210,181,965</u>

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

- \$4.6 million in improvements were placed in service in FY2009, including Patuxent Beach Road Revetment and asphalt overlay project.
- \$6.2 million in new buildings were completed in FY2009, including the Chesapeake Building, Wicomico Clubhouse.
- Renovations to Piney Point Lighthouse Museum as well as its shore erosion control project, totaling \$.9 million.
- Approximately \$8 million in roads were added to the County system, including projects developed by third parties.
- Several park improvements were completed and capitalized in FY2009, including Three Notch Trail, tennis court replacements and parking lot expansions, totaling approximately \$1.4 million.
- Vehicles were purchased to replace aging vehicles for the Sheriff's Department, St. Mary's Transit System, and other government activities.
- Land purchases principally relating to the future creation of parks and schools were added to our capital asset base in FY2009, including the purchase of the Hayden property, which is expected to be the site of two new schools, a new library, park amenities and park land acquisition.

Additional information on St. Mary's County's capital assets can be found in Note 4 of this report.

**Long-term debt:** At June 30, 2009, St. Mary's County Government had the following total general obligation bonded 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 bonds.

#### ST. MARY'S COUNTY GOVERNMENT'S GENERAL OBLIGATION DEBT

##### Primary Government

	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>Amounts due within one year</u>
General Obligation Bonds(GOB) – County	\$ 89,935,000	\$ 82,200,000	\$ 7,260,000
Less: Amount Deferred on Refunding	(1,759,662)	(1,747,217)	(12,890)
Water Quality Loan	5,163,120	4,644,158	527,549
State Loans	1,789,103	1,905,283	81,006
Surplus Property Transfer of Debt	241,664	196,389	47,407
Exempt Financing (Equipment & Vehicles)	5,048,967	3,627,750	1,395,977
	<u>\$100,418,192</u>	<u>\$ 90,826,363</u>	<u>\$ 9,299,049</u>
 GOB sold on behalf of St. Mary's Hospital	 <u>\$ 18,190,000</u>	 <u>\$ 16,785,000</u>	 <u>\$ 880,000</u>

##### Business-Type Activities

	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>Amounts due within one year</u>
Exempt Financing (Equipment)	<u>\$2,098,072</u>	<u>\$1,815,294</u>	<u>\$274,665</u>

St. Mary's County Government's total general obligation bonded debt decreased by a net \$9.6 million, principally due to principal payments, offset by draws for exempt financing of vehicles and equipment, State loans for capital projects, and adjustments of accruals for compensated absences. Repayments include \$1,405,000 for the Hospital loans; the Hospital fully reimburses the County for costs and debt service payments related thereto; the debt service is not funded by general funds of the County.

St. Mary's County Government has maintained an "AA" rating from both Standard and Poors and Fitch Ratings and an "Aa3" rating from Moody's Investors Service, Inc. The debt affordability guidelines for St. Mary's County Government were previously set by the Board of County Commissioners, on the advice of the County's financial advisor. The policy adopted by the Board provides that the ratio of debt to assessed value not exceed 2%, and debt service as a percent of current general fund revenue not exceed 10%. 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 St. Mary's County Government's long-term debt can be found in Note 7 of this report.

#### **Economic Factors and Next Year's Budgets and Rates**

- The FY2010 budget incorporated 2.4% growth in income tax revenue. The 2007 data indicated that the County's net taxable income increased 9.8% over the prior year, with a 5-year average increase of 8.6%, but a more modest percentage increase was used in light of the economic conditions.
- Property tax income estimates for the FY2010 budget were approximately 9% higher than the FY2009 budget, and were based on State estimates of the County's assessable base of \$10.5 billion, almost \$900 million higher than the prior fiscal year. Initial billings for FY2010 are comparable to the estimates.
- Though the County may be negatively impacted by the State budget situation as well as the general economic situation, the activities and operations of the Patuxent Naval Air Base have a stabilizing effect. The number of



jobs and related services are relatively stable, and number and diversity of technology companies increases each year. This stability, and even modest growth for Base related jobs is projected to continue.

- The population growth for the County is the 2<sup>nd</sup> highest in the State for the 2000-2008 period; the County now exceeds 100,000 in population.
- The County ranks first in the State for growth in the labor force, 4<sup>th</sup> in the State for average weekly wages, and consistently posts unemployment rates that are well below State averages. County median household income is 14.3% above the State average. These factors indicate a solid economy.
- Department of Defense capital investment within St. Mary's County continues to occur, providing a sound foundation for the County's economy.
- Tourism continues to grow and diversify, with increases in the number of visitors and hotel rooms. This reflects promotion of the County's assets through the Welcome Center and media campaigns such as Maryland's 375<sup>th</sup>. At a time when accommodation tax revenues for the State declined by 5%, the County experienced an increase.
- New mixed use development is proceeding, helping to diversify the County's tax base.

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 County has used its fund balance in the previous years to pay for capital projects, rather than borrow, and also to pre-pay its retiree health obligations. Each of these actions served to reduce future annual expenditures.

The FY2010 budget was adopted at a level below that of FY2009, as the County came to grips with the reduced allocations from the State. In order to avoid disruption to citizen services, the County used about one-third of its available unreserved undesignated fund balance at June 30, 2008, to replace cuts made by the State in its allocation of highway user fees. Anticipating continued fiscal pressure, the County retained the balance of almost \$7 million as a reserve to address similar shortfalls in the FY2011 and FY2012 budget. The FY2010 budget included a revenue stabilization reserve as well as funding for an emergency reserve, while still maintaining its bond rating reserve and fully funding its annual required contribution for OPEB.

The Board intends to continue its use of multi-year outlooks and sustainability reviews as a part of the budget process, but also throughout the year on a more limited basis to address and respond to the implications of the State's budget challenges as well as changing conditions in the local economy. 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. Given the State's budget situation and the economy, the Board recognizes that its plan must be scalable to accommodate the economic conditions of the near term. 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 difficult times. Tax rates for FY2009 remained unchanged from FY2008, and property tax rates are among the lowest in the State. Additionally, given the historical application of a 5% cap on primary residential property assessment increases, the County retains flexibility and capacity for the future, even given the potential declines in the full value assessments. However, it is the goal to manage our way through these tough times through a variety of measures. The continued focus will be to assure that adequate and sustainable resources are identified to address prioritized needs – both capital and operating – now and for the future.

### **Requests for Information**

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

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Primary Government		Component Units			
	Governmental Activities	Business-Type Activities	Total	Public Schools	Library	Metropolitan Commission
						Building Authority
ASSETS						
Cash and cash equivalents	\$54,665,376	\$183,365	\$54,848,741	\$33,352,019	\$238,365	\$8,119,670
Internal balances	(707,482)	707,482	0	0	0	0
Restricted cash and investments	0	0	0	0	100,616	0
Taxes receivable	3,629,447	0	3,629,447	0	0	0
Income tax reserve, funds held by the State	16,365,391	0	16,365,391	0	0	0
Due from other governments	0	0	0	12,739,936	293,630	0
Notes receivable, Fire and Rescue loans	435,308	0	435,308	0	0	0
Accounts receivable	12,679,943	175,742	12,855,685	826,537	113,683	1,090,559
Inventory	779,632	56,222	835,854	160,576	0	128,555
Prepaid, post-retirement benefit	16,171,623	0	16,171,623	0	109,721	283,984
Other prepaid expenses	32,594	0	32,594	8,750	0	16,240
Mortgages receivable from St. Mary's Hospital	16,785,000	0	16,785,000	0	0	0
Deferred and unamortized bond issuance costs	0	0	0	0	0	278,564
Fire and Rescue loans receivable, net of short-term portion	1,926,206	0	1,926,206	0	0	0
Special tax assessments receivable, net of short-term portion	1,511,171	0	1,511,171	0	0	0
Capital assets	324,472,600	20,880,080	345,352,680	326,309,517	4,302,461	115,241,314
Accumulated depreciation	(116,445,430)	(3,570,231)	(120,015,661)	(90,096,492)	(3,084,186)	(36,454,057)
Capital assets, net of accumulated depreciation	\$208,027,170	\$17,309,849	\$225,337,019	\$236,213,025	\$1,218,275	\$78,787,257
Total Assets	\$332,301,379	\$18,432,660	\$350,734,039	\$283,300,843	\$2,074,290	\$88,941,877
						\$10,122,064

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

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Primary Government		Total	Component Units			
	Governmental Activities	Business-Type Activities		Public Schools	Library	Metropolitan Commission	Building Authority
LIABILITIES							
Accounts payable	\$4,008,083	\$330,885	\$4,338,968	\$7,090,566	\$71,998	\$762,855	\$0
Compensation-related liabilities	2,867,138	855,219	3,722,357	14,460,878	54,988	0	0
Deferred income tax distribution	16,365,391	0	16,365,391	0	0	0	0
Deferred revenue	4,921,151	279,668	5,200,819	849,239	0	334,023	0
Other liabilities	4,884,303	12,614	4,896,917	154,319	0	1,243,734	154,505
Due to other governments	498,143	0	498,143	208,692	0	0	0
Non-current liabilities							
Due within one year	10,204,525	274,664	10,479,189	1,379,234	0	1,607,490	1,140,000
Due in more than one year	103,350,637	1,728,531	105,079,188	9,365,609	101,118	18,916,914	5,155,000
Total Liabilities	\$147,099,371	\$3,481,581	\$150,580,952	\$33,508,537	\$228,104	\$22,865,016	\$6,449,505
NET ASSETS							
Invested in capital assets, net of related debt	\$115,400,807	\$15,494,552	\$130,895,359	\$231,777,120	\$1,218,275	\$58,262,853	\$2,734,688
Restricted	19,548,718	0	19,548,718	86,080	107,333	3,151,341	204,890
Unrestricted	50,252,483	(543,473)	49,709,010	17,929,106	520,578	4,662,667	733,001
Total Net Assets	\$185,202,008	\$14,951,079	\$200,153,087	\$249,792,306	\$1,846,186	\$66,076,861	\$3,672,579
Total Liabilities and Net Assets	\$332,301,379	\$18,432,660	\$350,734,039	\$283,300,843	\$2,074,290	\$88,941,877	\$10,122,084

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

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

Program Revenues					
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Dedicated Fees or Taxes	Total Revenues
General Government	\$15,847,731	\$3,927,079	\$837,615	\$0	\$4,764,694
Public Safety	38,256,966	1,496,917	3,563,482	462,257	5,522,656
Public Works	14,428,668	834,803	9,201,036	0	10,035,839
Health	6,991,219	0	5,730,882	0	5,730,882
Social Services	5,132,079	1,725	1,649,321	0	1,651,046
Primary and Secondary Education	90,733,752	0	0	0	0
Post -Secondary Education	2,791,419	0	0	0	0
Parks, Recreation, and Culture	7,858,709	318,274	31,933	1,474,010	1,824,217
Libraries	2,417,419	0	0	0	0
Conservation of Natural Resources	365,678	0	0	701,361	701,361
Housing	1,366,689	1,179,841	213,520	0	1,393,361
Economic Development and Opportunity	3,110,950	69,352	416,937	0	486,289
Debt Interest	2,372,161	0	0	0	0
Other	10,585,404	764,486	0	195,592	960,078
TOTAL GOVERNMENTAL ACTIVITIES	\$202,258,844	\$8,592,477	\$21,644,726	\$2,833,220	\$33,070,423
Business - Type Activities					
Recreation Activity	\$2,113,553	\$2,065,102	\$37,709	\$0	\$2,102,811
Wicomico	1,663,077	1,332,971	0	0	1,332,971
Medical Adult Daycare	822,547	116,640	344,162	0	460,802
Solid Waste/Recycling	3,811,523	2,658,921	0	0	2,658,921
TOTAL BUSINESS-TYPE ACTIVITIES	\$8,410,700	\$6,173,634	\$381,871	\$0	\$6,555,505
TOTAL PRIMARY GOVERNMENT	\$210,669,544	\$14,766,111	\$22,026,597	\$2,833,220	\$39,625,928
Component Units:					
Public Schools	\$209,077,529	\$3,734,669	\$34,080,911	\$20,663,001	\$58,478,581
Library	3,278,600	229,970	895,486	0	1,125,456
MetCom	13,032,060	14,747,913	0	0	14,747,913
Building Authority	762,944	1,394,843	0	0	1,394,843
	\$226,151,133	\$20,107,395	\$34,976,397	\$20,663,001	\$75,746,793

General Revenues:  
Property Taxes  
Income Taxes  
Other including energy, recordation and transfer taxes  
Investment Earnings  
Grants and Contributions Not Restricted to Specific Purposes  
Subsidies to enterprise funds  
Miscellaneous, principally capital projects funding  
Total General Revenues

Increase/(Decrease) in Net Assets

Net Assets - Beginning  
Prior Period Adjustment  
Net Assets - Ending

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

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

Net (Expense) Revenue and Changes in Net Assets						
Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Public Schools	Library	MetCom	Building Authority
(\$11,083,037)	\$0	(\$11,083,037)				
(32,734,310)	0	(32,734,310)				
(4,392,829)	0	(4,392,829)				
(1,260,337)	0	(1,260,337)				
(3,481,033)	0	(3,481,033)				
(90,733,752)	0	(90,733,752)				
(2,791,419)	0	(2,791,419)				
(6,034,492)	0	(6,034,492)				
(2,417,419)	0	(2,417,419)				
335,683	0	335,683				
26,672	0	26,672				
(2,624,661)	0	(2,624,661)				
(2,372,161)	0	(2,372,161)				
(9,625,326)	0	(9,625,326)				
(\$169,188,421)	\$0	(\$169,188,421)				
\$0	(\$10,742)	(\$10,742)				
0	(330,106)	(330,106)				
0	(361,745)	(361,745)				
0	(1,152,602)	(1,152,602)				
\$0	(\$1,855,195)	(\$1,855,195)	\$0	\$0	\$0	\$0
(\$169,188,421)	(\$1,855,195)	(\$171,043,616)				
\$0	\$0	\$0	(\$150,598,948)	\$0	\$0	\$0
0	0	0	0	(2,153,144)	0	0
0	0	0	0	0	1,715,853	0
0	0	0	0	0	0	631,899
\$0	\$0	\$0	(\$150,598,948)	(\$2,153,144)	\$1,715,853	\$631,899
\$87,183,424	\$0	\$87,183,424	\$0	\$0	\$0	\$0
61,471,674	0	61,471,674	0	0	0	0
13,309,660	0	13,309,660	0	0	0	0
615,986	9,062	625,048	428,603	12,656	78,573	2
0	0	0	164,602,994	2,224,799	0	0
(1,402,910)	1,402,910	0	0	0	0	0
9,701,236	30	9,701,266	1,657,687	57,375	5,642,564	0
\$170,879,070	\$1,412,002	\$172,291,072	\$166,689,284	\$2,294,830	\$5,721,137	\$2
\$1,690,649	(\$443,193)	\$1,247,456	\$16,090,336	\$141,686	\$7,436,990	\$631,901
\$183,140,331	\$15,765,300	\$198,905,631	\$233,701,970	\$1,704,500	\$58,639,871	\$3,040,678
371,028	(371,028)	0	0	0	0	0
\$185,202,008	\$14,951,079	\$200,153,087	\$249,792,306	\$1,846,186	\$66,076,861	\$3,672,579

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

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General Fund	Capital Projects	Non-Major	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$46,877,605	\$0	\$0	\$46,877,605
Due from other funds	0	18,707,724	1,030,251	19,737,975
Taxes receivable	3,560,861	0	66,229	3,627,090
Income tax reserve, funds held by the State	16,365,391	0	0	16,365,391
Special tax assessments receivable	0	0	2,357	2,357
Notes receivable, Fire and Rescue loans	0	0	435,308	435,308
Accounts receivable	10,964,592	1,715,351	0	12,679,943
Inventory	779,632	0	0	779,632
Other	31,594	0	0	31,594
Fire and Rescue loans receivable, net of short-term portion	0	0	1,926,206	1,926,206
Special tax assessments receivable, net of short-term portion	0	0	1,511,171	1,511,171
Total Assets	<u>\$78,579,675</u>	<u>\$20,423,075</u>	<u>\$4,971,522</u>	<u>\$103,974,272</u>
<b>LIABILITIES</b>				
Accounts payable	\$2,797,335	\$1,199,390	\$11,358	\$4,008,083
Compensation-related liabilities	2,867,353	0	0	2,867,353
Deferred income tax distribution	16,365,391	0	0	16,365,391
Deferred revenue	1,027,072	20,000	3,874,079	4,921,151
Other liabilities	4,884,303	0	0	4,884,303
Due to other funds	21,395,849	0	686,870	22,082,719
Due to other governments	498,143	0	0	498,143
Total Liabilities	<u>\$49,835,446</u>	<u>\$1,219,390</u>	<u>\$4,572,307</u>	<u>\$55,627,143</u>
<b>FUND BALANCES</b>				
Reserved	\$1,781,583	\$18,541,573	(\$638,487)	\$19,684,669
Unreserved, designated	17,973,082	662,112	1,037,702	19,672,896
Unreserved, undesignated	8,989,564	0	0	8,989,564
Total Fund Balances	<u>\$28,744,229</u>	<u>\$19,203,685</u>	<u>\$399,215</u>	<u>\$48,347,129</u>
Total Liabilities and Fund Balances	<u>\$78,579,675</u>	<u>\$20,423,075</u>	<u>\$4,971,522</u>	<u>\$103,974,272</u>

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

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Capital Projects	Non-Major	Total
<b>REVENUES</b>				
Property Taxes	\$87,183,424	\$0	\$0	\$87,183,424
Income Taxes	61,471,674	0	0	61,471,674
Energy Taxes	1,472,360	0	0	1,472,360
Recordation Taxes	4,800,507	459,916	0	5,260,423
Transfer Taxes	0	4,389,061	0	4,389,061
Agricultural/Development Taxes	0	31,614	0	31,614
Impact Fees	0	2,000,562	0	2,000,562
Other Local Taxes	983,389	0	0	983,389
Highway User Revenues	6,564,822	0	0	6,564,822
Licenses and Permits	1,324,802	0	0	1,324,802
Intergovernmental	12,488,912	3,698,181	352,372	16,539,465
Charges for Services	5,450,165	0	0	5,450,165
Fines and Forfeitures	299,214	0	0	299,214
Special Assessments	0	0	195,592	195,592
Other Revenues	925,311	0	1,645,070	2,570,381
Sub-total	182,964,580	10,579,334	2,193,034	195,736,948
Pass-Throughs	923,208	0	0	923,208
<b>TOTAL GENERAL FUND REVENUES</b>	<b>\$183,887,788</b>	<b>\$10,579,334</b>	<b>\$2,193,034</b>	<b>\$196,660,156</b>
<b>EXPENDITURES</b>				
General Government	\$20,030,382	\$10,866,337	\$0	\$30,896,719
Public Safety	34,008,339	219,491	1,927,144	36,154,974
Public Works	8,215,494	4,758,689	0	12,974,183
Health	6,991,219	0	0	6,991,219
Social Services	4,458,381	692	0	4,459,073
Primary and Secondary Education	82,185,104	8,535,239	0	90,720,343
Post -Secondary Education	2,749,134	0	0	2,749,134
Parks, Recreation, and Culture	3,793,443	1,755,200	0	5,548,643
Libraries	2,224,799	0	0	2,224,799
Conservation of Natural Resources	365,678	0	0	365,678
Housing	1,366,689	0	0	1,366,689
Economic Development and Opportunity	2,184,050	1,900,031	0	4,084,081
Debt Service - Principal and Interest	11,924,790	0	230,224	12,155,014
Other	10,585,351	0	0	10,585,351
Sub-total	191,082,853	28,035,679	2,157,368	221,275,900
Pass-Throughs	923,208	0	0	923,208
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>\$192,006,061</b>	<b>\$28,035,679</b>	<b>\$2,157,368</b>	<b>\$222,199,108</b>
Excess of Revenues Over (Under) Expenditures	(\$8,118,273)	(\$17,456,345)	\$35,666	(\$25,538,952)
<b>OTHER FINANCING SOURCES AND USES</b>				
Exempt financing proceeds	\$1,778,443	\$0	\$0	\$1,778,443
State Loans	0	907,555	0	907,555
Capital Projects - General Fund Transfer	(1,000,000)	1,000,000	0	0
Construction in Progress - Wicomico Clubhouse	0	(2,494,798)	0	(2,494,798)
Subsidies to Enterprise Funds	(1,402,910)	0	0	(1,402,910)
Other/Private Funding Sources	40,047	25,876	0	65,923
Total Other Financing Sources / Uses	(\$584,420)	(\$561,367)	\$0	(\$1,145,787)
Net Increase/(Decrease) in Fund Balances	(\$8,702,693)	(\$18,017,712)	\$35,666	(\$26,684,739)
<b>FUND BALANCE</b>				
Beginning of the Year	\$37,446,922	\$36,444,734	\$363,549	\$74,255,205
Prior Period Adjustment	0	776,663	0	776,663
End of Year	<u>\$28,744,229</u>	<u>\$19,203,685</u>	<u>\$399,215</u>	<u>\$48,347,129</u>

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



The County Commissioners for St. Mary's County  
Reconciliations of the Governmental Funds to the Governmental Activities  
For the Year Ended June 30, 2009

Balances reflected as Fund Balance for Governmental Funds are different from Net Assets for Governmental Activities because:

Fund Balance - Governmental Funds	\$48,347,129
Capital assets, net of accumulated depreciation, are not reported in the Balance Sheet for Governmental Funds	208,027,170
Assets of interfunds are included in governmental activities in the statement of net assets	9,425,033
Prepaid OPEB is not reported in the Balance Sheet for governmental funds	16,172,623
Debt, including bonds, loans, capital leases and the long-term portion of compensated absences, is not reported in the Balance Sheet for Governmental Funds. The amount reflected here is net of mortgages receivable from St. Mary's Hospital of \$16,785,000, but does include debt applicable to assets reported in the component unit for the Board of Education	(96,769,947)
Net Assets - Governmental Activities	<u>\$185,202,008</u>

Amounts reported for change in Fund Balances - Governmental Funds are different from change in Net Assets of Governmental Activities because:

Net increase/(decrease) in fund balances - total governmental funds	(\$26,684,739)
Depreciation expense which is reported in the statement of activities, but not reflected as an expenditure for governmental activities	(8,040,395)
Issuance of long-term debt, excluding amounts which are offset by mortgages receivable from St. Mary's Hospital, and effect of refunding. This does include debt applicable to assets reported in the component unit for the Board of Education	(576,131)
Repayment of debt	10,004,274
Expenses of certain activities of interfunds are reported within governmental activities	(1,818,447)
Increase in prepaid OPEB is not reported with the Balance Sheet for governmental funds	6,000,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	22,806,087
Increase/(decrease) in net assets of governmental activities	<u>\$1,690,649</u>

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

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
BALANCE SHEET  
PROPRIETARY FUNDS  
JUNE 30, 2009

	Medical Adult Daycare	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
<b>ASSETS</b>					
<u>Current assets</u>					
Cash and cash equivalents	\$0	\$0	\$183,365	\$0	\$183,365
Due from other funds	0	183,047	417,523	129,436	730,006
Accounts receivable	87,781	15,412	15,687	56,862	175,742
Inventory	0	0	56,222	0	56,222
Total Current Assets	<u>\$87,781</u>	<u>\$198,459</u>	<u>\$672,797</u>	<u>\$186,298</u>	<u>\$1,145,335</u>
<u>Non-current assets</u>					
Capital assets (including capital assets transferred)	\$0	\$126,748	\$6,409,244	\$14,344,088	\$20,880,080
Accumulated depreciation	0	(126,629)	(1,866,795)	(1,576,807)	(3,570,231)
Capital assets, net of accumulated depreciation	<u>\$0</u>	<u>\$119</u>	<u>\$4,542,449</u>	<u>\$12,767,281</u>	<u>\$17,309,849</u>
Total Assets	<u><u>\$87,781</u></u>	<u><u>\$198,578</u></u>	<u><u>\$5,215,246</u></u>	<u><u>\$12,953,579</u></u>	<u><u>\$18,455,184</u></u>
<b>LIABILITIES</b>					
<u>Current liabilities</u>					
Due to other funds	\$22,524	\$0	\$0	\$0	\$22,524
Accounts payable	17,481	53,832	55,013	217,173	343,499
Compensation-related liabilities	260,432	88,777	277,330	228,680	855,219
Deferred revenue	1,392	157,858	120,418	0	279,668
<u>Noncurrent Liabilities</u>					
Due within one year	0	0	41,897	232,767	274,664
Due in more than one year	24,708	0	1,315,865	387,958	1,728,531
Total Liabilities	<u>\$326,537</u>	<u>\$300,467</u>	<u>\$1,810,523</u>	<u>\$1,066,578</u>	<u>\$3,504,105</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$0	\$119	\$3,266,470	\$12,227,963	\$15,494,552
Unrestricted	(238,756)	(102,008)	138,253	(340,962)	(543,473)
Total Net Assets	<u><u>(\$238,756)</u></u>	<u><u>(\$101,889)</u></u>	<u><u>\$3,404,723</u></u>	<u><u>\$11,887,001</u></u>	<u><u>\$14,951,079</u></u>
Total Liabilities and Net Assets	<u><u>\$87,781</u></u>	<u><u>\$198,578</u></u>	<u><u>\$5,215,246</u></u>	<u><u>\$12,953,579</u></u>	<u><u>\$18,455,184</u></u>

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

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	Medical Adult Daycare	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
<b>OPERATING REVENUES</b>					
Charges for Services	\$116,640	\$2,065,102	\$1,332,971	\$385,941	\$3,900,654
Environmental/Solid Waste Fees	0	0	0	2,272,980	2,272,980
	<u>\$116,640</u>	<u>\$2,065,102</u>	<u>\$1,332,971</u>	<u>\$2,658,921</u>	<u>\$6,173,634</u>
<b>OPERATING EXPENSES</b>					
Personal Services	\$507,387	\$1,179,823	\$803,716	\$969,834	\$3,460,760
Operating Supplies	56,990	219,926	293,351	47,500	617,767
Professional Services	55,360	270,154	84,215	1,254,916	1,664,645
Communications	0	18,574	3,608	4,570	26,752
Transportation	191,149	7,066	48,299	67,660	314,174
Rentals	0	149,406	919	28,118	178,443
Public Utilities	9,660	247,044	70,749	14,667	342,120
Other Operating Costs	971	9,159	57,062	0	67,192
Tipping Fees	0	0	0	1,142,701	1,142,701
Retirees' Health Benefits	0	0	79,947	50,002	129,949
Interest Expense	0	0	86,332	23,879	110,211
Equipment	1,030	10,764	17,706	2,649	32,149
Depreciation	0	1,637	117,173	205,027	323,837
Total operating expenses	<u>\$822,547</u>	<u>\$2,113,553</u>	<u>\$1,663,077</u>	<u>\$3,811,523</u>	<u>\$8,410,700</u>
Operating Income (Loss)	(\$705,907)	(\$48,451)	(\$330,106)	(\$1,152,602)	(\$2,237,066)
<b>Non-Operating Revenue</b>					
Other, principally interest income	\$0	\$28	\$9,064	\$0	\$9,092
Grants revenue	344,162	37,709	0	0	381,871
General fund subsidy	480,235	50,000	0	872,675	1,402,910
Increase/(Decrease) in net assets	<u>\$118,490</u>	<u>\$39,286</u>	<u>(\$321,042)</u>	<u>(\$279,927)</u>	<u>(\$443,193)</u>
<b>NET ASSETS</b>					
Beginning of the Year	(\$357,246)	(\$141,175)	\$3,725,765	\$12,537,956	\$15,765,300
Prior Period Adjustment	0	0	0	(371,028)	(371,028)
Beginning of the year restated	<u>(\$357,246)</u>	<u>(\$141,175)</u>	<u>\$3,725,765</u>	<u>\$12,166,928</u>	<u>\$15,394,272</u>
End of Year	<u>(\$238,756)</u>	<u>(\$101,889)</u>	<u>\$3,404,723</u>	<u>\$11,887,001</u>	<u>\$14,951,079</u>

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	Medical Adult Daycare	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Charges for Services	\$130,720	\$2,056,958	\$1,339,324	\$2,660,813	\$6,187,815
Personal Services	(462,012)	(1,186,827)	(747,908)	(878,279)	(3,275,026)
Other Expenses	(296,102)	(943,397)	(741,213)	(2,643,710)	(4,624,422)
Net Cash Provided (Used) By Operating Activities	<u>(\$627,394)</u>	<u>(\$73,266)</u>	<u>(\$149,797)</u>	<u>(\$861,176)</u>	<u>(\$1,711,633)</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Net change in interfund loans	(\$197,003)	(\$14,471)	\$615,492	\$584,235	\$988,253
Grant revenue	344,162	37,709	0	0	381,871
General Operating Subsidy	480,235	50,000	0	872,675	1,402,910
Net Cash Provided (Used) By Non-Capital and Related Financing Activities	<u>\$627,394</u>	<u>\$73,238</u>	<u>\$615,492</u>	<u>\$1,456,910</u>	<u>\$2,773,034</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Construction / purchase of capital assets	\$0	\$0	(\$713,199)	(\$371,028)	(\$1,084,227)
Principal payments on long-term debt	0	0	(58,070)	(224,706)	(282,776)
Net Cash Used by Capital and Related Financing Activities	<u>\$0</u>	<u>\$0</u>	<u>(\$771,269)</u>	<u>(\$595,734)</u>	<u>(\$1,367,003)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Other, principally interest income	<u>\$0</u>	<u>\$28</u>	<u>\$9,064</u>	<u>\$0</u>	<u>\$9,092</u>
Net Increase/(Decrease) in Cash	\$0	\$0	(\$296,510)	\$0	(\$296,510)
<b>CASH</b>					
Beginning of Year	0	0	479,875	0	479,875
End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$183,365</u>	<u>\$0</u>	<u>\$183,365</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	(\$705,907)	(\$48,451)	(\$330,106)	(\$1,152,602)	(\$2,237,066)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Depreciation	\$0	\$1,637	\$117,173	\$205,027	\$323,837
(Increase) decrease in accounts receivable	15,070	(3,482)	3,362	1,892	16,842
(Increase) decrease in inventory	0	0	(33,425)	0	(33,425)
Increase (decrease) in accounts payable	12,697	(11,304)	25,451	(13,271)	13,573
Increase (decrease) in compensation-related liabilities	51,736	(7,004)	64,757	97,778	207,267
Increase (decrease) in deferred revenue	(990)	(4,662)	2,991	0	(2,661)
Net Cash Provided (Used) By Operating Activities	<u>(\$627,394)</u>	<u>(\$73,266)</u>	<u>(\$149,797)</u>	<u>(\$861,176)</u>	<u>(\$1,711,633)</u>
<b>SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES</b>					
Total capital asset additions	\$0	\$0	(\$3,207,997)	\$0	(\$3,207,997)
Less transfer of assets from other funds	0	0	2,494,798	0	2,494,798
Prior period adjustment	0	0	0	(371,028)	(371,028)
Net cash used for purchase of capital assets	<u>\$0</u>	<u>\$0</u>	<u>(\$713,199)</u>	<u>(\$371,028)</u>	<u>(\$1,084,227)</u>

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

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS - SHERIFF'S OFFICE RETIREMENT PLAN  
JUNE 30, 2009

Sheriff's Office Retirement Plan

ASSETS

Cash and cash equivalents	\$5,538,898
Restricted cash and investments	<u>23,567,840</u>
Total Assets	<u>\$29,106,738</u>

NET ASSETS

Held in trust for pension benefits	<u>\$29,106,738</u>
Total Net Assets	<u>\$29,106,738</u>

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

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - SHERIFF'S OFFICE RETIREMENT PLAN  
FOR THE YEAR ENDED JUNE 30, 2009

Sheriff's Office Retirement Plan

ADDITIONS

Contributions - Employer	\$3,937,852
Contributions - Employee	898,116
	<u>\$4,835,968</u>
Interest and Dividends	\$926,159
Realized Loss	(1,718,717)
Net Unrealized Loss on Investments	<u>(4,023,577)</u>
	<u>(\$4,816,135)</u>
Net Additions	<u>\$19,833</u>

DEDUCTIONS

Benefits	(\$1,965,576)
Administrative	<u>(245,593)</u>
Total Deductions	<u>(\$2,211,169)</u>

Increase/(Decrease) in Net Assets	(\$2,191,336)
-----------------------------------	---------------

NET ASSETS

Beginning of Year	<u>31,298,074</u>
End of Year	<u>\$29,106,738</u>

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

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS - RETIREE BENEFIT TRUST OF ST. MARY'S COUNTY, MARYLAND  
JUNE 30, 2009

Retiree Benefit Trust of St. Mary's County, Maryland

ASSETS

Restricted cash and investments	<u>\$23,318,131</u>
Total Assets	<u>\$23,318,131</u>

NET ASSETS

Held in trust for other post-employment benefits	<u>\$23,318,131</u>
Total Net Assets	<u>\$23,318,131</u>

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



THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - RETIREE BENEFIT TRUST OF ST. MARY'S COUNTY, MARYLAND  
YEAR ENDED JUNE 30, 2009

Retiree Benefit Trust of St. Mary's County, Maryland

ADDITIONS

Contributions to the Trust Account - Employer	\$9,108,152
Payments to Retirees - Employer	1,649,723
Interest and Dividends	<u>206,183</u>

Net Additions	<u>\$10,964,058</u>
---------------	---------------------

DEDUCTIONS

Benefits Paid Directly to Retirees	<u>\$1,649,723</u>
Total Deductions	<u>\$1,649,723</u>

Increase/(Decrease) in Net Assets	\$9,314,335
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NET ASSETS

Beginning of Year	<u>14,003,796</u>
End of Year	<u>\$23,318,131</u>

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

**The County Commissioners for St. Mary's County**

**Index - Notes to Financial Statements**

**June 30, 2009**

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The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

1. Reporting entity and summary of significant accounting policies

Reporting entity

St. Mary's 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 the accounting 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.

The financial statements of the reporting entity include those of St. Mary's County Government (the primary government) and its component units. As defined by GASB Statement No. 14, 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 four organizations identified on the following page are considered component units of St. Mary's County Government. 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.

Discretely presented component units

For financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *Defining the Governmental Reporting Entity*. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

1. Reporting entity and summary of significant accounting policies (continued)

Discretely presented component units (continued)

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

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

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

St. Mary's County Building Authority Commission was created by the Maryland General Assembly as an instrumentality of the County to acquire title to property within St. Mary's County for construction, renovation, or rehabilitation. The Building Authority Commission currently owns and leases property to the State of Maryland and St. Mary's Nursing Center, Inc.

Board of Library Trustees for St. Mary's County 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  
43990 Commerce Avenue  
Hollywood, Maryland 20636

St. Mary's County Building Authority Commission  
41770 Baldrige Street  
P.O. Box 653, Chesapeake Building  
Leonardtown, Maryland 20650

Board of Library Trustees for St. Mary's County  
23250 Hollywood Road  
Leonardtown, Maryland 20650

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

1. Reporting entity and summary of significant accounting policies (continued)

Financial Statements

The financial statements of the County Commissioners for St. Mary's County, Maryland, (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements include various agencies, department organizations and offices which are legally part of St. Mary's County (the Primary Government) and the County's Component Units. As defined in GASB Statement Number 14, component units are legally separate organizations for which the County is financially accountable or for which their relationship with the County is of such significance that exclusion would cause the County's financial statements to be misleading. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth in GASB Statement Number 14. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

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 Parks, Medical Adult Daycare, the Wicomico Golf Course and Solid Waste and Recycling are classified as business-type activities.

Government-wide Statements

The government-wide financial statements (i.e., the Statement of Net Assets 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 assets resulting from the current year's activities. In the government-wide Statement of Net Assets, 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 assets are reported in three parts – (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. Net assets should be reported as restricted when constraints placed on net asset 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 assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use. When both restricted and unrestricted resources are available for use, the County utilizes restricted resources to finance qualifying activities first, then unrestricted resources as they are needed.

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

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

1. Reporting entity and summary of significant accounting policies (continued)

Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, 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.

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 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.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are similar to those applicable to businesses in the private sector. 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. The reporting focus for fiduciary funds is on net assets and changes in net assets and accounting principles used are similar to proprietary funds.

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

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

1. Reporting entity and summary of significant accounting policies (continued)

Basis of Accounting and Measurement Focus

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.

Basis of Accounting

- 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.

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 governmental 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 funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (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 assets.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

1. Reporting entity and summary of significant accounting policies (continued)

Accounting policies

The financial statements of The County Commissioners for St. Mary's County have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in the GAAP and used by the County are discussed below.

Fund accounting

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.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

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).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

The amount of grant funds passed through the County to Walden Sierra, Inc., Three Oaks Homeless Shelter, So. MD Tri-County Community Action Committee, Catholic Charities, Department of Social Services, Tri-County Youth Services Bureau, Leah's House, Mechanicsville Volunteer Fire Department, and St. Mary's County Housing Authority for the fiscal year ended June 30, 2009 totaled \$923,208. These pass-through grants are recorded as pass-through revenues and expenditures in the amount of \$923,208 on the Statement of Revenues and Expenditures.



The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

1. Reporting entity and summary of significant accounting policies (continued)

Budget and budgetary accounting

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

- a. Prior to April 1 of each year, The County Commissioners for St. Mary's County shall have prepared a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. The budget is legally enacted through passage of an ordinance by June 1.
- d. All revisions that alter the expenditures of each fund must be approved by The County Commissioners for St. Mary's 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 (GAAP) 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 Commissioners for St. Mary's County.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Cash, cash equivalents and investments

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

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

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

1. Reporting entity and summary of significant accounting policies (continued)

Cash, cash equivalents and investments (continued)

Investments in both the Pension Trust Fund of the Sheriff's Department Retirement Plan 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 offset by a fund balance reservation, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Inventory and prepaid expenditures

Inventory is valued at the lower of cost (first-in, first-out) 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 fund balance reservation, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

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 fund balance reservation, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Full-time employees can earn annual leave at a rate of from ten days per year (one through five years of service) up to a maximum of twenty-five days per year (if over twenty years of service). Leave for permanent part-time employees is prorated according to the number of hours worked.

There are no requirements that annual leave be taken; however, the maximum permissible accumulation to be carried into the new calendar year is forty-five days for full-time employees and twenty-two and one-half days for permanent part-time employees. At termination, employees are paid for any accumulated annual leave.

Full-time and permanent part-time employees earn sick leave based upon the number of hours worked, with a maximum of fifteen days earned per year. There is no limit to the accumulation of sick leave. At termination, employees are not paid for accumulated sick leave, nor is credit provided for employees that retire on early retirements. However, at regular retirement, employees who have been employed by the County for five years are eligible to receive service credit at a rate of one month for every twenty days of unused sick leave. Persons that are reinstated in the County service within one year from the time of their separation shall receive full credit for all sick leave accumulated at time of separation.

Full-time employees are entitled to compensatory time off for work performed in excess of the normal work period. Compensatory leave should be used within a reasonable period; however, the maximum permissible accumulation to be carried into the new calendar year is 240 hours for non-law enforcement employees and 480 hours for law enforcement employees and correctional officers. At termination, employees are paid for any accumulated compensatory leave at the higher rate of the average regular rate received by the employee during the last three years or the final regular rate received by such employee.

Use of estimates

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

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

1. Reporting entity and summary of significant accounting policies (continued)

Budget basis of accounting

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

A reconciliation of the revenues and expenditures of the general fund from the budgetary basis to the GAAP basis is as follows:

	Net Change in Fund Balance	End of Year Fund Balance
Budgetary Basis – General Fund	\$1,699,713	\$26,197,490
Minor revolving funds and general financing that relate to activities resulting from fees, fines, and other revenue sources that are not an element of the budget basis reporting	26,272	696,387
Beginning of year encumbrances, rolled into FY2009	(692,160)	0
Appropriation from prior year rolled to FY2009 in order to cover the encumbrances. This is reflected in the revised budget appropriations for FY2009	692,160	692,160
Budgeted use of fund balance	(11,586,870)	0
Increase in bond rating reserve	501,416	501,416
End of year encumbrances included in budget basis expenditures, not included for GAAP	<u>656,776</u>	<u>656,776</u>
GAAP Basis	<u>(\$8,702,693)</u>	<u>\$28,744,229</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

1. Reporting entity and summary of significant accounting policies (continued)

Basis of presentation

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

Capital assets

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

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

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

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

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

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
Other infrastructure	10-50 years

Component Units

St. Mary's County Public Schools

Buildings and improvements	20-50 years
Furniture and equipment	5-15 years
Property under financing agreements	5-50 years

Board of Library Trustees for St. Mary's County

Furnishings and equipment	5 years
Vehicles	5 years
Books	7 years

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

1. Reporting entity and summary of significant accounting policies (continued)

Capital assets (continued)

Component Units (continued)

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	25 years

St. Mary's County Building Authority Commission

Buildings	40 years
Furniture and equipment	10 years

Inventory

Inventory is valued at the lower of cost (first-in, first-out method) or market. The inventories are recorded as expenditures when consumed rather than when purchased. Governmental fund-type inventories are offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources," even though they are a component of net current assets.

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 assets, or proprietary fund type balance sheet. Bond premiums and discounts, as well as issuance cost, are deferred and amortized over the life of the bond.

2. Deficit fund equity

Non-major governmental funds – The deficits in the non-major governmental funds arise primarily because of the application of accounting principles generally accepted in the United States of America to the financial reporting of such funds. Special assessments are recognized as revenue only to the extent that individual installments are considered current assets. Expenditures, however, are recognized at the time liabilities are incurred. The deficit will be reduced and eliminated as deferred assessment installments are assessed and collected.

Proprietary funds – As has been the case in prior fiscal years, the deficit in the Medical Adult Daycare Fund was again significantly reduced in FY 2009 by a budget transfer from the general fund of \$480,235. The Board recognizes that additional and recurring funds will be required to subsidize this activity. The FY2010 approved budget includes \$250,000 to address the deficit accumulated as of June 30, 2009, and also increases the subsidy budgeted for FY2010. Further, the Board has determined that County operation of the Medical Adult Daycare Center will cease, and the programs will be privatized by July 1, 2010.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

3. 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 funds, are stated at fair value. Fair value is based on quoted market prices at year end or best available estimate. All investments not required to be reported at fair value are stated at cost or amortized cost.

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

Cash Deposits

At year end, the carrying amount of the County's deposits was \$41,841,209 and the collected bank balance was \$42,896,985. Of the collected bank balance, \$706,758 was covered by Federal Deposit Insurance Corporation (FDIC), and \$42,190,227 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 County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

3. Cash, cash equivalents and investments (continued)

Primary Government (continued)

Investments (continued)

At year end, the County's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>
U.S. government securities - Treasuries	\$41,861,659
Maryland Local Government Investment Pool (MLGIP)	28,517,442
Retirement Benefit Trust (OPEB) – (MLGIP)	28,318,131
Pension investments – Sheriff's Office Retirement Plan	
Cash	5,538,899
Fixed income	
Government and agencies	4,066,865
Bond Funds	5,498,477
Corporate bonds and notes	214,899
Equity mutual funds	1,649,616
Preferred stock	16,170
Common stock	7,467,756
Venture/Limited Partnership/Closely Held	<u>4,654,056</u>
Subtotal – Sheriff's Office Retirement Plan	<u>\$ 29,106,738</u>
Total investments	<u>\$127,803,970</u>

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.

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.

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

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

3. Cash, cash equivalents and investments (continued)

Investments (continued)

Component Units

St. Mary's County Public Schools

Custodial credit risk

Custodial credit risk for deposits is the risk that in the event of bank failure, the School System's deposits may not be returned to it. Maryland State Law prescribes that local government units such as the School System must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2009, all of the School System's deposits 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.

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, or the State's sponsored investment pool.

At June 30, 2009 short-term investments consist primarily of deposits in the MLGIP. The MLGIP is rated "AAA" by Standard and Poor's (their highest rating). The carrying amount and market value were \$27,727,081, \$403,326, and \$940,522 for governmental activities, business-type activities, and fiduciary responsibilities, respectively.

Board of Library Trustees for St. Mary's County

Cash deposits and investments

Statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

At June 30, 2009, the carrying amount of the Library's deposits was \$7,067, and the bank balances totaled \$6,717. The total bank balance was covered by federal deposit insurance.

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.

	<u>Carrying Amount</u>	<u>Market Value</u>
Unrestricted:		
Investment in Maryland Local Government Investment Pool	<u>\$231,298</u>	<u>\$231,298</u>
Restricted:		
The Vanguard Group	\$ 99,324	\$ 99,324
PNC Bank – Savings account	<u>1,292</u>	<u>1,292</u>
Board - restricted fund	<u>\$100,616</u>	<u>\$100,616</u>



The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

3. Cash, cash equivalents and investments (continued)

Component Units (continued)

Board of Library Trustees for St. Mary's County (continued)

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

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

St. Mary's County Metropolitan Commission

Deposits and investments

Deposits

The carrying amount of MetCom's deposits was \$3,863,157 at June 30, 2009, and the bank balances were \$3,771,506. Of the bank balances, \$250,000 was covered by federal depository insurance at June 30, 2009, with the remaining \$3,521,506 adequately covered by collateral. State statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

Cash and cash equivalents consisted of the following:

Investments	\$ 4,256,063
Cash	3,863,157
Petty cash	<u>450</u>
	<u>\$ 8,119,670</u>

Investments

State statutes authorize MetCom to invest in obligations of the United States government, federal government agency obligations, and repurchase agreements secured by direct government or agency obligations. All of the funds were invested in the Maryland Local Government Investment Pool (MLGIP) which qualifies under the statutes. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating).

Investments in the Maryland Local Government Investment Pool, an external investment pool, are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk.

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

	<u>Carrying Amount</u>	<u>Market Value</u>
MLGIP	<u>\$ 4,256,063</u>	<u>\$ 4,256,063</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

4. Changes in capital assets

Primary Government

A summary of changes in capital assets is as follows:

	Balance June 30, 2008	Additions	Transfers	Disposals	Balance June 30, 2009
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$24,805,834	\$6,255,875	\$0	\$0	\$31,061,709
Construction In Progress	8,462,494	0	(3,666,120)	0	4,796,374
911 system & equipment	1,423,733	0	0	0	1,423,733
<b>Total capital assets not being depreciated</b>	<b>\$34,692,061</b>	<b>\$6,255,875</b>	<b>(\$3,666,120)</b>	<b>\$0</b>	<b>\$37,281,816</b>
Capital assets being depreciated:					
Buildings & improvements	\$85,698,615	\$8,457,171	\$0	\$0	\$94,155,786
Computer equipment	1,951,984	33,491	0	0	1,985,475
Other Equipment	251,481	0	0	0	251,481
Vehicles - licensed	9,722,391	1,977,003	0	(326,896)	11,372,498
Off-road vehicles	1,742,959	61,063	0	0	1,804,022
Miscellaneous equipment	2,801,847	398,850	0	0	3,200,697
Roads	123,643,527	8,043,775	0	0	131,687,302
Curbing	946,791	0	0	0	946,791
Sidewalks	917,168	0	0	0	917,168
Guardrails	851,050	136,834	0	0	987,884
Airport infrastructure	4,457,532	131,061	0	0	4,588,593
Airport equipment	514,808	0	0	0	514,808
Baseball fields	707,680	0	0	0	707,680
Bridges	4,934,791	131,800	0	0	5,066,591
Parks & recreation	11,463,832	845,284	0	0	12,309,116
Marinas & docks	7,956,153	0	0	0	7,956,153
Irrigation systems	179,714	0	0	0	179,714
Signage	475,433	0	0	0	475,433
Parking lots	234,644	0	0	0	234,644
911 system & equipment	7,848,948	0	0	0	7,848,948
<b>Total capital assets being depreciated</b>	<b>\$267,301,348</b>	<b>\$20,216,332</b>	<b>\$0</b>	<b>(\$326,896)</b>	<b>\$287,190,784</b>
Accumulated depreciation for:					
Buildings & improvements	(\$30,915,438)	(\$1,547,555)	\$0	\$0	(\$32,462,993)
Computer equipment	(1,575,355)	(189,499)	0	0	(1,764,854)
Other Equipment	(79,160)	(14,332)	0	0	(93,492)
Vehicles - licensed	(6,947,283)	(744,909)	0	326,896	(7,365,296)
Off-road vehicles	(1,109,886)	(152,457)	0	0	(1,262,343)
Miscellaneous equipment	(1,552,619)	(278,241)	0	0	(1,830,860)
Roads	(50,037,723)	(3,836,631)	0	0	(53,874,354)

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

4. Changes in capital assets (continued)

Primary Government (continued)

	Balance June 30, 2008	Additions	Transfers	Disposals	Balance June 30, 2009
Accumulated depreciation for: (continued)					
Curbing	(\$585,035)	(\$26,144)	\$0	\$0	(\$611,179)
Sidewalks	(364,398)	(21,371)	0	0	(385,769)
Guardrails	(349,373)	(21,057)	0	0	(370,430)
Airport infrastructure	(4,399,007)	(15,894)	0	0	(4,414,901)
Airport equipment	(514,808)	0	0	0	(514,808)
Baseball fields	(342,891)	(14,027)	0	0	(356,918)
Bridges	(1,941,410)	(100,826)	0	0	(2,042,236)
Parks & recreation	(1,938,525)	(373,027)	0	0	(2,311,552)
Marinas & docks	(3,242,977)	(255,834)	0	0	(3,498,811)
Irrigation systems	(97,601)	(3,716)	0	0	(101,317)
Signage	(356,203)	(16,112)	0	0	(372,315)
Parking lots	(118,007)	(8,639)	0	0	(126,646)
911 equipment	(2,264,232)	(420,124)	0	0	(2,684,356)
Total accumulated depreciation	(\$108,731,931)	(\$8,040,395)	\$0	\$326,896	(\$116,445,430)
Total capital assets being depreciated, net	\$158,569,417	\$12,175,937	\$0	\$0	\$170,745,354
Governmental activities capital assets, net	\$193,261,478	\$18,431,812	(\$3,666,120)	\$0	\$208,027,170
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$1,078,666	\$0	\$0	\$0	\$1,078,666
Construction in progress	1,818,447	676,351	(2,494,798)	0	0
Solid waste facilities	11,522,871	0	0	0	11,522,871
Total capital assets not being depreciated	\$14,419,984	\$676,351	(\$2,494,798)	\$0	\$12,601,537
Capital assets being depreciated:					
Buildings & improvements	\$1,841,974	\$2,482,310	\$0	\$0	\$4,324,284
Computer equipment	44,700	12,488	0	0	57,188
Other Equipment	39,359	0	0	0	39,359
Vehicles - Licensed	1,959,953	0	0	(9,330)	1,950,623
Off-road vehicles	1,008,149	36,848	0	0	1,044,997
Miscellaneous equipment	352,106	0	0	0	352,106
Irrigation systems	509,986	0	0	0	509,986
Total capital assets being depreciated	\$5,756,227	\$2,531,646	\$0	(\$9,330)	\$8,278,543
Accumulated depreciation for:					
Buildings & improvements	(\$1,089,594)	(\$67,841)	\$0	\$0	(\$1,157,435)
Computer equipment	(44,700)	(1,249)	0	0	(45,949)
Other Equipment	(37,726)	(130)	0	0	(37,856)
Vehicles - Licensed	(1,116,364)	(129,755)	0	9,330	(1,236,789)
Off-road vehicles	(400,788)	(101,621)	0	0	(502,409)
Miscellaneous equipment	(337,731)	(6,547)	0	0	(344,278)
Irrigation systems	(228,821)	(16,694)	0	0	(245,515)
Total accumulated depreciation	(\$3,255,724)	(\$323,837)	\$0	\$9,330	(\$3,570,231)
Total capital assets being depreciated, net	\$2,500,503	\$2,207,809	\$0	\$0	\$4,708,312
Business-type activities capital assets, net	\$16,920,487	\$2,884,160	(\$2,494,798)	\$0	\$17,309,849

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

4. Changes in capital assets (continued)

Primary Government (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General Government	\$1,022,265
Public Safety	1,362,936
Public Works	4,706,367
Social Services	109,220
Primary and Secondary Education	13,410
Post -Secondary Education	42,285
Parks, Recreation, and Culture	586,361
Libraries	192,620
Economic Development and Opportunity	4,931
Total Depreciation - Governmental Activities	<u><u>\$8,040,395</u></u>

Business-Type Activities

Recreation Activity Fund	\$ 1,637
Wicomico	117,173
Solid Waste/Recycling	205,027
Total Depreciation - Business-Type Activities	<u><u>\$323,837</u></u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

4. Changes in capital assets (continued)

Component Units

St. Mary's County Public Schools

Capital Assets

Capital asset activity for the year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Additions/Transfers	Deletions/Transfers	Balance June 30, 2009
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,157,451	\$ 0	\$ 57,643	\$ 2,215,094
Land under financing agreement	387,841	0	(57,643)	330,198
Facilities under construction	24,605,951	18,032,456	(19,180,659)	23,457,748
	27,151,243	18,032,456	(19,180,659)	26,003,040
Capital assets being depreciated:				
Buildings and improvements	270,363,873	0	19,647,040	290,010,913
Furniture and equipment	5,416,651	312,376	(77,840)	5,651,187
Furniture and equipment under financing agreements	3,994,703	0	(703,581)	3,291,122
	279,775,227	312,376	18,865,619	298,953,222
Accumulated depreciation for:				
Buildings and improvements, including facilities under capital lease	(79,480,930)	(6,370,113)	0	(85,851,043)
Furniture and equipment, including equipment under financing agreements	(3,164,770)	(572,414)	230,799	(3,509,685)
	(82,645,700)	(6,945,827)	230,799	(89,360,728)
Governmental activities capital assets, net	\$224,280,770	\$ 11,399,005	\$ (84,241)	\$235,595,534
Business-type activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 1,340,398	\$ 12,857	\$ 0	\$ 1,353,255
Accumulated depreciation for:				
Furniture and equipment	(643,729)	(92,035)	0	(735,764)
Business-type activities capital Assets, net	\$ 696,669	\$ (79,178)	\$ 0	\$ 617,491

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

4. Changes in capital assets (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Capital Assets (continued)

Depreciation expense was charged in the Statement of Activities for the year ended June 30, 2009, as follows:

Governmental activities:

Administration	\$ 81,403
Mid-Level Administration	34,929
Other Instructional Costs	175,320
Special Education	10,563
Student Personnel Services	398
Student Transportation Services	135,816
Operation of Plant	6,503,518
Maintenance of Plant	<u>3,880</u>
Total governmental activities depreciation expense	<u>\$ 6,945,827</u>

Business-type activities:

Food Services	<u>\$ 92,035</u>
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Board of Library Trustees for St. Mary's County

Capital assets and depreciation

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Capital assets:				
Furnishings and Equipment	\$ 916,628	\$ 100,593	\$ 0	\$ 1,017,221
Vehicles	33,102	0	0	33,102
Books	<u>2,831,901</u>	<u>420,237</u>	<u>0</u>	<u>3,252,138</u>
	<u>\$ 3,781,631</u>	<u>\$ 520,830</u>	<u>\$ 0</u>	<u>\$ 4,302,461</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

4. Changes in capital assets (continued)

Component Units (continued)

Board of Library Trustees for St. Mary's County (continued)

Capital assets and depreciation (continued)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Accumulated depreciation:				
Furnishings and Equipment	\$ 843,454	\$ 45,302	\$ 0	\$ 888,756
Vehicles	25,151	3,180	0	28,331
Books	<u>1,845,724</u>	<u>321,375</u>	<u>0</u>	<u>2,167,099</u>
	<u>2,714,329</u>	<u>369,857</u>	<u>0</u>	<u>3,084,186</u>
Net capital assets	<u>\$1,067,302</u>	<u>\$ 150,973</u>	<u>\$ 0</u>	<u>\$1,218,275</u>

Governmental activities depreciation expense of \$369,857 was charged to Library services.

St. Mary's County Building Authority Commission

Capital assets

Capital assets at June 30, 2009 consisted of the following:

	Balance June 30, 2008	Additions	Balance June 30, 2009
Capital assets:			
Nursing Home building	\$ 8,846,238	\$ 0	\$ 8,846,238
State Office building	8,673,157	0	8,673,157
Furniture and equipment	<u>13,387</u>	<u>0</u>	<u>13,387</u>
	<u>\$ 17,532,782</u>	<u>\$ 0</u>	<u>\$ 17,532,782</u>
Accumulated depreciation:			
Nursing Home building	4,070,760	201,156	4,291,916
State Office building	3,980,962	216,829	4,197,791
Furniture and equipment	<u>13,387</u>	<u>0</u>	<u>13,387</u>
	<u>\$ 8,065,109</u>	<u>\$ 437,985</u>	<u>\$ 8,503,094</u>
Net capital assets	<u>\$ 9,467,673</u>	<u>(\$ 437,985)</u>	<u>\$ 9,029,688</u>

Depreciation expense of \$437,985 was charged to activities for the fiscal year ended June 30, 2009. There were no additions or deletions of capital assets during the fiscal year ended June 30, 2009.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

4. Changes in capital assets (continued)

St. Mary's County Metropolitan Commission

Capital assets and depreciation

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Capital assets:				
Utility plants	\$75,771,536	\$ 4,027,139	\$ 0	\$79,798,675
Water plant systems	17,881,970	1,907,887	0	19,789,857
Equipment	5,730,349	836,926	321,404	6,245,871
Capitalized interest	818,201	0	0	818,201
Buildings	<u>1,461,505</u>	<u>0</u>	<u>0</u>	<u>1,461,505</u>
Subtotal	101,663,561	6,771,952	321,404	108,114,109
Not being depreciated:				
Utility plant construction in process	2,311,778	1,751,185	481,523	3,581,440
Water plant construction in process	1,030,256	2,201,168	283,696	2,947,728
Land/land rights	<u>595,037</u>	<u>3,000</u>	<u>0</u>	<u>598,037</u>
	<u>105,600,632</u>	<u>10,727,305</u>	<u>1,086,623</u>	<u>115,241,314</u>
Accumulated depreciation:				
Utility plants	25,496,815	1,634,564	0	27,131,379
Water plant systems	4,645,569	490,463	0	5,136,032
Equipment	3,113,108	486,576	321,404	3,278,280
Capitalized interest	220,914	16,364	0	237,278
Buildings	<u>615,779</u>	<u>55,309</u>	<u>0</u>	<u>671,088</u>
	<u>34,092,185</u>	<u>2,683,276</u>	<u>321,404</u>	<u>36,454,057</u>
Net capital assets	<u>\$71,508,447</u>	<u>\$ 8,044,029</u>	<u>\$ 765,219</u>	<u>\$78,787,257</u>

Depreciation expense of \$2,683,276 was charged to activities as follows:

Sewer activities	\$ 1,877,835
Water activities	666,204
Engineering activities	51,622
Administrative	<u>87,615</u>
Total	<u>\$ 2,683,276</u>



The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

5. 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 that taxes remain unpaid beginning October 1 on accounts under the annual payment option or January 1 for accounts under the semiannual payment option. Maryland law grants the Treasurer of St. Mary's County the power to immediately advertise and sell any real property after the taxes are delinquent for a period of one year. Property taxes are levied at rates enacted by the Commissioners in the annual budget based on the assessed value of the property as determined by the Maryland State Department of Assessments and Taxation, an agency of the government of the State of Maryland. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and, then only after public hearings. The real property tax rate during the year ended June 30, 2009, was \$.857 per \$100 of assessed value based on the full valuation method. The personal property tax rate during the year ended June 30, 2009 was \$2.1425 per \$100 of assessed value. The County bills and collects all property taxes.

A 100% allowance for uncollectibles is established for prior year taxes receivable. County property tax receivable as of June 30, 2009, net of the allowance for uncollectibles of \$445,682, is \$3,015,677 (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).

6. Special tax assessment receivable and deferred 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 deferred 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 deferred 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 net current assets. The current portion of the special assessment receivable is considered available spendable resources.

As of June 30, 2009, there were no delinquent special assessment receivables due from taxpayers.

Component Units

St. Mary's County Public Schools

General Fund

Deferred revenue consists primarily of the retrospective insurance premium refund and workers compensation insurance dividend totaling \$105,052 which will be collected subsequent to June 30, 2009, but is not available soon enough to pay for the current period's expenditures, and therefore is deferred. The remaining deferred revenue consists of revenues received under restricted programs in excess of the expenditures under those programs at June 30, 2009, of \$532,124, and summer school tuition of \$39,000 which is collected in advance of the corresponding expenditures which do not occur until the following fiscal year.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

6. Special assessment receivable and deferred revenue (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Enterprise Fund

Deferred revenue consists of commodities in the amount of \$92,356, donated by the Federal government and included in inventory at June 30, 2009. The remaining deferred revenue of \$74,115 represents student lunch ticket sales collected in advance for lunches which will be consumed by students in fiscal year 2010.

Capital Projects Fund

Deferred revenue consists of revenue received in advance from the County for expenditures associated with relocatable classrooms of \$111,644.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations

Primary Government

Governmental Activities

	June 30, 2008	Additions	Deductions	Principal Repayment	June 30, 2009	Amounts due within one year
General Obligation Bonds - County	\$89,935,000	\$0	\$0	(\$7,735,000)	\$82,200,000	\$7,260,000
Water Quality Loans	5,163,120	0	0	(518,962)	4,644,158	527,549
State Loans	1,789,103	200,000	0	(83,820)	1,905,283	81,006
Surplus Property Transfer of Debt	241,664	0	0	(45,275)	196,389	47,407
Exempt Financing	5,048,967	0	0	(1,421,217)	3,627,750	1,395,977
	<u>\$102,177,854</u>	<u>\$200,000</u>	<u>\$0</u>	<u>(\$9,804,274)</u>	<u>\$92,573,580</u>	<u>\$9,311,939</u>
General Obligation Bonds, sold on behalf of St. Mary's Hospital	<u>\$18,190,000</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,405,000)</u>	<u>\$16,785,000</u>	<u>\$880,000</u>
Landfill Post-Closure Costs	\$2,000,000	\$0	\$200,000	\$0	\$1,800,000	\$0
Compensated Absences (Long-Term)	3,779,898	363,901	0	0	4,143,799	25,476
	<u>\$5,779,898</u>	<u>\$363,901</u>	<u>\$200,000</u>	<u>\$0</u>	<u>\$5,943,799</u>	<u>\$25,476</u>
Total	<u>\$126,147,752</u>	<u>\$563,901</u>	<u>\$200,000</u>	<u>(\$11,209,274)</u>	<u>\$115,302,379</u>	<u>\$10,217,415</u>
Less: Amount Deferred on Refunding	<u>(\$1,759,662)</u>	<u>\$12,445</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,747,217)</u>	<u>(\$12,890)</u>
Amount Reported in Statement of Net Assets	<u>\$124,388,090</u>	<u>\$576,346</u>	<u>\$200,000</u>	<u>(\$11,209,274)</u>	<u>\$113,555,162</u>	<u>\$10,204,525</u>

Business-Type Activities

Exempt Financing	\$2,098,072	\$0	\$0	(\$282,778)	\$1,815,294	\$274,664
Compensated Absences (Long-Term)	166,366	21,535	0	0	187,901	0
Amount Reported in Statement of Net Assets	<u>\$2,264,438</u>	<u>\$21,535</u>	<u>\$0</u>	<u>(\$282,778)</u>	<u>\$2,003,195</u>	<u>\$274,664</u>

For governmental activities, compensated absences are generally liquidated by the governmental fund to which the liability relates.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. 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 July 15, 2001, The County Commissioners for St. Mary's County issued Consolidated Public Improvement Bonds in the amount of \$25,000,000. The bonds bear interest at rates of 4-5.50% per annum, payable January 1 and July 1, beginning January 1, 2002. Principal payments of varying amounts are payable July 1, commencing July 1, 2002.

On January 15, 2002, the County issued General Obligation Bonds (\$20,755,000 Consolidated Public Improvement Refunding Bonds and \$20,000,000 General Obligation Hospital Bonds). The Hospital Bonds were issued to fund a loan by the County to St. Mary's Hospital of St. Mary's County (the "Hospital"). The Hospital will apply the proceeds of such loan to fund capital improvements to its facility in Leonardtown, MD, including the construction of approximately 67,000 square feet of new space, the renovation of approximately 40,000 square feet of existing space, and site and infrastructure improvements. The Refunding Bonds will mature on October 1, in 17 annual serial installments, beginning in the year 2003 and ending with the year 2019. Interest on the Bonds is payable semiannually on each April 1 and October 1 to maturity with an average interest rate of 4.17% (Hospital Bonds of 2003) and 3.86% (Refunding Bonds of 2003).

The Refunding Bonds were issued to currently refund all outstanding maturities of the County's Public Facilities Bonds of 1988, and to advance refund the callable maturities of the County's Consolidated Public Improvement Bonds of 1999 (collectively, the "Refunded Bonds"), provided however, that the County reserves the right not to refund some or all of the maturities of the Refunded Bonds if appropriate levels of savings cannot be achieved.

The proceeds of the Refunding Bonds will be applied to the purchase of non-callable direct obligations of the United States of America ("Government Obligations") and used to pay certain expenses of the County related to the issuance and disposition of the proceeds of the Refunding Bonds.

On August 15, 2003, the County issued Public Facilities and Refunding Bonds of 2003 in the principal amount of \$33,985,000. The bonds mature on November 1, in twenty annual installments, beginning in 2004 and ending in 2023. Interest rates on the bonds range from 2.75% to 4.75%, with a true interest cost of approximately 3.99%. Interest is payable on May 1, 2004 and semiannually thereafter on each May 1 and November 1 to maturity.

The bonds may be prepaid at the following premiums:

<u>Period</u>	<u>Price</u>
November 1, 2013 through October 31, 2014	101%
November 1, 2014 through October 31, 2015	100-1/2 %
After November 1, 2015	100%

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

General obligation bonds (continued)

The County Bonds were issued to (1) pay a portion of the costs of financing certain capital projects of the County, (2) currently refund all outstanding maturities of the County's Public Facilities Bonds of 1991 and Public Facilities Bonds of 1993 (collectively, the "Currently Refunded County Bonds"), (3) advance refund the callable maturities only of the County's Public Facilities Bonds of 1995 (the "Advance Refunded County Bonds" and, together with the Currently Refunded County Bonds, the "Refunded County Bonds"), and (4) pay costs of issuance.

On March 8, 2005, the County issued General Obligation Bonds (\$16,260,000 Consolidated Public Improvement Bonds). The Consolidated Public Improvement Bonds will mature on March 1, in 20 annual serial installments, beginning in the year 2006 and ending with the year 2025. Interest on the Bonds is payable semiannually on each March 1 and September 1 to maturity with an average interest rate of 3.80%.

The County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase United States government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of June 30, 2009, the amount of debt outstanding removed from long-term debt amounted to \$18,495,000.

On February 28, 2008, the County did a current refunding of part of the 1997 General Obligation Consolidated Public Improvement and Refunding Bonds with the same maturity date ending in fiscal year 2012 with an annual interest rate of 2.4%. The estimated savings of principal and interest are \$399,579. The remaining balance on the 1997 General Obligation Consolidated Public Improvement and Refunding Bonds as of June 30, 2009 is \$1,815,000.

2001 Maryland Water Quality Loan

On September 29, 2000, The County Commissioners for St. Mary's County entered into an agreement with the Maryland Water Quality Financing Administration to borrow an amount not to exceed \$3,338,383 for landfill post-closure costs, St. Andrews Landfill area B, cells 1, 2 and 4. The final loan amount has been determined and a new amortization schedule has been formally placed in effect. The loan bears interest at a rate of 2.4% per annum payable semiannually. Principal payments are due annually through 2016 starting February 1, 2002. The annual requirements to amortize the Maryland Water Quality Loan as of June 30, 2009, based on the final loan amount of \$3,225,318, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
2010	\$ 226,708	\$ 38,228	\$12,753	\$ 277,689
2011	232,149	32,787	12,753	277,689
2012	237,721	27,215	12,753	277,689
2013	243,426	21,510	12,753	277,689
2014	249,268	15,668	12,753	277,689
2015-2016	<u>403,562</u>	<u>13,245</u>	<u>25,505</u>	<u>442,312</u>
	<u>\$1,592,834</u>	<u>\$148,653</u>	<u>\$89,270</u>	<u>\$1,830,757</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

2004 Maryland Water Quality Loan

On May 26, 2004, The County Commissioners for St. Mary's County entered into an agreement with the Maryland Water Quality Financing Administration to borrow an amount not to exceed \$4,332,759 for landfill post-closure costs, St. Andrews Landfill area B, cells 3 and 5. The final loan amount has been determined and a new amortization schedule has been formally placed in effect. The loan bears an interest rate of 1.10% per annum, payable semiannually. Principal payments are due annually through 2019 beginning February 1, 2006. The annual requirements to amortize the Maryland Water Quality Loan as of June 30, 2009, based on the final loan amount of \$4,222,304, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
2010	\$ 300,841	\$ 33,564	\$ 11,448	\$ 345,853
2011	304,150	30,255	11,448	345,853
2012	307,495	26,910	11,448	345,853
2013	310,878	23,527	11,448	345,853
2014	314,298	20,107	11,448	345,853
2015-2019	<u>1,513,662</u>	<u>47,912</u>	<u>57,239</u>	<u>1,618,813</u>
	<u>\$3,051,324</u>	<u>\$182,275</u>	<u>\$114,479</u>	<u>\$3,348,078</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

2005 Exempt Financing Equipment Lease

On June 28, 2005, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow \$1,486,887 for the purchase of vehicles. The lease bears interest at a rate of 3% per annum, payable monthly through 2010. Payments are due monthly starting July 28, 2005. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. 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 2005 Equipment Lease as of June 30, 2009, based on the final lease amount of \$1,486,887, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$250,243	\$4,907	\$255,150
	<u>\$250,243</u>	<u>\$4,907</u>	<u>\$255,150</u>

2006 Exempt Financing Equipment Lease

On May 25, 2006, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow \$1,627,500 for the purchase of vehicles. The lease bears interest at a rate of 4.12% per annum, payable monthly through 2011. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. 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 2006 Equipment Lease (governmental activities portion only) as of June 30, 2009, based on the final lease amount of \$1,627,500 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$281,623	\$20,825	\$302,448
2011	293,350	9,098	302,448
	<u>\$574,973</u>	<u>\$29,923</u>	<u>\$604,896</u>

2006 Surplus Property, Transfer of Net Debt

On June 6, 2006, The County Commissioners for St. Mary's County entered into a public school property transfer agreement with St. Mary's County Public Schools for the transfer of George Washington Carver Elementary School. With this property transfer, the County agreed to assume the total outstanding State bond debt of \$368,769. As of June 30, 2009, the principal and interest payments through 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 47,407	\$ 9,207	\$ 56,614
2011	49,639	6,975	56,614
2012	51,977	4,637	56,614
2013	46,159	2,189	48,348
2014	628	49	677
2015-2018	579	54	633
	<u>\$196,389</u>	<u>\$23,111</u>	<u>\$219,500</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

2007 Exempt Financing Equipment Lease

On September 5, 2006, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow \$1,720,000 for the purchase of vehicles and technology equipment. The lease bears interest at a rate of 4.05% per annum, payable bi-annually through 2012. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. 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 2007 Equipment Lease as of June 30, 2009, based on the final lease amount of \$1,720,000 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$315,362	\$29,756	\$345,118
2011	328,264	16,854	345,118
2012	169,134	3,425	172,559
	<u>\$812,760</u>	<u>\$50,035</u>	<u>\$862,795</u>

2008 Exempt Financing Equipment Lease

On April 10, 2008, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow \$3,155,000 for the purchase of vehicles. The lease bears interest at a rate of 2.82% per annum, payable bi-annually through 2013. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. 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 2008 Equipment Lease as of June 30, 2009, based on the final lease amount of \$3,155,000 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 548,750	\$ 52,270	\$ 601,020
2011	564,333	36,686	601,019
2012	580,360	20,660	601,020
2013	296,331	4,178	300,509
	<u>\$1,989,774</u>	<u>\$113,794</u>	<u>\$2,103,568</u>



The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

Long-term obligations at June 30, 2009 consist of the following:

<u>Description</u>	<u>Due</u>	<u>Rate</u>	<u>Amount</u>
<u>MD Water Quality Loans and Other State Loans:</u>			
Rural housing service, formerly Farmers			
Home Administration (Watershed Project)	1972-2022	3.463%	\$ 3,748
Maryland Department of Natural Resources:			
Point Breeze	1993-2017	None	73,278
Sandgates Road	1994-2015	None	37,392
Jefferson Island #2 and #3 Erosion Projects	1985-2015	None	26,139
Tall Timbers #2 Erosion Project	1986-2012	None	15,094
Tall Timbers #3 Erosion Project	1991-2016	None	46,074
Jefferson Island Club, Inc.	1991-2016	None	82,800
Hollywood Shores	1998-2012	None	23,538
Holly Point Shores	2008-2032	None	230,657
Maryland Water Quality Loan	2003-2016	2.4%	1,592,834
Murray Road Revetment	2004-2028	None	69,008
Maryland Water Quality Loan	2005-2019	None	3,051,324
Piney Point Lighthouse	2009-2024	None	489,555
Villas on Water Edge	2009-2029	None	390,000
North Patuxent Beach	2009-2024	None	418,000
Total state loans			<u>\$6,549,441</u>

General obligation bonds:

Public Facilities Refunding Bonds of 1996	1997-2009	3.3-5.0%	\$ 135,000
St. Mary's County Consolidated Public			
Improvement Project and Refunding Bonds of 1997	1998-2012	4.5-4.875%	1,815,000
Consolidated Public Improvement Bonds of 1999	2000-2019	5-6%	1,360,000
2001 General Obligation Bonds	2004-2022	4-5.5%	18,445,000
2002 Refunding Bonds	2004-2020	3.25-5%	19,655,000
2002 St. Mary's Hospital Bonds	2006-2023	3.5-5.125%	16,785,000
2003 Public Facilities and Refunding Bonds	2006-2023	2.75-4.75%	20,735,000
Consolidated Public Improvement Bonds of 2005	2006-2025	3.75-4.25%	13,780,000
2008 Refunding Bonds	2008-2013	2.4%	6,275,000
Total general obligation bonds			<u>\$ 98,985,000</u>
Total state loans and bonds			\$105,534,441
Surplus property transfer of debt			196,389
Accrued landfill closure and postclosure costs			1,800,000
Exempt Financing			3,627,750
Accumulated unpaid annual leave			4,143,799
Total			<u>\$115,302,379</u>
Less: Amount deferred on refunding			<u>(1,747,217)</u>
			<u>\$113,555,162</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Primary Government (continued)

Business-Type Activities

2005 Exempt Financing Equipment Lease

On June 28, 2005, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow \$1,486,887 for the purchase of vehicles. The lease bears interest at a rate of 3% per annum, payable monthly through 2010. Payments are due monthly starting July 28, 2005. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. 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 2005 Equipment Lease (Business-Type portion only) as of June 30, 2009, based on the final lease amount of \$1,486,887, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	<u>\$67,728</u>	<u>\$1,328</u>	<u>\$69,056</u>
	<u>\$67,728</u>	<u>\$1,328</u>	<u>\$69,056</u>

2006 Exempt Financing Equipment Lease

On May 25, 2006, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow \$1,627,500 for the purchase of vehicles. The lease bears interest at a rate of 4.12% per annum, payable monthly through 2011. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. 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 2006 Equipment Lease (Business-Type portion only) as of June 30, 2009, based on the final lease amount of \$1,627,500 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 56,866	\$4,205	\$ 61,071
2011	<u>59,234</u>	<u>1,837</u>	<u>61,071</u>
	<u>\$116,100</u>	<u>\$6,042</u>	<u>\$122,142</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Business-Type Activities (continued)

2007 Exempt Financing Equipment Lease

On September 5, 2006, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow \$1,720,000 for the purchase of vehicles and technology equipment. The lease bears interest at a rate of 4.05% per annum, payable bi-annually through 2012. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. 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 2007 Equipment Lease (Business-Type portion only) as of June 30, 2009, based on the final lease amount of \$1,720,000, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$35,040	\$3,306	\$38,346
2011	36,474	1,873	38,347
2012	<u>18,793</u>	<u>381</u>	<u>19,174</u>
	<u>\$90,307</u>	<u>\$5,560</u>	<u>\$95,867</u>

2008 Exempt Financing Equipment Lease

On April 10, 2008, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow \$3,155,000 for the purchase of vehicles. The lease bears interest at a rate of 2.82% per annum, payable bi-annually through 2013. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. 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 2008 Equipment Lease (Business-Type portion only) as of June 30, 2009, based on the final lease amount of \$3,155,000 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 73,133	\$ 6,966	\$ 80,099
2011	75,210	4,889	80,099
2012	77,346	2,753	80,099
2013	<u>39,493</u>	<u>557</u>	<u>40,050</u>
	<u>\$265,182</u>	<u>\$15,165</u>	<u>\$280,347</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Business-Type Activities (continued)

Wicomico Shores Improvement Bond of 2007

On June 29, 2007, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow \$1,350,000 for the renovation of the Wicomico Shores Clubhouse. The loan bears interest at a rate of 5.62% per annum, payable monthly through 2028. The annual requirements to amortize the Wicomico Shores Improvement Bond of 2007 as of June 30, 2009, based on the final loan amount of \$1,350,000, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 41,897	\$ 70,642	\$ 112,539
2011	44,313	68,225	112,538
2012	46,871	65,668	112,539
2013	49,572	62,967	112,539
2014	52,451	60,088	112,539
2015-2019	311,130	251,563	562,693
2020-2024	411,831	150,862	562,693
2025-2028	317,912	29,081	346,993
	<u>\$1,275,977</u>	<u>\$759,096</u>	<u>\$2,035,073</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Special assessment debt

Special assessment fund debt payable as of June 30, 2009 is composed of the following loans payable to the Maryland Department of Natural Resources:

Hollywood Shores, Shore Erosion Control Project, payable in fifteen annual installments of \$7,846, without interest, guaranteed by the full faith and credit of the County.	\$ 23,538
Tall Timbers, Shore Erosion Control Project, payable in twenty-five annual installments of \$7,547, without interest, guaranteed by the full faith and credit of the County.	15,094
Tall Timbers, Shore Erosion Control Project, payable in twenty-five annual installments of \$6,582, without interest, guaranteed by the full faith and credit of the County.	46,074
Jefferson Island, Shore Erosion Control Project, originally payable in twenty-five annual installments of \$10,109, without interest, modified during fiscal year 1993 to eighteen varying annual payments without interest, guaranteed by the full faith and credit of the County.	26,139
Jefferson Island, Shore Erosion Control Project, originally payable in twenty-five annual installments of \$11,040, without interest, modified during fiscal year 1993 to twenty-two varying annual payments without interest, guaranteed by the full faith and credit of the County.	82,800
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.	<u>230,657</u>
	<u>\$424,302</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Primary Government (continued)

The annual requirements to amortize all debt outstanding as of June 30, 2009, including interest of \$31,275,140, except for the accrued landfill closure and postclosure costs, accumulated unpaid leave benefits, exempt financing, surplus property debt and Maryland Water Quality Loans, are as follows:

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$8,221,006	\$4,140,535	\$12,361,541
2011	8,568,311	3,815,967	12,384,278
2012	7,664,189	3,524,458	11,188,647
2013	7,950,471	3,228,940	11,179,411
2014	6,075,348	2,948,393	9,023,741
2015-2019	34,394,338	10,564,830	44,959,168
2020-2024	26,613,880	3,004,204	29,618,084
2025-2029	1,352,488	47,813	1,400,301
2030-2032	50,252	0	50,252
Total	<u>\$100,890,283</u>	<u>\$31,275,140</u>	<u>\$132,165,423</u>

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

	General Obligation			Special Assessment	
	Bonds	Hospital Bonds	State Loans	Fund	Total
Principal	\$ 82,200,000	\$ 16,785,000	\$ 1,480,981	\$ 424,302	\$ 100,890,283
Interest	24,536,580	6,738,423	137	0	31,275,140
	\$ 106,736,580	\$ 23,523,423	\$ 1,481,118	\$ 424,302	\$ 132,165,423

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Component Units

St. Mary's County Public Schools

Long-term Liabilities

General long-term debt at June 30, 2009, consists of financing agreement obligations and accumulated compensated absences payable. The interest rates on the financing agreement obligations range from 4.28% to 4.96% with maturity dates up to October 2016. The financing agreement obligations are secured by the capital assets purchased. The following is a summary of changes in the School System's general long-term liabilities for the year ended June 30, 2009.

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions/</u> <u>Maturities</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Amounts due</u> <u>Within one year</u>
Governmental activities:					
Financing agreements					
Office facility construction	\$ 3,766,375	\$ 0	(\$345,125)	\$ 3,421,250	\$ 361,509
School buses and related equipment	361,082	0	(176,992)	184,090	184,090
Computer equipment	990,065	0	(285,725)	704,340	293,708
Vehicles	164,898	0	(38,673)	126,225	40,325
	<u>\$ 5,282,420</u>	<u>\$ 0</u>	<u>(\$846,515)</u>	<u>\$ 4,435,905</u>	<u>\$ 879,632</u>
Other long-term liabilities:					
Compensated absences	\$ 3,707,411	\$ 291,229	(\$407,419)	\$ 3,591,221	\$ 491,488
Net OPEB obligation	1,735,862	10,305,000	(9,414,992)	2,625,870	0
Governmental activities:					
Long-term liabilities	<u>\$10,725,693</u>	<u>\$10,596,229</u>	<u>(\$10,668,926)</u>	<u>\$10,652,996</u>	<u>\$1,371,120</u>
Business-type activities:					
Other long-term liabilities:					
Compensated absences	<u>\$ 83,908</u>	<u>\$ 43,716</u>	<u>(\$35,777)</u>	<u>\$ 91,847</u>	<u>\$ 8,114</u>

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

Subsequent to year end, the School System paid off the outstanding balance of each of the financing agreements listed above.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Component Units (continued)

Board of Library Trustees for St. Mary's County

Long-term debt

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, 2009:

<u>Balance</u> <u>July 1, 2008</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Amounts due</u> <u>within one year</u>
\$111,651	\$10,533	\$101,118	\$ 0

Metropolitan Commission

Long-term debt

Long-term bonds payable as of June 30, 2009 are as follows:

<u>Bonds payable</u> <u>Description</u>	<u>Due</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
Twelfth Issue	1996-2013	3.9 - 5.25%	\$870,000	\$115,918
Fourteenth Issue	2001-2029	4.125 - 5.0%	1,471,300	886,090
Seventeenth Issue	2006-2019	2.75 - 4.40%	4,654,969	1,062,859
Twenty-first Issue	2007-2021	3.65 - 4.275%	968,200	267,984
Twenty-third Issue	2008-2027	3.5 - 4.25%	<u>2,497,874</u>	<u>1,040,614</u>
			10,462,343	3,373,465
Less current portion			<u>796,849</u>	<u>436,599</u>
Total			<u>\$ 9,665,494</u>	<u>\$2,936,866</u>



The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Component Units (continued)

Metropolitan Commission (continued)

Long-term debt (continued)

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2009 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010 (current)	\$796,849	\$436,599
2011	819,671	404,714
2012	863,703	370,378
2013	902,203	333,007
2014	696,858	292,866
2015-2019	3,978,086	999,958
2020-2024	1,335,636	409,522
2025-2029	1,069,337	126,421
	<u>\$10,462,343</u>	<u>\$3,373,465</u>

Redemption – Tenth Issue – DHCD Loan

Bonds in the amount of \$170,000 were redeemed in full at 100% on March 8, 2009.

Redemption – Twelfth Issue

Optional redemption

Bonds that mature on or before June 1, 2006 are not subject to redemption prior to their maturities. Bonds that mature on or after June 1, 2006 are subject to redemption beginning June 1, 2006, as a whole at any time or in part on any interest payment date, in order of maturities, at the option of MetCom, at the following redemption prices expressed as a percentage of the principal amount of bonds to be redeemed plus accrued interest thereon to the date fixed for redemption:

<u>Period During Which Redeemable (Both Dates Inclusive)</u>	<u>Redemption Price</u>
June 1, 2006 to May 31, 2007	101%
June 1, 2007 to May 31, 2008	100-1/2%
June 1, 2008 and thereafter	100%

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Component Units (continued)

Metropolitan Commission (continued)

Fourteenth Issue

On May 18, 1999, the Commission issued \$1,830,900 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA).

Principal payments are due from 2001-2029. The average interest cost is 4.86%.

The bonds may be prepaid at the following premiums:

<u>Period</u>	<u>Price</u>
June 1, 2009 through May 31, 2010	101%
June 1, 2010 through May 31, 2011	100-1/2%
After June 1, 2011	100%

Seventeenth Issue

On September 4, 2003, MetCom issued Refunding Bonds of 2003 in the principal amount of \$6,105,000. The bonds mature on November 1, in 14 annual installments, beginning in 2005 and ending in 2018. Interest rates on the bonds range from 2.75% to 4.4%. Interest is payable on May 1, 2004 and semiannually thereafter on each May 1 and November 1, to maturity.

The bonds may be prepaid at the following premiums:

<u>Period</u>	<u>Price</u>
November 1, 2013 through October 31, 2014	101%
November 1, 2014 through October 31, 2015	100-1/2%
After November 1, 2015	100%

The bonds were issued to refund all the outstanding maturities of the St. Mary's County Metropolitan Commission Refunding Bonds of 1993 (Ninth Issue).

The outstanding amount of refunding bond issue number seventeen is shown net of a deferred loss on the advance refunding of \$80,031.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Component Units (continued)

Metropolitan Commission (continued)

Twenty-first Issue

In fiscal year 2006, the Commission issued Refunding Bonds of 2006 on April 5, 2006 in the principal amount of \$1,158,700. The bonds mature on May 1, in 15 annual installments, beginning in 2007 and ending in 2021. Interest rates on the bonds range from 3.65% to 4.275%. Interest is payable on November 1, 2006 and semiannually thereafter on each May 1 and November 1 to maturity.

This bond is not subject to prepayment by the Issuer prior to May 1, 2016. On or after May 1, 2017, this bond is subject to prepayment by the Issuer at 100%.

The bonds were issued to refund all the outstanding maturities of the Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). The Thirteenth Issue was fully refunded and \$500,000 of the Tenth Issue was fully refunded.

These bonds were issued with a true interest cost ranging from 3.65% to 4.275% to refund certain maturities of \$620,000 in outstanding 1996 series A bonds with a coupon rate of 5.579% and \$500,000 in outstanding 1995 series A bonds with an average interest rate of 6.24%. These bonds were issued to take advantage of a favorable interest rate environment. The net proceeds (including interest and premium) of \$1,131,200 were deposited with an escrow agent to provide for all future debt service payments of the refunded bonds.

MetCom refunded these bonds at a premium to reduce its total debt service payments by \$152,325 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$110,445.

Twenty-third Issue

On November 14, 2007, the Commission issued \$10,889,100 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2009, MetCom had drawn only \$3,018,073 of the proceeds. The cost of issuance was \$227,600, which is included in current year additions.

The bonds mature on May 1, in 20 annual installments, beginning in 2008 and ending in 2027. Interest rates on the bonds range from 3.5% to 4.25%. Interest is payable on May 1, 2008 and semiannually thereafter on each November 1 and May 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2017. Any partial prepayment shall not be less than the outstanding balance or \$50,000, whichever is less.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Component Units (continued)

Metropolitan Commission (continued)

Notes, leases, and loans payable

Notes, leases and loans payable as of June 30, 2009 are as follows:

<u>Description</u>	<u>Due</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
Leonardtown	2010-2020	6.10 - 10%	\$ 119,571	\$ 88,601
MD Bank and Trust	2010	4.80%	18,885	919
Sixth Issue	2017	6.682%	108,655	35,125
MD Water Quality Loan #8	2012	3.45%	287,677	20,105
MD Water Quality Loan #11	2017	4.26%	2,084,048	418,920
MD Water Quality Loan #15	2020	2.70%	513,504	84,284
MD Water Quality Loan #16	2023	1.20%	397,148	32,430
MD Water Quality Loan #18	2025	1.10%	3,850,387	369,850
MD Water Quality Loan #19	2024	1.10%	648,687	58,541
MD Water Quality Loan #20	2024	1.10%	983,355	88,745
MD Water Quality Loan #22	2027	1.10%	<u>1,050,144</u>	<u>102,903</u>
			10,062,061	1,300,423
Less current portion			<u>810,641</u>	<u>208,655</u>
Total			<u>\$ 9,251,420</u>	<u>\$ 1,091,768</u>

As of June 30, 2009, MetCom has eight loans from the Maryland Water Quality Financing Administration. Proceeds from loan number eight amounting to \$1,326,045 were used to finance the Marley-Taylor WRF Interim Expansion. Proceeds from loan number eleven of \$4,177,116 were used to finance the Marley-Taylor WRF Wastewater Treatment Plant Upgrade and Expansion Project. Loan number fifteen for \$835,000 was drawn during the year ended June 30, 2000 for the purposes of financing an office building for the administrative use of MetCom. Loan number sixteen for \$567,680 was used to upgrade the Leonardtown wastewater treatment plant. Loan number eighteen for \$4,712,200 was used to upgrade the Marley-Taylor WRF. Loan number nineteen for \$976,700 is to be used to replace the wastewater pumping station. Proceeds drawn at June 30, 2009 were \$838,591. Loan number twenty is to be used for water meter installations. As of June 30, 2009 amounts drawn on the loan were \$1,393,960. Loan number twenty-two is to be used for the Andover Road/Estates sewer projects and for arsenic remediation wells. As of June 30, 2009, amounts drawn on the loan were \$1,136,984.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Component Units (continued)

Metropolitan Commission (continued)

Notes, leases, and loans payable (continued)

The annual requirements to amortize principal and interest payments on all notes, leases and loans outstanding as of June 30, 2009, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010 (current)	\$810,641	\$208,655
2011	812,707	184,528
2012	824,657	166,297
2013	742,804	142,997
2014	761,036	127,036
2015-2019	3,399,705	354,989
2020-2024	2,332,900	110,382
2025-2028	<u>377,611</u>	<u>5,539</u>
	<u>\$10,062,061</u>	<u>\$1,300,423</u>

Changes in long-term debt

The changes in long-term debt payable for the year ended June 30, 2009 were as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>	<u>Amounts due Within one year</u>
Bonds payable	\$ 9,248,136	\$2,435,314	\$1,221,107	\$10,462,343	\$ 796,849
Notes, leases and loans payable	10,050,362	863,229	851,530	10,062,061	810,641
Total long-term debt	<u>\$19,298,498</u>	<u>\$3,298,543</u>	<u>\$2,072,637</u>	<u>\$20,524,404</u>	<u>\$1,607,490</u>

Building Authority Commission

Long-term Debt

Changes in Long-term Debt

The changes in long-term debt for the year ended June 30, 2009 were as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>	<u>Amounts due within one year</u>
Bonds payable	<u>\$7,390,000</u>	<u>\$0</u>	<u>\$1,095,000</u>	<u>\$6,295,000</u>	<u>\$1,140,000</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

Nursing Home Refunding Bonds

General

The refunding bonds are dated December 2, 2003 and were issued in the aggregate principal amount of \$6,230,000.

Interest payments due under the bonds are made payable to the registered bond-owners of record as of the last business day of the month next preceding each such interest payment date. Each bond bears interest from the most recent date on which interest was paid.

Optional redemption

Bonds that mature on or before July 15, 2013, are not subject to redemption prior to their maturities. Bonds that mature on or after July 15, 2014, are subject to redemption beginning July 15, 2013, as a whole at any time or in part on any interest payment date, in any order of maturities, at the option of the Commission, at the following redemption prices expressed as a percentage of the principal amount of bonds to be redeemed plus accrued interest thereon to the date fixed for redemption:

<u>Period During Which Redeemable</u> <u>(both dates inclusive)</u>	<u>Redemption Price</u>
July 15, 2013 to July 14, 2014	101%
July 15, 2014 to July 14, 2015	100.5%
July 15, 2015 and thereafter	100%

If fewer than all of the bonds of any one maturity are called for redemption, the particular bonds or portion of bonds to be redeemed from such maturity will be selected by lot by the Bond Registrar.

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

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

Nursing Home Refunding Bonds (continued)

Notice of redemption

If the Commission elects to redeem all or a portion of the bonds outstanding, it will 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; provided however, that the failure to mail the redemption notice or any defect in the notice so mailed or in the mailing thereof will not affect the validity of the redemption proceedings; and provided further, that the Commission will publish notice of redemption at least once (not less than thirty (30) days prior to the date fixed for redemption) in a financial journal or daily newspaper of general circulation in the Borough of Manhattan, New York, New York. The redemption notice will state (i) whether the bonds are redeemed in whole or in part and, if in part, the maturities and numbers of the bonds to be redeemed, (ii) that the interest on the bonds to be redeemed will cease to accrue on the date fixed for redemption, (iii) the date fixed for redemption and the redemption price, and (iv) that the bonds to be redeemed will be presented for redemption and payment on the date fixed for redemption at the principal corporate trust office of the Paying Agent.

From and after the date fixed for redemption, if notice has been duly and properly given and if funds sufficient for the payment of the redemption price and accrued interest are available on such date, the bonds designated for redemption will cease to bear interest. Upon presentation and surrender for redemption in compliance with the redemption notice, the bonds to be redeemed will be paid by the Paying Agent at the redemption price. If they are not paid upon presentation, the bonds designated for redemption will continue to bear interest at the rates stated therein until paid.

The nursing home refunding bonds were issued to refund the Commission's Nursing Home Project and Refunding Bonds of 1992. The Commission reduced its future debt service costs by \$959,538 and experienced an economic gain of \$798,982 as a result of the refunding.

State Office Building Refunding Bonds

The certificates were dated June 1, 1994, in the amount of \$8,760,000 and were issued in serial and term form in the principal amounts, maturing (subject to the redemption provisions set forth below) and bearing interest.

The certificates were executed and delivered in fully registered form, without coupons, in denominations of \$5,000 each or any integral multiple thereof. Interest is payable on the certificates on each June 1 and December 1. The principal or redemption price of the certificates is payable at the principal corporate trust office of the Trustee in Baltimore, Maryland. Interest is payable by check mailed by the Trustee to the registered Holders of certificates as their names and addresses appear in the registration books maintained by the Trustee as of (i) the fifteenth calendar day of the month next preceding each interest payment date or (ii) in the case of the payment of any defaulted interest, the tenth (10) day before such payment. At the request of a Holder of certificates in the aggregate principal amount of at least \$500,000, such payments may be made by wire transfer in accordance with written instructions filed by such Holder with the Trustee. Interest on the certificates is calculated on the basis of a year consisting of 360 days divided into twelve 30-day months.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

State Office Building Refunding Bonds (continued)

Mandatory extraordinary redemption

Redemption provisions

The certificates are subject to mandatory redemption in whole at any time or in part on any interest payment date at par plus accrued interest (i) if the project is damaged, destroyed or condemned, from insurance or condemnation proceeds not required to rebuild or modify the project after such damage, destruction or condemnation or (ii) if the project is damaged, destroyed or condemned, and the insurance or condemnation proceeds are insufficient to repair, rebuild or modify the project and the State elects not to use its own funds for such purpose, from insurance and condemnation proceeds and amounts then payable by the State as prepayment of the entire project purchase price.

Optional redemption

The certificates maturing on or after December 1, 2004, are subject to optional redemption prior to their maturity beginning June 1, 2004, in whole or in part at any time to the extent the State exercises its option to prepay all or a portion of the project purchase price. Upon any such prepayment of the project purchase price, a like principal amount of certificates will be redeemed at the redemption prices (expressed as percentages of the principal amount of such certificates or portions thereof to be redeemed) set forth below, plus all interest accrued thereon to the date fixed for redemption:

<u>Period During Which Redeemable</u> <u>(both dates inclusive)</u>	<u>Redemption Price</u>
June 1, 2004 to May 31, 2005	102%
June 1, 2005 to May 31, 2006	101%
June 1, 2006 and thereafter	100%

The certificates maturing on June 1, 2013 are subject to mandatory sinking fund redemption on the following dates in the following amounts, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption:

\$1,055,000 term certificates due June 2013:

<u>Date</u>	<u>Sinking Fund</u> <u>Installment</u>
June 1, 2012	\$ 340,000
December 1, 2012	\$ 355,000
June 1, 2013	\$ 360,000

The principal amount of certificates redeemed from sinking fund installments due on any date will be reduced by an amount equal to the aggregate principal amount of certificates purchased by the Trustee in the open market or redeemed prior to such date and not theretofore credited against a sinking fund installment.



The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

State Office Building Refunding Bonds (continued)

Selection of certificate to be redeemed

If fewer than all of the certificates are called for redemption, the Trustee will redeem the certificates in any order of maturity selected by the State and by lot in such manner as the Trustee will determine within any maturity; provided, however, that the portion of any certificate to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof and, in selecting certificates for redemption, the Trustee will redeem each certificate as representing that number of certificates that is obtained by dividing the principal amount of such certificate by \$5,000.

Notice of redemption

The Trustee will mail notice of redemption, by first class mail, not fewer than 30 days before the date of redemption to the registered Holders of the certificates of the maturity or maturities to be redeemed at their addresses shown on the registration books maintained by the Trustee. Notice having been given and sufficient monies having been delivered to the Trustee, interest will cease to accrue on the certificates to be redeemed on and after the date fixed for redemption. Any notice of redemption may indicate that such redemption is conditioned upon the deposit of sufficient monies to effect such redemption on the redemption date. The failure by the Trustee to mail a notice of redemption with respect to any particular certificate will not affect the validity of the redemption of any other certificate for which proper notice will have been given.

Security and sources of payment for the certificates

The certificates are payable as to principal, redemption price and interest solely from base rentals to be paid by the State pursuant to the lease agreement, monies attributable to the sale, leasing or other disposition of the project by the Trustee upon the occurrence of certain defaults by the State pursuant to the lease agreement and amounts from time to time on deposit in certain funds and accounts established by the Trust Agreement. Pursuant to the Trust Agreement, the Commission has executed and delivered the mortgage to the Trustee and has assigned to the Trustee all of its rights under the lease agreement and the ground lease (except for its rights under certain provisions in respect of indemnification and an option to purchase the project site), and all amounts on deposit from time to time in such funds and accounts for the benefit of the Holders of the certificates.

All amounts payable by the State under the lease agreement, including the base rentals, are subject in each year to appropriation by the Maryland General Assembly. The Maryland General Assembly is under no obligation to make any appropriation with respect to the lease agreement. The lease agreement is not a general obligation of the State, the County or the Commission within the meaning of any constitutional or statutory limitation or a charge against the general credit or taxing power of the State, the County or the Commission.

It is expected that each department and agency utilizing the project will pay its portion of the base rentals to the Department of General Services, which will pay to the Trustee the total amount of base rentals due under the lease agreement. Although the sources of funds appropriated to pay the base rentals are not limited to any particular source of State revenue, the State expects that the base rentals will be paid and appropriated from the State's General Fund, and, to the extent available to particular departments and agencies, from certain of the State's other budgetary funds.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

The annual requirements to amortize the principal of all bonds outstanding as of June 30, 2009 are as follows:

<u>Years</u>	<u>State Office Building</u>	<u>Nursing Home</u>	<u>Total</u>
2010	\$605,000	\$535,000	\$1,140,000
2011	635,000	555,000	1,190,000
2012	670,000	570,000	1,240,000
2013	715,000	580,000	1,295,000
2014	0	340,000	340,000
2015	0	350,000	350,000
2016	0	365,000	365,000
2017	0	375,000	375,000
	<u>\$ 2,625,000</u>	<u>\$ 3,670,000</u>	<u>\$ 6,295,000</u>

The annual requirements to amortize the interest of all bonds outstanding as of June 30, 2009 are as follows:

<u>Years</u>	<u>State Office Building</u>	<u>Nursing Home</u>	<u>Total</u>
2009	\$171,292	\$129,904	\$301,196
2010	139,668	114,591	254,259
2011	105,518	98,241	203,759
2012	69,417	80,297	149,714
2013	30,638	60,891	91,529
2014	0	45,324	45,324
2015	0	33,419	33,419
2016	0	20,678	20,678
2017	0	7,031	7,031
	<u>\$ 345,241</u>	<u>\$ 460,472</u>	<u>\$ 805,713</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

8. Fund balances

A summary of the reserved and unreserved - designated and undesignated fund balances as of June 30, 2009 is as follows:

	Special Revenue Funds				Fiduciary Funds		
	General Fund	Special Assessments	Fire & Rescue Revolving	Emergency Support	Capital Projects Fund	Sheriff's Office Retirement Plan	Retiree Benefit Trust Fund Total
<b>Reserved</b>							
Encumbrances	\$656,776			\$47,420	\$9,315,971		
Inventory	779,632						
Retirement of Long-Term Obligations		(\$685,907)					
Domestic Violence Programs	5,955						
County Matching Funds for Approved Grants	313,744						
Revenues Appropriated for Capital Projects							
Roads- Impact Fees					415,119		
Parks- Impact fees					254,755		
Schools- Impact Fees					5,222,466		
Transfer Tax					6,965,421		
Recordation Tax					(43,194)		
Roads- Mitigation					376,874		
Schools- Mitigation					109,125		
Parks- Mitigation					114,541		
Agriculture Transfer Tax					305,970		
County Paygo					6,479,871		
Other, Net, Including Unsold Bonds and Grants	25,476				(10,975,346)		
Total Reserved Fund Balances	\$1,781,563	(\$685,907)	\$0	\$47,420	\$18,541,573	\$0	\$0
<b>Unreserved</b>							
Designated	\$17,973,082	\$0	\$217,365	\$820,337	\$662,112	\$29,106,738	\$23,318,131
Undesignated	8,989,564	0	0	0	0	0	0
Total Unreserved Fund Balances	\$26,962,646	\$0	\$217,365	\$820,337	\$662,112	\$29,106,738	\$23,318,131
Total Fund Balances (deficit)	\$28,744,229	(\$685,907)	\$217,365	\$867,757	\$19,203,685	\$29,106,738	\$23,318,131

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

8. Fund balances (continued)

The reserved fund balance includes:

Encumbrances - The amount of outstanding purchase orders at June 30, 2009.

Inventory - The amount of inventory at June 30, 2009, carried as an asset.

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.

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 FY2009, but for which the period extends beyond June 30, 2009. These funds will be needed to meet the obligations of the grant.

Revenues appropriated for capital projects - The amount of revenue collected to date, but which has been obligated through the budget process for specific capital projects, and which will be used for future capital project expenses.

Other - The principal component corresponds to capital project expenditures already incurred which were budgeted to be funded through the sale of bonds. The sale of these bonds occurred in November 2009. To a lesser extent, this also reflects grants that have been reflected as a source of funding but which have not yet been spent.

The general fund unreserved designated fund balance is composed of:

Appropriation for FY 2010 operating budget	\$ 3,600,000
Appropriation for FY 2010 - CIP/Paygo	500,000
Bond rating reserve (6%)	11,892,240
Rainy day fund	<u>1,625,000</u>
	<u>\$17,617,240</u>
 Miscellaneous revolving fund	 <u>355,842</u>
	<u>\$17,973,082</u>

As a part of the FY2010 budget process, the Board of County Commissioners appropriated \$3.6 million of fund balance to be applied to the FY2010 budget, of which \$3 million was revenue replacement for the temporary reduction in the State allocation of highway user revenues and \$600,000 for non-recurring funding for the Medical Adult Daycare Services (MADS) program. As a part of the 2010 budget process, the Board concluded that it would cease to operate the MADS programs as a county function, transitioning it to a private operation. The \$600,000 appropriated is intended to cover the accumulated deficit through FY2009 as well as the estimated operating deficit for FY2010.

The unreserved undesignated fund balance includes almost \$7 million of the FY2008 unreserved undesignated fund balance that was intentionally not appropriated for the FY2010 budget by the Board, in anticipation of using it to offset State revenue reductions in FY2011 and FY2012. The disposition of the June 30, 2009 balance of \$8,989,564 will be considered as a part of the FY2011 budget process.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans

Primary Government

Plan description

The employees of the County are covered by the State Retirement and Pension System of Maryland (the System), the administrator of an agent multiple-employer public employee retirement system established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators and employees of participating governmental units. Responsibility for the administration and operation of the System is vested in a 14-member Board of Trustees. The State of Maryland is obligated for the payment of all pension annuities, retirement allowances, refunds, reserves and other benefits of the System. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies and administrative budget. The System is a component unit of the State of Maryland's financial reporting entity and is included in the State's financial statements as a pension trust fund. The County's total payroll for the year ended June 30, 2009 was \$39,391,439, of which \$23,240,288 was covered under the System.

The System comprises the Teachers' Retirement System, Employees' Retirement System, Teachers' Pension System, Employees' Pension System, State Police Retirement System, Judges Retirement System, Natural Resources Pension System and the Local Fire and Police System.

The Employees' Retirement System was established on October 1, 1941, to provide retirement allowances and other benefits to State employees and the employees of participating governmental units. Current members of this System include State correctional officers, members of the Maryland General Assembly, and employees who have not elected to transfer to the applicable Employees' Pension System.

The Employees' Pension System was established on January 1, 1980. As a result, State employees (other than correctional officers), and employees of participating governmental units hired after December 31, 1979, become members of their applicable Pension System as a condition of employment. Members of the Employees' Retirement System have the opportunity to irrevocably transfer to their respective Pension System. For those transferring, all prior service credit and member contributions above the social security wage base are transferred from the applicable retirement system to the corresponding pension system. Member contributions up to the social security wage base are refunded to the members.

Plan benefits

Retirement allowances are computed using the highest three years' average final salary (AFS) and the actual number of years of accumulated creditable service. Pension allowances are computed using both the highest three consecutive years AFS and the actual number of years of accumulated creditable service. Various retirement options are available under each System which ultimately determine how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's or spouse's attained age and similar actuarial factors.

The Teachers' and Employees' Retirement Systems' members are eligible for full retirement benefits upon attaining the age of 60, or upon accumulating 30 years of eligibility service, regardless of age. The annual retirement allowance equals 1/55 (1.8%) of a member's AFS multiplied by the number of years of accumulated service credit. A member may retire with reduced benefits after completing 25 years of eligibility service.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Primary Government (continued)

Plan benefits (continued)

The Teachers' and Employees' Pension Systems' members are eligible for full retirement benefits upon attaining at least age 62 with specified years of eligibility service, or upon accumulating 30 years of eligibility service regardless of age. The annual pension allowance is equal to .8% of a member's AFS up to the Social Security Integration Level (SSIL), plus 1.5% of a member's AFS in excess of the SSIL, multiplied by the number of years of accumulated service credit. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the 35 calendar years ending with the year the retiree separates from service. A member may retire with reduced benefits after attaining age 55 and completing 15 years of eligibility service.

Retirement and pension allowances are increased annually to provide for changes in the cost of living in accordance with prescribed formulae. Such adjustments are based on the annual change in the Consumer Price Index, except that annual pension allowance increases are limited to 3% of the initial allowance.

The System has adopted Governmental Accounting Standards Board (GASB) Statement No.25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

Funding status and progress

Pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the System.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 2008. The significant actuarial assumptions used in the actuarial valuations include (a) rate of return on the investment of 7.75% compounded annually (adopted June 30, 2003), (b) projected salary increases of 3.5% per year compounded annually, attributable to inflation (adopted June 30, 2007), (c) additional projected salary increases ranging from 0.00% to 8.5% per year, attributable to seniority and merit (adopted June 30, 2007), (d) post-retirement benefit increases ranging from 3% to 4% per year depending on the system (adopted June 30, 2003), (e) rates of mortality, termination of service, disablement and retirement are based on actual experience during the period from 2003 through 2006 (adopted June 30, 2007), and (f) an increase in the aggregate active member payroll of 3.5% annually (adopted June 30, 2007).

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Primary Government (continued)

Funding status and progress (continued)

At June 30, 2008, the System's unfunded pension benefit obligation (i.e., pension benefit obligation less net assets available for benefits) in accordance with GASB No. 25 was as follows:

Pension benefit obligation:

Retirees and beneficiaries currently receiving  
benefits and terminated employees not yet  
receiving benefits

\$27,224,603,428

Current employees

23,019,443,572

Total pension benefit obligation

\$50,244,047,000

Net actuarial assets available for benefits

39,504,284,202

Unfunded actuarial pension benefit obligation

\$10,739,762,798

The schedule below (expressed in thousands) presents the actuarial value of the System's assets and the actuarial accrued liability as of June 30, 2008 and the preceding two years. The schedule is intended to help the users assess the funding status of the System. Due to an actuarial error, the Schedule of Funding Progress presented in the June 30, 2007 Comprehensive Annual Financial Report overstated the Actuarial Accrued Liability. The 2007 funding results have been restated to reflect the corrected actuarial valuation results.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarial value of assets	\$39,504,284	\$37,886,936	\$35,795,025
Actuarial accrued liability (AAL)	<u>50,244,047</u>	<u>47,144,354</u>	<u>43,243,492</u>
Unfunded AAL	<u>\$10,739,763</u>	<u>\$9,257,418</u>	<u>\$7,448,467</u>
Funded ratio	78.62%	80.36%	82.78%
Covered payroll	\$10,542,806	\$9,971,012	\$9,287,576
Unfunded AAL as a % of payroll	102%	93%	80%
Annual pension cost	\$1,183,765	\$1,025,972	\$874,079
Percentage contributed	89%	81%	82%
Net pension obligation	\$0	\$0	\$0

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Primary Government (continued)

Contributions required and made

The State Personnel and Pensions Article of the Annotated Code of Maryland requires contributions by active members and their employers. Rates for required contributions by active members are established by law. Members of the Teachers' and Employees' Retirement Systems are required to contribute 7% (or 5% depending upon the retirement option selected) of earnable compensation. Members of the Pension Systems are required to contribute 5% of earnable compensation in excess of the social security wage base. Members of the Teachers' Pension System and State employees who are members of the Employees' Pension System are required to contribute 3% of earnable compensation.

Employer contributions totaling \$443,207,000 for fiscal year 2008 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2008. Employer contributions consisted of normal cost and amortization of the unfunded actuarial accrued liability over a 40-year period from July 1, 1980. Employee contributions, which are applied to normal cost, for fiscal year 2008 totaled approximately \$420,461,000. The County's contributions to the System for the year ended June 30, 2009 were \$1,757,103.

Historical trend information

Historical trend information which provides data about the Systems' progress made in accumulating sufficient assets to pay pension benefits when due is presented immediately following the notes to the financial statements in the System's comprehensive annual financial report for the fiscal year ended June 30, 2008.

Sheriff's Department plan

Effective date

The effective date of the plan is July 1, 1986, with amendments effective October 2000 and September 2006.

Participation

All Sheriff's Department employees who were hired after June 30, 1986 participate in the plan. Also, each Sheriff's Department employee who was employed by St. Mary's County prior to July 1, 1986, and who participated in the Maryland State Retirement System, may elect to participate in the plan.

Participants are required to make mandatory contributions to the plan equal to 8% of annual compensation. 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 Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Sheriff's Department Plan (continued)

Credited service

Credited service for participants hired prior to July 1, 1986, is equal to the sum of:

- a. Service subsequent to June 30, 1986, while a participant of the plan.
- b. Military service, not in excess of five years.
- c. Service with the Sheriff's Department while a participant in the State of Maryland Employees' Retirement System.
- d. Service with the Sheriff's Department while a participant in the State of Maryland Employees' Pension System and/or Maryland Employees' Retirement System which the employee elects to buy back by paying into the plan an amount equal to employee contributions for such service, accumulated with interest. Such service is reduced by 25% for the purpose of calculating benefits if participants elect not to buy back such service.
- e. Service not with the Sheriff's Department, but while participating in the Maryland Systems stated above. Such service shall count only in eligibility and not in the benefit determination.

Credited service for participants hired subsequent to June 30, 1986, is equal to:

- a. Service while a participant of the plan; plus
- b. Military service, not in excess of five years and
- c. Any approved leave of absence up to 12 months.

In addition, for purposes of calculating the amount of the plan benefit only for a participant eligible for early, normal or late retirement, credit shall be given for unused sick leave as follows: 22 days of unused sick leave shall equal 1 month of credited service.

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.

Normal retirement

Eligibility - A participant's normal retirement date is the earliest of the 62nd birthday or the completion of 25 years of service.

Amount - Unless an optional method of payment is elected, the annual normal retirement pension benefit, payable in monthly installments for life, will equal 2.5% of the participant's final average earnings for each year of credited service not in excess of 35 years.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Sheriff's Department Plan (continued)

Early retirement

Eligibility - A participant who retires prior to becoming eligible for normal retirement but on or after completion of 20 years of credited service.

Amount - The amount of the early retirement pension is determined in the same manner as for normal retirement.

A participant may elect to have benefits commence on the Normal Retirement Date or any month following termination. Benefits are reduced 1/2% for each month the benefit commencement date precedes the normal retirement date.

Late retirement

Eligibility - A participant who continues to work past the normal retirement date is eligible for a postponed retirement benefit.

Amount - The amount of the postponed retirement benefit is determined in the same manner as the normal benefit, based on final average earnings and credited service at the time of actual retirement.

Disability benefit

Eligibility - A participant who is unable to perform the duties of the position by reason of physical or mental disability, which is expected to be total and permanent, is eligible for a disability benefit commencing in the month following disablement. The benefit will continue until death or recovery.

Amount - The annual benefit is equal to 1.6% of the participant's final average earnings for each year of credited service not in excess of 35 years. For line of duty disability, the annual benefit is equal to 2/3 of the participant's final earnings plus an annuity based on the amount of the participant's accumulated contributions, if the disability qualifies as a catastrophic disability pursuant to the Plan. For a line of duty disability which is non-catastrophic, the annual benefit is equal to 1/2 of the participant's final earnings plus an annuity based on the amount of the participant's accumulated contributions pursuant to the Plan.

Pre-retirement death benefit

Lump sum benefit

Eligibility - The participant's beneficiary will be entitled to a lump sum benefit if the participant dies prior to termination of employment.

Amount - 100% of the participant's annual compensation, plus employee contributions accumulated with interest.

Survivor's pension

Eligibility - The spouse or dependent child of a participant who dies prior to termination of employment but after completing 5 years of credited service may receive a monthly benefit commencing the first of the month following the participant's death. The benefit is payable until death or remarriage (if the beneficiary is the spouse) or as a temporary annuity (if the beneficiary is a child) payable until the child attains age 18 (23 if a full-time student).

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Sheriff's Department Plan (continued)

Survivor's pension (continued)

Amount - The amount of such benefit will be 50% of the amount determined in the same manner as the disability benefit. The beneficiary may elect to receive the lump sum death benefit in lieu of the survivor's pension.

Deferred vested benefit

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

Amount - The amount of the participant's deferred vested pension 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. If a terminated vested participant dies prior to commencement of benefits, no benefits other than those provided in the withdrawal benefit, described below, are payable from the plan.

Withdrawal benefit

A participant who terminates employment prior to becoming eligible to receive a benefit under one of the other provisions of the plan will be eligible to receive the return of this accumulated contribution including interest to the first of the month preceding his termination of employment. A vested participant who is not eligible for benefits commencing within one month of termination may elect to withdraw his contributions and credited interest. In this event, the participant forfeits the deferred vested benefit described above.

Form of benefit

Monthly pension benefits will commence on the first of the month coincident with or next following the retirement date of the participant and continue until the first of the month in which the retired participant dies, unless an optional method of payment has been elected. If the participant dies before receiving benefits equal to the value of his accumulated employee contributions, the remainder will be paid to his beneficiary.

Optional Benefit - A participant may elect to receive a reduced benefit in lieu of the benefits to which he would otherwise be entitled, in an amount of actuarially equivalent value, as follows:

- a. Joint and Survivor - a reduced pension during the lifetime of the pensioner, starting at his actual retirement date and continuing to the pensioner's spouse at an amount which may be the same as the reduced amount payable to the participant or one-half of the reduced amount paid to the participant.
- b. Other - A participant may elect a pension payable in accordance with any other option approved by the Board of Trustees (except an "interest only" option) which is the actuarial equivalent of the normal retirement pension to which the participant was entitled at normal retirement date.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Sheriff's Department Plan (continued)

Post-retirement pension increases

Each July 1, a cost of living increase will be granted to retired participants or spouses whose benefit has been in pay status at least one year. The amount of the increase is the percentage increase in the Consumer Price Index, with a maximum increase in one year of 4%. The cost of living increase also applies to deferred benefits.

Actuarial methods and assumptions

The funding method, data and assumptions used in the determination of cost estimates are presented below:

Employee data - The employee data used in the determination of cost estimates consists of pertinent information with respect to participants as of July 1, 2008.

Valuation Date - July 1, 2008. The Board of Trustees elected to have the actuarial valuation period as of July 1, as opposed to the January 1 date formerly used. This is more timely for contribution budget considerations.

Actuarial Funding Method - The actuarial valuation has been completed using the entry age normal method.

Rate of Investment Return - An average net rate of 7.75% (prior assumption was 8%) per annum (after investment expenses are deducted) is assumed as the annual rate of investment return (including appreciation and depreciation, realized and unrealized).

Salary Scale - It has been assumed that salaries will increase at the rate of 6% per annum.

Cost of Living Increases - The cost of living is assumed to increase by 3% per year.

Annual Probability of Severance - At death - Pre-retirement mortality has been assumed to follow the 83 Group Annuity Mortality tables. Post-retirement mortality has been assumed to follow the pre-retirement mortality for employees retiring on all but total and permanent disability. Post-retirement mortality for disabled lives has been assumed to follow the pre-retirement mortality set forward 9 years.

Development of plan costs

Derivation of Normal Cost - The plan's normal cost is the sum of the individual normal costs determined for each participant, assuming the plan had always been in existence and the actuarial assumptions underlying the cost determination are exactly realized. Benefits payable under every circumstance (retirement, death, disability and termination) are included in the calculations. An allowance is also added for expenses.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Sheriff's Department Plan (continued)

Development of plan costs (continued)

The actuarial accrued liability is the sum of all normal costs which would have accumulated, if the assumed normal cost had always been contributed in the past and the actuarial assumptions had been exactly realized. The unfunded actuarial accrued liability is the actuarial accrued liability less the fund's assets at the valuation date.

Recommended contribution level

Recommended contributions are based on a 25-year amortization of the unfunded liability.

Key results:	July 1, 2008
Number of Participants:	
Active	189
Retired	32
Terminated vested	3
Disabled	<u>30</u>
Total	<u>254</u>
Total annual compensation of active participants	<u>\$10,254,031</u>
Actuarial accrued liability:	
Actives	\$31,711,164
Nonactives	<u>28,338,146</u>
Total	<u>\$60,049,310</u>
Assets	<u>\$31,714,844</u>
Unfunded actuarial liability	\$28,334,466
Normal cost with adjustments:	
Dollar amount	\$ 2,183,986
Percent of payroll	21.30%

The amount of the Sheriff's Department's current year covered payroll is \$12,476,070, and the Sheriff's Department's total payroll for all employees is \$13,554,661. The following employer contributions were made during the fiscal year ended June 30, 2009:

	<u>Contributions</u>	<u>% of Covered Payroll</u>
Retirement plan	\$3,823,341	30.65%

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit

A length of service program 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 Commissioners for St. Mary's 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.

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

2) Any person who has reached the age of fifty-five (55) and who has completed a minimum of twenty (20) years of certified volunteer service with any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit or combination thereof, shall receive one hundred fifty (\$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.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

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

Eligibility and benefits (continued)

- c. 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 Commissioners for St. Mary's County, then the volunteer is entitled to receive the minimum benefits prescribed above and any such benefits as he or she may be entitled to regardless of his or her age or length of service. These benefits will begin on the first day of the month following the establishment of the permanency of his or her disability.
- d. 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.
- e. 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.
- f. 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.
- g. 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

- a. In order to qualify for benefits, points are credited to each volunteer as follows:
  - 1) One (1) point is credited for each hour of attendance in a recognized training course, provided that not more than twenty (20) points may be credited for all training courses attended per year.
  - 2) One (1) point is credited for each company or county drill that is a minimum of two (2) hours in duration attended in its entirety, provided that not more than twenty-five (25) points may be credited for all drills attended per year.
  - 3) One (1) point is credited for each official company or county meeting pertaining to St. Mary's County fire services or rescue services attended, provided that not more than fifteen (15) points may be credited for all meetings attended per year.
  - 4) One (1) point is credited for each call to which a volunteer responds, provided that not more than forty (40) points may be credited for all calls responded to per year.

The County Commissioners for St. Mary's County  
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9. Retirement plans (continued)

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

Point system (continued)

5) Twenty-five (25) points are credited for completion of a one-year term as an appointed or elected officer in any of the fire or rescue service organizations of St. Mary's County, provided that not more than one (1) office shall be counted in any calendar year.

6) One-half (1/2) of a point is credited for each hour of acceptable collateral duties, such as but not limited to apparatus and building maintenance, official standby and fire prevention, provided that not more than twenty-five (25) points may be credited for all collateral duties performed per year.

7) A volunteer member who serves or has served full-time military service in the armed forces of the United States receives credit at the rate of five (5) points for each month served, provided that not more than fifty (50) points can be credited for any calendar year. A maximum of four (4) years of creditable service may be acquired in this manner. The volunteer member must have been an active member for one (1) year prior to enlistment. The volunteer member must be reinstated within six (6) months after discharge.

This length of service program is funded by The County Commissioners by annual appropriations. The total contribution for the fiscal year ended June 30, 2009 was \$566,170.

Component Units

St. Mary's County Public Schools

Pension Plans

Plan description

The employees of the School System are covered by one of the following pension plans affiliated with the State Retirement and Pension System of Maryland, an agent multiple-employer public employee retirement system administered by the State Retirement Agency:

- The Teachers' Retirement System of the State of Maryland,
- The Employees' Retirement System of the State of Maryland,
- The Pension System for Teachers of the State of Maryland, or
- The Pension System for Employees of the State of Maryland



The County Commissioners for St. Mary's County  
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9. Retirement plans (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Pension Plans (continued)

Plan description (continued)

During the 1979 legislative session, the Maryland General Assembly created, effective January 1, 1980, the "Pension System for Teachers of the State of Maryland" and the "Pension System for Employees of the State of Maryland." Prior to this date, all teachers and related positions were required to be members of the "Teachers' Retirement System of the State of Maryland," and classified positions were members of the "Employees' Retirement System of the State of Maryland." All School System employees who were members of the "Retirement System" may remain in that System, or they may elect to join the "Pension System." All teachers hired within the State after December 31, 1979, must join the "Pension System for Teachers." All non-certificated employees hired within the State after December 31, 1979, must join the "Pension System for Employees." The "Employees' Retirement System" and the "Pension System for Employees" cover those employees not covered by the teachers' plans. These employees are principally custodial, maintenance, and food service employees.

These pension plans provide pension benefits and death and disability benefits. A member may retire after 25 years of service from the Retirement System, and as early as age 55 and 15 years of service from the Pension system. Benefits generally vest after 5 years of service. The State Retirement Agency issues a comprehensive annual financial report for the State Retirement and Pension System of Maryland. That report may be obtained by writing to State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by calling 1-410-625-5555.

Funding policy

Both the "Retirement System" and the "Pension System" for teachers and classified employees are jointly contributory. Under the "Retirement System" employees contribute 5% - 7% of their total gross salary, and under the "Pension System" employees contribute 2% of their gross salary. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance. Annually appropriated employer contribution rates for retirement benefits are determined using the 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 County Commissioners for St. Mary's County  
Notes to Financial Statements  
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9. Retirement plans (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Pension Plans (continued)

Annual pension cost

St. Mary's County School System contributions totaling \$874,571 or 0.8% of covered payroll, and contributions by the State of Maryland on behalf of the School System totaling \$10,836,097 or 9.7% of covered payroll for fiscal year 2009, were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2008. Significant actuarial assumptions used, include (a) a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually, (b) projected salary increases of 3.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.00 percent to 8.5 percent per year, attributable to seniority/merit, (d) post-retirement benefit increases ranging from 3 percent to 4 percent per year depending on the system, (e) rates of mortality, termination of service, disablement and retirement are based on actual experience during the period from June 30, 2003 through June 30, 2006, and (f) an increase in the aggregate active member payroll is assumed to increase by 3.5 percent annually.

The actuarial value of assets is measured on both a market value and an actuarial or smoothed value basis. The actuarial smoothing method explicitly recognizes each year's investment gain or loss over a 5-year period with the final actuarial value not less than 80% nor more than 120% of the market value of assets. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll in distinct pieces. The UAAL which existed as of the June 30, 2000 actuarial valuation is being amortized over the remaining 12-year period to June 30, 2020. Each new layer of UAAL arising subsequent to the year ended June 30, 2000 is being amortized in separate layers over a 25-year period. A three-year trend of the School System's annual pension cost is as follows:

Fiscal Year Ended June 30,	Total Annual Pension Cost (APC)	APC Contributed By School System	APC Contributed By State	Percentage of APC Contributed	Net Pension Obligation
2007	\$8,551,165	\$821,916	\$7,729,249	100%	0
2008	11,007,358	948,618	10,058,740	100%	0
2009	11,710,668	874,571	10,836,097	100%	0

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 GASB Statement No. 24.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Component Units (continued)

Board of Library Trustees for St. Mary's County

Retirement and pension plan

Description

All qualified career employees of the Library are required to join the Maryland State Teachers' Pension Plan or the Maryland State Employees' Pension Plan. Some employees hired before January 1, 1980 have retained membership in the Maryland State Teachers' or Employees' Retirement Systems. All plans have provisions for early retirement, death and disability benefits. Participants become eligible for a vested retirement allowance after 5 years of service. The Plans are an agent multiple-employer public employee retirement system. The State Retirement and Pension System of Maryland is the administrator of the Systems. The System was established and benefits are provided by the State Personnel and Pensions Article of the Annotated Code of Maryland. The separately issued financial statements of the System may be obtained by contacting the administrator.

Maryland State Pension Systems

Participants in the Pension Plans contribute 5% of their earnings. Pensions normally start at age 62 or after 30 years of service, but with 15 or more years of service an employee can elect to have a reduced pension begin at age 55. Pensions are based upon the average of the employees' highest three years' pay. Cost of living increases are limited to 3% per annum.

Maryland State Retirement Systems

Participants in the Retirement Systems contribute a fixed percentage of salary. Persons leaving the Library after 5 years of service may withdraw their contributions, or the contributions may be left in the retirement fund until age 60, when the individual would be eligible for a reduced retirement allowance. An employee may retire at age 60 or after 30 years of service and be eligible for full benefits. Reduced benefits are paid to employees retiring before age 60 after 25 years of service. Benefits are based upon the average of the employees' highest three years' pay.

Funding Policy

The State Retirement and Pensions Article requires contributions by active members and their employees. Rates for required contributions by active members are established by law. Members of the retirement systems are required to contribute from 5% to 7% of compensation. Members of the pension systems are required to contribute 5% of compensation for the year ended June 30, 2009.

Contribution rates are established by annual actuarial valuations. The unfunded actuarial liability (UAAL) is being amortized, as a level percentage of payroll, in two distinct pieces. The UAAL which existed as the June 30, 2000 actuarial valuation is being amortized over the remaining 12-year period to June 30, 2020. Each new layer of UAAL arising subsequent to the year ended June 30, 2000 is being amortized in separate annual layers over a 25-year period. The equivalent single amortization period is 30 years. The State of Maryland, the Maryland Automobile Insurance Fund and Injured Workers' Insurance Fund and 135 participating governmental units make all of the employer and other contributions to the System.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Component Units (continued)

Board of Library Trustees for St. Mary's County (continued)

Retirement and pension plan (continued)

Funding Policy (continued)

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2009, the Library's total payroll and payroll for covered employees were \$1,872,190 and \$1,701,672, respectively. No contributions were made by the Library for the year ended June 30, 2009.

For fiscal year 2009, the State contributed \$200,659 to the State Retirement and Pension System on behalf of the Library. In accordance with GASB Statement Number 24, the State's contribution amount has been shown as State aid revenue and pension expenditure. The State's contribution amounted to approximately 11.79% of covered payroll.

Actuarial Assumptions

- a. Return on investment of 7.75% compounded annually (adopted June 30, 2003)
- b. Projected salary increases of 3.5% compounded annually due to inflation (adopted June 30, 2007)
- c. Salary increases due to seniority and merit are projected at 0.00-8.5% per annum (adopted June 30, 2007)
- d. Postretirement benefit increases are projected at 3-4% per annum depending on the system (adopted June 30, 2003)
- e. Rates of mortality, termination, disablement and retirement are based on actual experience from 2003 through 2006 (adopted June 30, 2007)
- f. Member payroll assumed to increase 3.5% annually (adopted June 30, 2007)

Trend information

	<u>2008</u>	<u>June 30 2007</u>	<u>2006</u>
Actual pension cost	\$1,183,765	\$1,025,972	\$ 874,079
Percentage contributed	89%	81%	82%

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Component Units (continued)

Metropolitan Commission

Retirement and pension plan

On March 18, 2004, MetCom adopted a Section 457 plan. Under the terms of the plan, employees may contribute up to 25% of their salary, up to the contribution limits, to the plan. No employer contributions are made to this plan.

Effective July 1, 2004, MetCom joined the Maryland State Retirement and Pension System. Under the terms of entry into the system, MetCom will grant 100% credit for prior service of eligible employees. The actuarial cost of entry into the Maryland State Retirement and Pension System for service prior to June 30, 2004, was \$3,392,774.

Description

All qualified career employees of MetCom are required to join the Maryland State Employees' Pension Plan. The plans have provisions for early retirement, death and disability benefits. Participants become eligible for a vested retirement allowance after 5 years of service. The Plans are an agent multiple-employer public employee retirement system. The State Retirement and Pension System of Maryland is the administrator of the Systems. The System was established and benefits are provided by the State Personnel and Pensions Article of the Annotated Code of Maryland. The separately issued financial statements of the System may be obtained by contacting the administrator.

Maryland State Pension Systems

Participants in the Pension Systems contribute a percentage of their earnings. Pensions normally start at age 62 or after 30 years of service, but with 15 or more years of service an employee can elect to have a reduced pension begin at age 55. Pensions are based upon the average of the employees' highest three years' pay. Cost of living increases are limited to 3% per annum.

On July 13, 2006, MetCom passed a resolution to join the Alternate Contributory Pension Selection Plan (ACPS). The plan increases the employee multiplier from 1.4% to 1.8% for service credits earned after July 1, 1998. Employee contributions are 3% for FY07, 4% for FY08 and 5% thereafter. The ACPS surcharge for FY09 is 1.11% of salaries.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

9. Retirement plans (continued)

Component Units (continued)

Metropolitan Commission (continued)

Funding policy

The State Retirement and Pensions Article requires contributions by active members and their employees. Rates for required contributions by active members are established by law. Members of the Retirement Systems are required to contribute from 5% to 7% of compensation. Members of the Pension Systems were required to contribute 4% and 3% of compensation for the years ending June 30, 2009 and 2008 respectively. The rate will remain at 5%.

Contribution rates are established by annual actuarial valuations. The unfunded actuarial accrued liability (UAAL) is being amortized, as a level percentage of payroll, in two distinct pieces. The UAAL which existed as of the June 30, 2000 actuarial valuation is being amortized over the remaining 12-year period to June 30, 2020. Each new layer of UAAL arising subsequent to the year ended June 30, 2000, is being amortized in separate annual layers over a 25-year period. The equivalent single amortization period is 30 years. The State of Maryland, the Maryland Automobile Insurance Fund, the Injured Workers' Insurance Fund and 135 participating governmental units make all of the employer and other contributions to the System.

MetCom provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2009, MetCom's total payroll and payroll for covered employees were \$4,563,777 and \$3,724,636, respectively. MetCom's contribution to the System for the year ended June 30, 2009, was \$250,958.

Actuarial assumptions

- a. Return on investment of 7.75% compounded annually (adopted June 30, 2003).
- b. Projected salary increases of 3.5% compounded annually due to inflation (adopted June 30, 2007).
- c. Salary increases due to seniority and merit are projected at 0.00-8.5% per annum (adopted June 30, 2007).
- d. Postretirement benefit increases are projected at 3-4% per annum depending on the system (adopted June 30, 2003).
- e. Rates of mortality, termination, disablement and retirement are based on actual experience from 2003 through 2006 (adopted June 30, 2007).
- f. Member payroll assumed to increase 3.5% annually (adopted June 30, 2007).

Trend information

	<u>2008</u>	<u>June 30</u> <u>2007</u>	<u>2006</u>
Annual required contributions (in thousands)	\$1,183,765	\$1,025,972	\$ 874,079
Percentage contributed	89%	81%	82%

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

10. Segment information for enterprise funds

The County maintains four enterprise funds. Recreation services are accounted for in the recreation revolving fund, while the Wicomico Municipal Golf Course receives user service charges for the use of facilities, which include a golf course and a restaurant. The Medical Adult Daycare Center provides a wide range of supportive health and social services during the day to the mentally or physically handicapped adults of St. Mary's County in order to prevent or postpone institutionalization. The Solid Waste and Recycling Divisions are responsible for solid waste management, convenience center/landfill operations and recycling. Segment information for the year ended June 30, 2009 is as follows:

	Medical Adult <u>Daycare</u>	Wicomico Municipal <u>Golf Course</u>	Recreation Revolving <u>Fund</u>	Solid Waste/ Recycling <u>Fund</u>	Total Enterprise <u>Funds</u>
Operating revenue	\$ 116,640	\$ 1,332,971	\$2,065,102	\$ 2,658,921	\$ 6,173,634
Depreciation	\$ 0	\$ 117,173	\$ 1,637	\$ 205,027	\$ 323,837
Operating income (loss)	(\$705,907)	(\$330,106)	(\$48,451)	(\$1,152,602)	(\$2,237,066)
Change in net assets	\$ 118,490	(\$321,042)	\$ 39,286	(\$279,927)	(\$443,193)
Plant, property and equipment additions/transfers	\$ 0	\$ 3,207,997	\$ 0	\$ 0	\$ 3,969,211
Net working capital	(\$214,048)	\$ 220,036	(\$102,008)	(\$259,554)	(\$355,574)
Total assets	\$ 87,781	\$ 5,215,246	\$ 198,578	\$12,953,578	\$18,445,183
Total equity	(\$238,756)	\$ 3,404,723	(\$101,889)	\$11,887,001	\$14,951,079

11. Interfund receivables

Individual fund interfund receivable and payable balances are composed of the following as of June 30, 2009:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Primary Government</u>		
<u>General Fund</u>		
Special Revenue Fund		\$ 343,381
Capital Projects Fund		18,707,724
Enterprise Fund	\$ 707,482	
<u>Special Revenue Funds</u>		
General Fund	343,381	
<u>Capital Projects Funds</u>		
General Fund	18,707,724	
<u>Enterprise Funds</u>		
General Fund		707,482
Total due from/to other funds	<u>\$19,758,587</u>	<u>\$19,758,587</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

11. Interfund receivables (continued)

Component Units

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Component Unit-St. Mary's County Building Authority Commission	\$204,513	
Component Unit-Board of Library Trustees for St. Mary's County	293,630	
Primary Government-General Fund	_____	<u>\$498,143</u>
Total due to/from Primary Government to Component Unit	<u>\$498,143</u>	<u>\$498,143</u>

12. Mortgage receivable

The mortgage receivable amount reported represents the amount owed to the County by St. Mary's Hospital for the payment of the St. Mary's County Hospital Bonds of 2003 in the amount of \$16,785,000. Interest on the bonds is payable semiannually on each April 1 and October 1 until the year 2023 with an average interest rate of 4.17%.

13. 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 audits of these programs for the year ended June 30, 2009 have not yet been completed. Accordingly, the County's compliance with applicable grant requirements will be verified in connection with performing the County's Single Audit. 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.

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.



The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

13. Commitments and contingencies (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

School Construction

As of June 30, 2009, the School System had entered into various school construction commitments which are not reflected in the Statement of Net Assets or Balance Sheet – Governmental Funds, since they will be funded by the State of Maryland or County bond issues, totaling approximately \$6,185,842.

Grant Program

The School System participates in a number of state and federally assisted grant programs which are subject to financial and compliance audits by the grantors or their representatives. Such federal programs were audited in accordance with the Federal Office of Management and Budget's Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations 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.

Board of Library Trustees for St. Mary's County

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.

14. Other post-employment benefits

Primary Government

The County adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. In adopting GASB 45, the County recognizes the cost of post-employment health care in the year when the employee services are received, reports the accumulated liability from the prior years and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

14. Other post-employment benefits (continued)

Primary Government (continued)

Plan description

The County 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 County service entering an immediate retirement, family members of retirees and family members of deceased employees. The County 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, the percentage ranges from 26.6% with ten 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 15 years of service to 85% with 30 years 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.

Membership

At June 30, membership consisted of:

	<u>2008</u>	<u>2009</u>
Retirees and Their Beneficiaries Currently Receiving Benefits	201	307
Active Employees	<u>681</u>	<u>684</u>
Total	<u>882</u>	<u>991</u>

The County's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC 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 of thirty years. The net OPEB obligation (NOPEBO) was calculated as follows:

	<u>2008</u>	<u>2009</u>
Annual Required Contribution	\$ 4,617,000	\$ 4,617,000
Annual OPEB Cost	4,617,000	4,617,000
Contributions Made	13,439,139	9,108,152
Payments to Retirees	1,349,484	1,649,723
Net OPEB Obligation, Beginning of Year	<u>0</u>	<u>(10,171,623)</u>
Net OPEB Obligation (Prepaid), End of Year	(\$10,171,623)	(\$16,171,623)

The funded status of the plan was as follows:

Actuarial Accrued Liability (AAL)	\$60,135,000	\$60,135,000
Value of Plan Assets	<u>14,003,796</u>	<u>23,318,131</u>
Unfunded Actuarial Accrued Liability	\$46,131,204	\$36,816,869
Funded Ratio (Value of Plan Assets/AAL)	23.29%	38.78%
Covered Payroll (Active Plan Members)	\$21,973,655	\$23,240,288
UAAL as a percentage of covered payroll	209.94%	158.42%

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

14. Other post-employment benefits (continued)

Primary Government (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the liabilities were computed using the project unit credit method, with proration to benefit eligibility method. The actuarial assumptions included a 7.75% annual rate of return and an initial annual healthcare cost trend rate of 9.5%, decreasing 1% per year to an ultimate rate of 5.5%. The UAAL is being amortized as a level percentage of projected payroll over 30 years, starting this fiscal year.

Component Units

Board of Library Trustees for St. Mary's Library

The Library provides post-employment health benefits to eligible retirees. The Library paid for these benefits on a pay-as-you-go basis prior to July 1, 2007. For the year ended June 30, 2009, the cost of these post-employment benefits was \$58,277.

The Library adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. In adopting GASB 45, the Library recognizes the cost of post-employment health care in the year when the employee services are received, reports the accumulated liability from the prior years and provides information useful in assessing potential demands on the Library's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

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 May 1, 2010, the percentage ranges from 26.6% with ten years of service to 85% with 16 or more years of service. The percentages for employees retiring on or after May 1, 2008, range from 21.25% with 15 years of service to 85% with 30 years 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.

Membership

At June 30, membership consisted of:

	<u>2009</u>
Retirees and Beneficiaries Currently Receiving Benefits	9
Active Employees	<u>15</u>
Total	<u>24</u>

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

14. Other post-employment benefits (continued)

Component Units (continued)

Board of Library Trustees for St. Mary's Library (continued)

Annual OPEB Costs and Net OPEB Obligation

The Library's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC 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 of thirty years. The net OPEB obligation (NOPEBO) as of June 30, 2009, was calculated as follows:

Annual Required Contribution	\$ 113,000
Annual OPEB Cost	113,000
Contributions Made	0
Payments to Retirees	(58,277)
Net OPEB Obligation, Beginning of Year	<u>(164,444)</u>
Net OPEB Obligation (Prepaid), End of Year	(\$109,721)

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial Accrued Liability (AAL)	\$1,519,000
Value of Plan Assets	<u>227,975</u>
Unfunded Actuarial Accrued Liability	<u>\$1,291,025</u>
Funded Ratio (Value of Plan Assets/AAL)	15.01%
Covered Payroll (Active Plan Members)	\$1,701,672
UAAL as a percentage of covered payroll	75.87%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2008 actuarial valuation, the liabilities were computed using the project unit credit, with proration to benefit eligibility method. The actuarial assumptions included a 7.75% annual rate of return and an initial annual healthcare cost trend rate of 9.5%, decreasing 1% per year to an ultimate rate of 5.5%. The UAAL is being amortized as a level percentage of projected payroll over 30 years, starting this fiscal year.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

14. Other post-employment benefits (continued)

Component Units (continued)

Metropolitan Commission

MetCom adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. In adopting GASB 45, MetCom recognizes the cost of post-employment health care in the year when the employee services are received, reports the accumulated liability from the prior years and provides information useful in assessing potential demands on MetCom's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

During FY08, MetCom established a trust fund, the Retiree Benefit Trust of St. Mary's County Metropolitan Commission, to fund certain retiree health benefits.

Plan description

MetCom provides health, prescription, dental 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 ten years of eligible MetCom service entering an immediate retirement, family members of 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.

Membership

At June 30, membership consisted of:

	<u>2009</u>	<u>2008</u>
Retirees and Beneficiaries Currently Receiving Benefits	6	5
Active Employees	<u>62</u>	<u>61</u>
Total	<u>68</u>	<u>66</u>

Funding Policy

It is MetCom's intention to fully fund the OPEB cost each year. MetCom's Board determines the amount of the OPEB cost to be funded annually, and has funded the OPEB cost in both FY09 and FY08. The FY10 Operating Budget includes fully funding the OPEB cost.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

14. Other post-employment benefits (continued)

Component Units (continued)

Metropolitan Commission (continued)

Annual OPEB Costs and Net OPEB Obligation

MetCom's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC 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 of thirty years. The net OPEB obligation (NOPEBO) as of June 30, 2009, was calculated as follows:

Annual Required Contribution	\$ 519,000
Interest on NOPEBO	17,000
Adjustment to ARC	<u>(22,000)</u>
Annual OPEB Cost	514,000
Contributions Made	514,000
Net OPEB Obligation (Prepaid), Beginning of Year	<u>(283,984)</u>
Net OPEB Obligation (Prepaid), End of Year	<u>(\$283,984)</u>

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial Accrued Liability (AAL)	\$5,462,000
Value of Plan Assets	<u>1,222,517</u>
Unfunded Actuarial Accrued Liability	<u>\$4,239,483</u>
Funded Ratio (Value of Plan Assets/AAL)	22.38%
Covered Payroll (Active Plan Members)	\$3,724,636
UAAL as a percentage of covered payroll	113.82%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the liabilities were computed using the project unit credit, with proration to benefit eligibility method. The actuarial assumptions included a 7.75% annual rate of return and an initial annual healthcare cost trend rate of 9.5%, decreasing 1% per year to an ultimate rate of 5.5%. The UAAL is being amortized as a level percentage of projected payroll over 30 years, starting with the 2008 fiscal year.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

14. Other post-employment benefits (continued)

Component Units (continued)

St. Mary's County Public Schools

Plan description

The School System provides post-employment health care and life insurance benefits (OPEB) 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 (10) 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.

In March 2009, the School System established the St. Mary's County Public Schools Retiree Benefit Trust (Trust) in order to facilitate the partial funding of the actuarially calculated OPEB liability. The Trust is administered by the Maryland Association of Boards of Education Pooled OPEB Investment Trust. The School System reserves the right to establish and amend the provisions of the trust with respect to participants, any benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance written notice to the Trustees.

Funding policy

The School System is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC 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 thirty years. The current ARC rate is 7.15% of annual covered payroll. The ARC consisted of the normal cost of \$4,320,000 and the amortization of unfunded accrued liability of \$5,985,000. The School System contributed \$9,414,992 for the year ended June 30, 2009, including \$2,592,930 towards current healthcare and life insurance premiums and an additional \$6,822,062 to prefund future benefits.

Annual OPEB Cost and Net OPEB Obligation

The School System had an actuarial valuation performed as of July 1, 2006 to determine the funded status of the plan as of that date as well as the School System's ARC for the fiscal year ended June 30, 2009. The annual OPEB cost (expense) for the year ended June 30, 2009 was \$10,333,000 which was comprised of the ARC of \$10,305,000 discussed above plus net interest on the net OPEB obligation. A historical trend of the School System's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation is as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 8,649,000	79.93%	\$1,735,862
2009	\$10,333,000	91.12%	\$2,625,870

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

14. Other post-employment benefits (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial Accrued Liability (AAL)	\$110,233,686
Actuarial Value of Plan Assets	4,238,000
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$105,995,686</u>
 Funded Ratio (Actuarial Value of Plan Assets/AAL)	 3.84%
Covered Payroll (Active Plan Members)	\$111,916,732
UAAL as a percentage of covered payroll	94.71%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the School System are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2006 actuarial valuation, the projected unit credit, with proration to assumed retirement date, actuarial cost method was used. Significant actuarial assumptions used, include (a) a rate of return on the investment of 7.15 percent per year compounded annually, (b) projected salary increases of 3.5 percent compounded annually (used for amortization purposes), (c) additional projected salary increases ranging from 4.31 percent to 10.76 percent per year, attributable to seniority/merit (used for life insurance purposes), (d) annual healthcare cost trend rate of 8.76 percent initially, reduced annually to arrive at an ultimate healthcare cost trend of 4.1 percent, (e) rates of mortality based upon RP-2000 Healthy Mortality Table, (f) termination of service rates based upon age and sex, ranging from 0.011 to 0.149, (g) disablement rates based on age, ranging from 0.0003 to 0.0056, (h) retirement rates based on age and length of service, ranging from 0.02 to 0.30, and (i) medical claims including prescription drugs are based on actual experience during the period from July 1, 2006 through June 30, 2008, and were projected with annual increases of 10 percent for medical claims. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009 was eighteen years.



The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

15. Landfill closure and postclosure cost

State and federal laws and regulations require The County Commissioners for St. Mary's County to place a final cover on landfill sites when the site stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County Commissioners for St. Mary's County report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,800,000 reported as landfill closure and postclosure care liability at June 30, 2009, 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 postclosure 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. Closure costs are expected to be funded by a bond issue or other form of debt in the year of closing. Postclosure costs are budgeted and paid annually.

16. Pass-through proceeds

The amount of grant funds passed through the County to Walden Sierra, Inc., Three Oaks Homeless Shelter, So. MD. Tri-County Community Action Committee, Catholic Charities, Department of Social Services, Tri-County Youth Services Bureau, Leah's House, Mechanicsville Volunteer Fire Department, and St. Mary's County Housing Authority for the fiscal year ended June 30, 2009 totaled \$923,208. These pass-through grants are recorded as pass-through revenue in the amount of \$923,208 and expenditures in the amount of \$923,208 on the Statement of Revenues and Expenditures.

17. 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, environmental 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. During fiscal year 2009, the County paid premiums of \$829,817 to the trust. 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.

18. Self-insurance (Worker's Compensation)

Beginning in FY2009, the County self-insures its worker's compensation costs and liabilities. The County establishes its funding of claims 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 at June 30, 2009. The unpaid claims also include liabilities for incurred but not reported (IBNR) claims as of June 30, 2009.

The County Commissioners for St. Mary's County  
Notes to Financial Statements  
June 30, 2009

19. Prior period adjustment

Primary government

The FY2008 financial statements were the first to reflect the Solid Waste and Recycling proprietary fund. As a part of that reporting, it was necessary to reflect a re-alignment of both debt and assets that were previously reflected elsewhere. The FY2009 financial statements reflect two prior period adjustments to correct the reporting of certain assets and debt. A prior period adjustment in the amount of \$371,028, decreasing the business-type net assets and increasing the governmental activities net assets, as of July 1, 2008, was made to correctly reflect certain exempt financing that related to assets used by the Solid Waste activities as debt of that fund. Additionally, the transfer of certain assets out of the capital projects fund was overstated by \$776,663 in the capital projects fund balance for FY2008, thus requiring a prior period adjustment to increase the capital projects fund balance related to the governmental activities to correct the fund balance as of July 1, 2008.

**REQUIRED SUPPLEMENTARY INFORMATION**

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES  
AND OTHER FINANCING SOURCES AND USES  
BUDGET (NON-GAAP) BASIS AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts			Favorable (Unfavorable) Variance
	Original	Final	Actual	
<b>REVENUES</b>				
Property Taxes	\$85,420,182	\$87,178,772	\$87,183,424	\$4,652
Income Taxes	63,752,100	63,752,100	61,471,674	(2,280,426)
Energy Taxes	1,500,000	1,500,000	1,472,360	(27,640)
Recordation Taxes	8,000,000	5,500,000	4,800,507	(699,493)
Other Local Taxes	921,000	921,000	983,389	62,389
Highway User Revenues	7,632,353	6,768,218	6,564,822	(203,396)
Licenses and Permits	1,534,305	1,534,305	1,324,802	(209,503)
State/Federal Grants	13,546,566	13,427,574	12,488,912	(938,662)
Charges for Services	6,628,817	6,410,103	5,434,944	(975,159)
Fines and Forfeitures	281,240	281,240	233,572	(47,668)
Investment and Other Revenues	1,909,800	1,747,506	793,482	(954,024)
Sub-total	\$191,126,363	\$189,020,818	\$182,751,888	(\$6,268,930)
Pass-Throughs	0	0	923,208	923,208
<b>TOTAL GENERAL FUND REVENUES</b>	<b>\$191,126,363</b>	<b>\$189,020,818</b>	<b>\$183,675,096</b>	<b>(\$5,345,722)</b>
<b>EXPENDITURES</b>				
General Government	\$22,670,524	\$22,585,930	\$20,041,176	\$2,544,754
Public Safety	35,854,066	35,565,645	32,928,820	2,636,825
Public Works	8,504,243	8,061,153	7,918,638	142,515
Health	6,817,619	7,344,191	6,991,219	352,972
Social Services	4,813,585	4,967,277	4,840,600	126,677
Primary and Secondary Education	82,323,851	82,323,851	82,185,104	138,747
Post-Secondary Education	2,749,134	2,749,134	2,749,134	0
Parks, Recreation, and Culture	4,088,702	4,075,647	3,958,853	116,794
Libraries	2,224,799	2,224,799	2,224,799	0
Conservation of Natural Resources	399,230	376,705	365,678	11,027
Housing	1,629,669	1,654,669	1,366,689	287,980
Economic Development and Opportunity	2,154,301	2,322,438	2,184,050	138,388
Debt Service	12,809,749	12,009,749	11,924,790	84,959
Inter-governmental	55,780	55,780	55,780	0
Other	13,630,997	12,418,045	11,031,040	1,387,005
Sub-total	\$200,726,249	\$198,735,013	\$190,766,370	\$7,968,643
Pass-Throughs	0	0	923,208	(923,208)
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>\$200,726,249</b>	<b>\$198,735,013</b>	<b>\$191,689,578</b>	<b>\$7,045,435</b>
<b>OTHER FINANCING SOURCES AND USES</b>				
Use of Fund Balance - OPEB Pre-funding	\$6,000,000	\$6,000,000	\$6,000,000	\$0
Use of Fund Balance - Reserves	5,472,561	5,586,870	5,586,870	0
Transfer to Capital Projects	(1,872,675)	(1,872,675)	(1,872,675)	0
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>\$9,599,886</b>	<b>\$9,714,195</b>	<b>\$9,714,195</b>	<b>\$0</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>				
	<u>\$0</u>	<u>\$0</u>	<u>\$1,699,713</u>	<u>\$1,699,713</u>

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
SHERIFF'S OFFICE RETIREMENT PLAN  
FOR THE YEAR ENDED JUNE 30, 2009

Schedules of employer contributions and funding progress for the Sheriff's Office Retirement Plan are presented below:

Schedule of Employer Contributions

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
06/30/00	\$ 683,423	100%	0
06/30/01	786,339	100%	0
06/30/02	932,745	100%	0
06/30/03	1,204,825	100%	0
06/30/04	1,652,971	100%	0
06/30/05	2,036,981	100%	0
06/30/06	2,219,197	100%	0
06/30/07	2,393,713	100%	0
06/30/08	2,921,354	100%	0
06/30/09	3,823,341	100%	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/97	\$11,027,088	\$11,986,552*	\$ 959,464	92.0%	\$ 4,433,660	21.6%
01/01/99	16,531,918	16,704,552	172,634	99.0%	5,358,227	3.2%
01/01/01	18,744,434	20,948,384	2,203,950	89.5%	6,040,098	36.5%
01/01/03	18,680,033	29,154,913	10,474,880	64.1%	7,165,684	146.2%
Before Assumption Change						
07/01/04	21,635,590	34,171,854	12,536,264	63.3%	7,881,721	159.1%
After Assumption Change						
07/01/04	21,635,590	35,481,603	13,846,013	61.0%	7,881,721	175.7%
07/01/06	25,046,412	45,025,479	19,979,067	55.6%	8,596,367	232.4%
07/01/08	31,714,844	60,049,310	28,334,466	52.8%	10,254,031	276.3%

\* This liability was calculated using the entry age normal method. The projected unit credit method was used for later years.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
RETIREE BENEFIT TRUST  
FOR THE YEAR ENDED JUNE 30, 2009

Schedules of employer contributions and funding progress for the Retiree Benefit Trust are presented below:

Schedule of Employer Contributions

Fiscal Year Ended	Employer Contributions	Required Contribution	Percentage Contributed
06/30/08	\$14,788,623	\$4,617,000	320.3%
06/30/09	10,757,875	4,617,000	233.0%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/07	\$23,318,131	\$60,135,000	\$36,816,869	38.78%	\$23,240,288	158.42%

**OTHER SUPPLEMENTARY INFORMATION**

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Special Assessments	Fire And Rescue Revolving Loan Fund	Emergency Services Support Fund	Total Non-Major
<b>ASSETS</b>				
Due from other funds	\$0	\$217,365	\$812,886	\$1,030,251
Special tax assessments receivable, current portion	2,357	0	0	2,357
Notes receivable, Fire and Rescue loans, current portion	0	435,308	0	435,308
Emergency Support Services taxes receivable	0	0	66,229	66,229
Notes receivable, Fire and Rescue loans (net of current portion)	0	1,926,206	0	1,926,206
Special tax assessments receivable (net of current portion)	1,511,171	0	0	1,511,171
Total Assets	<u>\$1,513,528</u>	<u>\$2,578,879</u>	<u>\$879,115</u>	<u>\$4,971,522</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$0	\$0	\$11,358	\$11,358
Deferred revenue	1,512,565	2,361,514	0	3,874,079
Due to other funds	686,870	0	0	686,870
Total Liabilities	<u>\$2,199,435</u>	<u>\$2,361,514</u>	<u>\$11,358</u>	<u>\$4,572,307</u>
<b>FUND BALANCES</b>				
Reserved	(\$685,907)	\$0	\$47,420	(\$638,487)
Unreserved, designated	0	217,365	820,337	1,037,702
Total Fund Balances	<u>(\$685,907)</u>	<u>\$217,365</u>	<u>\$867,757</u>	<u>\$399,215</u>
Total Liabilities and Fund Balances	<u>\$1,513,528</u>	<u>\$2,578,879</u>	<u>\$879,115</u>	<u>\$4,971,522</u>



THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	Special Assessments	Fire And Rescue Revolving Loan Fund	Emergency Services Support Fund	Total Non-Major
REVENUES				
Fire and Rescue Loan Repayments	\$0	\$332,883	\$0	\$332,883
Special Assessments	195,592	0	0	195,592
Emergency Services Support Tax	0	0	1,632,729	1,632,729
Other	0	12,341	19,489	31,830
	<u>\$195,592</u>	<u>\$345,224</u>	<u>\$1,652,218</u>	<u>\$2,193,034</u>
EXPENDITURES				
Loans to Fire and Rescue	\$0	\$783,765	\$0	\$783,765
Debt Service	59,641	0	170,583	230,224
LOSAP	0	0	570,454	570,454
Operating Allocations	0	0	340,000	340,000
Advanced Life Support	0	0	146,577	146,577
Emergency Services Committee	0	0	43,681	43,681
Grants	0	0	42,667	42,667
	<u>\$59,641</u>	<u>\$783,765</u>	<u>\$1,313,962</u>	<u>\$2,157,368</u>
Net Increase/(Decrease) in Fund Balances	<u>\$135,951</u>	<u>(\$438,541)</u>	<u>\$338,256</u>	<u>\$35,666</u>
FUND BALANCES				
Beginning of Year	(\$821,858)	\$655,906	\$529,501	\$363,549
End of Year	<u>(\$685,907)</u>	<u>\$217,365</u>	<u>\$867,757</u>	<u>\$399,215</u>

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGETARY (NON-GAAP) BASIS AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
PROPERTY TAXES				
Real and personal property				
Real Property Taxes	\$79,916,744	\$81,701,584	\$81,397,897	(\$303,687)
Personal Property	313,823	313,823	141,316	(172,507)
Public Utilities	2,658,543	2,658,543	2,580,252	(78,291)
Ordinary Business Corporations	2,823,745	2,823,745	3,333,794	510,049
Additions and Abatements	(500,000)	(500,000)	(674,586)	(174,586)
Penalties and Interest	750,000	750,000	884,179	134,179
State Homeowners Credit (Circuit Breaker)	600,000	600,000	641,673	41,673
Homeowners Tax Credit (County)	(600,000)	(600,000)	(641,673)	(41,673)
Other Tax Credits	(542,673)	(568,923)	(479,428)	89,495
Total Property Taxes	\$85,420,182	\$87,178,772	\$87,183,424	\$4,652
Income Tax				
Local Income Tax	\$63,752,100	\$63,752,100	\$61,471,674	(\$2,280,426)
Other Local Taxes				
Recordation Taxes	\$8,000,000	\$5,500,000	\$4,800,507	(\$699,493)
Energy Taxes	1,500,000	1,500,000	1,472,360	(27,640)
Public Accommodations Tax	575,000	575,000	634,659	59,659
Trailer Park Tax	226,000	226,000	247,293	21,293
Admissions and Amusement	120,000	120,000	101,437	(18,563)
Total Other Local Taxes	\$10,421,000	\$7,921,000	\$7,256,256	(\$664,744)
State-Shared Taxes - Highway Users	\$7,632,353	\$6,768,218	\$6,564,822	(\$203,396)
TOTAL TAXES	\$167,225,635	\$165,620,090	\$162,476,176	(\$3,143,914)
LICENSES AND PERMITS				
Business	\$262,100	\$262,100	\$257,982	(\$4,118)
Marriage/Animal Licenses	12,000	12,000	9,495	(2,505)
Other	535,205	535,205	292,839	(242,366)
CATV Franchise Fees	725,000	725,000	764,486	39,486
TOTAL LICENSES AND PERMITS	\$1,534,305	\$1,534,305	\$1,324,802	(\$209,503)
INTER-GOVERNMENTAL				
General Government	\$899,734	\$671,370	\$599,425	(\$71,945)
Public Safety	4,382,753	3,972,231	3,512,863	(459,368)
Public Works	1,751,042	1,642,920	1,648,510	5,590
Social Services	1,022,714	1,085,221	999,598	(85,623)
Parks, Recreation and Culture	134,000	122,445	31,933	(90,512)
Economic Development & Opportunity	5,356,323	5,933,387	5,696,583	(236,804)
TOTAL INTER-GOVERNMENTAL	\$13,546,566	\$13,427,574	\$12,488,912	(\$938,662)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGETARY (NON-GAAP) BASIS AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

	Budgeted Amounts			Favorable (Unfavorable) Variance
	Original	Final	Actual	
CHARGES FOR SERVICES				
General Government	\$2,015,895	\$2,019,731	\$1,594,049	(\$425,682)
Public Safety	1,836,722	1,836,722	1,491,367	(345,355)
Public Works	710,862	486,812	547,364	60,552
Social Services	328,004	329,504	325,254	(4,250)
Parks, Recreation and Culture	208,218	208,218	227,717	19,499
Reimbursement - Housing Authority	1,529,116	1,529,116	1,249,193	(279,923)
TOTAL CHARGES FOR SERVICES	\$6,628,817	\$6,410,103	\$5,434,944	(\$975,159)
FINES AND FORFEITURES				
General Government	\$277,240	\$277,240	\$231,162	(\$46,078)
Public Safety	4,000	4,000	2,410	(1,590)
TOTAL FINES AND FORFEITURES	\$281,240	\$281,240	\$233,572	(\$47,668)
OTHER REVENUES				
General Government				
Interest	\$1,252,225	\$752,735	\$616,053	(\$136,682)
Other	90,000	90,000	96,616	6,616
Grant Reserve	500,000	812,717	0	(812,717)
Contributions and Donations	67,575	92,054	80,813	(11,241)
TOTAL OTHER REVENUES	\$1,909,800	\$1,747,506	\$793,482	(\$954,024)
TOTAL, BEFORE PASS-THROUGH PROCEEDS	\$191,126,363	\$189,020,818	\$182,751,888	(\$6,268,930)
Pass-through Proceeds	0	0	923,208	923,208
OTHER FINANCING SOURCES				
Appropriation of Fund Balance	11,472,561	11,586,870	11,586,870	0
TOTAL REVENUES INCLUDING PASS-THROUGHS	\$202,598,924	\$200,607,688	\$195,261,966	(\$5,345,722)

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGETARY (NON-GAAP) BASIS AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
GENERAL GOVERNMENT				
Legislative/County Commissioners				
Legislative/County Commissioners	\$429,183	\$429,183	\$404,024	\$25,159
County Administrator	471,546	463,546	352,226	111,320
Public Information	357,192	357,192	295,466	61,726
County Attorney	649,835	680,744	566,336	114,408
Legislative/County Commissioners	1,907,756	1,930,665	1,618,052	312,613
Department of Finance				
Administration/Budget	667,512	665,480	620,015	45,465
Accounting	493,059	494,171	466,482	27,689
Auditing	53,350	53,350	53,350	0
Procurement	306,059	308,004	277,778	30,226
Copy Center	14,716	18,946	17,392	1,554
Department of Finance	1,534,696	1,539,951	1,435,017	104,934
Department of Information Technology	2,583,915	2,615,761	2,242,480	373,281
Department of Human Resources				
Human Resources	623,939	633,939	582,684	51,255
Risk Management	1,289,638	1,289,638	858,223	431,415
Department of Human Resources	1,913,577	1,923,577	1,440,907	482,670
Department of Public Works & Transportation				
Building Services	3,817,738	3,817,738	3,587,538	230,200
Carter State Office Building	590,925	590,925	487,820	103,105
Department of Public Works & Transportation	4,408,663	4,408,663	4,075,358	333,305
Dept of Land Use & Growth Management				
Administration	637,059	637,059	539,285	97,774
Board of Electrical Examiners	16,925	16,925	5,221	11,704
Comprehensive Planning	684,795	695,773	581,634	114,139
Development Services	326,983	326,983	282,492	44,491
Inspections & Compliance	670,322	670,322	589,579	80,743
Permit Services	289,489	297,489	257,672	39,817
Zoning Administration	377,326	372,788	334,462	38,326
Building Code Appeals Board	1,500	1,500	0	1,500
Commission on the Environment	2,000	2,000	1,080	920
Plumbing & Gas Board	4,395	4,395	2,168	2,227
Planning Commission	23,638	23,638	20,352	3,286
Boards and Commissions	21,298	21,298	17,007	4,291
Historical Preservation	3,100	3,100	732	2,368
Grants	76,500	46,500	11,468	35,032
Dept of Land Use & Growth Management	3,135,330	3,119,770	2,643,152	476,618
Department of Public Works & Transportation				
Development Review	238,687	238,687	235,061	3,626
Mailroom/Messenger Services	142,409	142,409	134,037	8,372
Vehicle Maintenance Shop	1,284,784	1,284,756	1,274,493	10,263
Department of Public Works & Transportation	1,665,880	1,665,852	1,643,591	22,261
Circuit Court				
Administration	940,542	940,467	861,299	79,168
Law Library	61,350	61,350	58,454	2,896
Grants	543,846	369,496	344,052	25,444
Orphan's Court	29,562	29,562	29,653	(91)
Circuit Court	1,575,300	1,400,875	1,293,458	107,417
Office of the State's Attorney				
Judicial	2,041,230	2,134,638	2,048,455	86,183
Grants	514,908	426,268	404,908	21,360
Office of the State's Attorney	2,556,138	2,560,906	2,453,363	107,543
County Treasurer	380,968	380,968	361,950	19,018

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGETARY (NON-GAAP) BASIS AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
Alcohol Beverage Board	248,002	248,002	236,862	11,140
Supervisors of Elections	749,047	779,688	595,284	184,404
Ethics Commission	11,252	11,252	1,702	9,550
Total General Government	\$22,670,524	\$22,585,930	\$20,041,176	\$2,544,754
<b>PUBLIC SAFETY</b>				
Emergency Management				
Emergency Management	\$293,954	\$307,824	\$265,414	\$42,410
Animal Control	686,270	686,270	661,754	24,516
Emergency Management	980,224	994,094	927,168	66,926
Emergency Communications Center				
Emergency Communications Center	2,290,048	2,246,178	2,047,010	199,168
Emergency Radio Communications	1,007,323	1,075,314	1,019,676	55,638
Grants	954,088	1,117,621	802,586	315,035
Emergency Communications Center	4,251,459	4,439,113	3,869,272	569,841
Office of the Sheriff				
Law Enforcement	19,043,303	19,032,259	17,815,975	1,216,284
Corrections	9,419,097	9,438,597	8,642,412	796,185
Training	249,249	249,249	208,190	41,059
Canine	29,775	29,775	23,107	6,668
Grants	1,680,959	1,182,037	1,242,176	(60,139)
Office of the Sheriff	30,422,383	29,931,917	27,931,860	2,000,057
Volunteer Fire Depts. & Rescue Squads	200,000	200,521	200,520	1
Total Public Safety	\$35,854,066	\$35,565,645	\$32,928,820	\$2,636,825
<b>PUBLIC WORKS</b>				
Department of PW and Transportation				
Administration	\$416,419	\$419,958	\$398,501	\$21,457
Engineering Services	621,168	617,629	495,879	121,750
Construction & Inspections	486,757	486,757	473,302	13,455
County Highways	3,799,205	3,806,043	3,611,233	194,810
St Mary's County Airport	17,891	17,891	12,981	4,910
St. Mary's Transit System	3,145,303	2,695,375	2,910,510	(215,135)
Department of PW and Transportation	8,486,743	8,043,653	7,902,406	141,247
Maryland Dept. of Agriculture Weed Control	17,500	17,500	16,232	1,268
Total Public Works	\$8,504,243	\$8,061,153	\$7,918,638	\$142,515
<b>HEALTH</b>				
Operating Allocation				
Health Department	\$1,303,704	\$1,374,704	\$1,374,690	\$14
Mosquito Control	51,500	51,500	51,500	0
Operating Allocation	1,355,204	1,426,204	1,426,190	14
Office of the State's Attorney				
Project Graduation	60,350	61,050	47,988	13,062
Human Services				
Human Services	723,729	583,048	444,586	138,462
Grants	4,678,336	5,273,889	5,072,455	201,434
Human Services	5,402,065	5,856,937	5,517,041	339,896
Total Health	\$6,817,619	\$7,344,191	\$6,991,219	\$352,972

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGETARY (NON-GAAP) BASIS AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

	Budgeted Amounts			Favorable (Unfavorable) Variance
	Original	Final	Actual	
<b>SOCIAL SERVICES</b>				
Marcey Halfway House	\$494,050	\$500,450	\$471,153	\$29,297
Department on Aging				
Department on Aging	1,458,532	1,458,532	1,426,616	31,916
Oakley	55,860	55,860	55,106	754
SMILE/Medical Adult Daycare Subsidies	480,235	480,235	480,235	0
Grants	803,034	857,695	794,527	63,168
Department on Aging	2,797,661	2,852,322	2,756,484	95,838
Department of Social Services	390,800	440,800	439,257	1,543
Operating Allocation				
Hospice of St. Mary's	15,000	15,000	15,000	0
The ARC of Southern Maryland, Inc.	132,150	132,150	132,150	0
Big Brothers / Big Sisters	4,000	4,000	4,000	0
Catholic Charities	15,000	22,000	22,000	0
So. Md. Center for Independent Living, Inc.	15,000	15,000	15,000	0
The Center for Life Enrichment	155,908	155,908	155,908	0
Greenwell Foundation	42,000	42,000	42,000	0
St. Mary's Caring, Inc.	3,000	3,000	3,000	0
Three Oaks Center	130,000	137,000	137,000	0
Alternatives for Youth/Families, Inc.	26,250	26,250	26,250	0
Tri-County Community Action (SMTCCAC, Inc.)	17,751	17,751	17,752	(1)
Tri-County Youth Services Bureau	116,479	109,518	109,518	0
Unified Commission for Afro-Americans	5,000	5,000	5,000	0
Walden/Sierra	345,447	345,447	345,447	0
The So. MD Center for Family Advocacy	108,089	108,089	108,089	0
Mini Grants	100,000	35,592	35,592	0
Operating Allocation	1,231,074	1,173,705	1,173,706	(1)
<b>Total Social Services</b>	<b>\$4,913,585</b>	<b>\$4,967,277</b>	<b>\$4,840,600</b>	<b>\$126,677</b>
<b>PRIMARY AND SECONDARY EDUCATION</b>				
Board of Education	\$80,138,192	\$80,138,192	\$80,138,192	\$0
Non-Public School Bus Transportation	2,173,659	2,173,659	2,034,912	138,747
Operating Allocation				
Literacy Council of St. Mary's County	12,000	12,000	12,000	0
<b>Total Primary and Secondary Education</b>	<b>\$82,323,851</b>	<b>\$82,323,851</b>	<b>\$82,185,104</b>	<b>\$138,747</b>
<b>POST-SECONDARY EDUCATION</b>				
College of Southern Maryland				
County Funding - general operations	\$2,693,134	\$2,693,134	\$2,693,134	\$0
Operating Allocation				
St. Mary's College Scholarship Fund	6,000	6,000	6,000	0
Southern Md. Higher Education Center	50,000	50,000	50,000	0
Operating Allocation	56,000	56,000	56,000	0
<b>Total Post-Secondary Education</b>	<b>\$2,749,134</b>	<b>\$2,749,134</b>	<b>\$2,749,134</b>	<b>\$0</b>
<b>PARKS, RECREATION AND CULTURE</b>				
Department of Recreation and Parks				
Administration	\$1,051,868	\$1,051,868	\$1,026,734	\$25,134
Parks Maintenance	2,013,884	2,013,884	1,928,227	85,657
Museum Division	564,450	564,450	533,549	30,901
505 Fund Subsidy	50,000	50,000	50,000	0
Grants	134,000	122,445	147,343	(24,898)
Department of Recreation and Parks	3,814,202	3,802,647	3,685,853	116,794

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGETARY (NON-GAAP) BASIS AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
Operating Allocation				
St. Mary's County Historical Society	12,500	12,500	12,500	0
Historic St. Mary's City Foundation	1,500	1,500	1,500	0
Lexington Park Lions Club	1,500	0	0	0
Maryland Historical Society	1,000	1,000	1,000	0
Patuxent River Naval Air Museum	30,000	30,000	30,000	0
Lexington Park Rotary-Oyster Festival	5,000	5,000	5,000	0
St. Mary's County Arts Council	2,000	2,000	2,000	0
Boys & Girls Club of Southern Maryland	125,000	125,000	125,000	0
Historic Sotterley, Inc.	75,000	75,000	75,000	0
SMC Forest Conservation District Board	1,000	1,000	1,000	0
St. Mary's College River Concert Series	10,000	10,000	10,000	0
Seventh District Optimist	10,000	10,000	10,000	0
Operating Allocation	274,500	273,000	273,000	0
Total Parks, Recreation and Culture	\$4,088,702	\$4,075,647	\$3,958,853	\$116,794
LIBRARIES				
County Funding - general operations	\$2,224,799	\$2,224,799	\$2,224,799	\$0
CONSERVATION OF NATURAL RESOURCES				
Cooperative Extension Service	\$191,905	\$169,380	\$162,278	\$7,102
Soil Conservation District	54,636	54,636	54,781	(145)
Conservation of Natural Resources	246,541	224,016	217,059	6,957
Allocation of Agriculture and Seafood (Division of DECD (75%))	123,635	123,635	119,565	4,070
Operating Allocation				
Wicomico Scenic River Commission	1,000	1,000	1,000	0
Southern Md. Resource Conservation/Dev.	8,054	8,054	8,054	0
Watermen's Association	20,000	20,000	20,000	0
Operating Allocation	29,054	29,054	29,054	0
Total Conservation of Natural Resources	\$399,230	\$376,705	\$365,678	\$11,027
HOUSING				
Total Housing	\$1,629,669	\$1,654,669	\$1,366,689	\$287,980
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Department of Economic & Community Development				
Administration/Office of the Director	\$254,745	\$254,745	\$236,432	\$18,313
Tourism Development	432,199	430,738	410,353	20,385
Agriculture & Seafood Development	164,847	164,847	159,420	5,427
Less Allocation of Agriculture and Seafood (see above)	(123,635)	(123,635)	(119,565)	(4,070)
Business Development/Lexington Park Revitalization	361,484	361,484	343,527	17,957
Grants	313,396	344,737	406,656	(61,919)
Department of Economic & Community Development	1,403,036	1,432,916	1,436,823	(3,907)
Office of Community Services				
Office of Community Services	353,172	353,172	345,094	8,078
Grants	220,399	351,211	258,303	92,908
Human Relations Commission	2,750	2,750	2,112	638
Commission for the Disabled	2,300	2,525	2,206	319
Commission for Women	2,000	2,000	1,430	570
VISTA Program	34,044	41,264	1,482	39,782
	614,665	752,922	610,627	142,295
Operating Allocation				
Navy Alliance	30,000	30,000	30,000	0
So. Md. Child Care Resource Center	12,400	12,400	12,400	0
Tri-County Council	94,200	94,200	94,200	0
Operating Allocation	136,600	136,600	136,600	0
Total Economic Development and Opportunity	\$2,154,301	\$2,322,438	\$2,184,050	\$138,388

See Independent Auditor's Report

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGETARY (NON-GAAP) BASIS AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
DEBT SERVICE				
Debt Service	\$12,809,749	\$12,009,749	\$11,924,790	\$84,959
INTER-GOVERNMENTAL				
Leonardtown Tax Rebate	\$55,780	\$55,780	\$55,780	\$0
Total Inter-Governmental	\$55,780	\$55,780	\$55,780	\$0
OTHER				
Employer Contributions-Retiree Health Benefits	\$10,490,702	\$10,490,702	\$10,486,576	\$4,126
Unemployment Compensation	11,000	11,000	7,885	3,115
Bank Service Fees	25,000	25,000	35,163	(10,163)
Total Other	\$10,526,702	\$10,526,702	\$10,529,624	(\$2,922)
Total Expenditures, Before Pass-Throughs	197,721,954	196,843,670	190,264,954	6,578,716
Pass-Through Expenditures	0	0	923,208	(923,208)
Total Expenditures, Including Pass-Throughs	\$197,721,954	\$196,843,670	\$191,188,162	\$5,655,508
RESERVES				
Reserve - Grants	\$500,000	\$790,996	\$0	\$790,996
Reserve - Bond Rating	725,000	725,000	501,416	223,584
Reserve - Budget Stabilization	1,279,295	0	0	0
Reserve - Emergency Appropriations	500,000	375,347	0	375,347
Reserves	3,004,295	1,891,343	501,416	1,389,927
Total Reserves	\$3,004,295	\$1,891,343	\$501,416	\$1,389,927
Total Expenditures, Including Pass-Throughs and Reserves	\$200,726,249	\$198,735,013	\$191,689,578	\$7,045,435
Transfers				
Capital Projects - General Fund Transfer/Pay-Go	\$1,000,000	\$1,000,000	\$1,000,000	\$0
Solid Waste/Recycling-General Fund Transfer	872,675	872,675	872,675	0
	1,872,675	1,872,675	1,872,675	0
Total Expenditures and Other Financing Uses	\$202,598,924	\$200,607,688	\$193,562,253	\$7,045,435



THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
SCHEDULE OF UNEXPENDED APPROPRIATIONS FOR CAPITAL PROJECTS  
FOR THE YEAR ENDED JUNE 30, 2009

LAND PRESERVATION

Agriculture Preservation	\$9,992,599	\$9,992,599
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HIGHWAYS

Patuxent Park Neighborhood Preservation	\$1,983,530	
FDR Blvd. Extended	1,313,167	
Pegg Rd. Extension to Rt 5	858,699	
Streetscape Improvement	508,982	
Mechanicsville Road	349,395	
Regional Stormwater Management	327,375	
Roadside Obstacles	299,675	
Asphalt Overlay	289,493	
Roadway Base Widening	187,725	
Bridge/Culvert Replacement	142,938	
Transportation Plan	112,430	
Adequate Public Facilities	81,408	
Big Chestnut Mitigation	23,762	
County Mapping	19,379	\$6,497,958

MARINE

Kingston Creek #2	\$440,152	
Villas on Waters Edge	382,926	
St. Jerome's Creek Jetty Study	365,959	
Thomas Road Revetment	247,502	
Patuxent Beach Road Revetment	102,799	
St. Jerome's Creek Dredging	100,000	
Gibson Road	99,675	\$1,739,013

PUBLIC WORKS

Patuxent River Naval Museum-New	\$5,461,522	
ADC Minimum Security Addition	1,395,180	
STS Bus Barn	1,107,900	
Emergency Equipment Shelter	985,972	
Airport Master Plan	717,066	
CSM Wellness & Pool	553,265	
Carter State Building Maintenance/Repair	384,695	
Workforce Housing Initiative	337,809	
Parking/Site Improvements	302,713	
Adult Detention Center Booking/Inmate Processing	250,000	
Mattapany Farmers Market	210,068	
ADC Locking Mech. & Cameras	200,000	
Stormwater Management 2007	187,506	
Leonardtown Library Renovation	180,000	
Airport Improvements	139,903	
Renovate State Highway Building	131,500	
Building Maintenance & Repairs	129,391	
Lexington Manor EDI	45,539	
Fuel Facility Upgrades	43,629	
Armory Building	11,660	
Hayden Acquisition	5,887	
Adult Detention Center Maintenance & Repairs	4,303	
New Meeting Room	2,456	\$12,787,964

PIERS AND BOAT RAMPS

Piney Point Public Landing	\$168,406	
Fox Harbor Landing II	115,000	
Paul Ellis Landing	68,737	
Bushwood Wharf Public Landing	44,661	
Derelect Boat Removal	22,724	\$419,528

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY  
SCHEDULE OF UNEXPENDED APPROPRIATIONS FOR CAPITAL PROJECTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

PUBLIC SCHOOLS

Evergreen Elementary School	\$8,656,211	
Land Acquisition	2,000,000	
Security Entrances (12)	1,360,516	
Chopticon High School Sewer	828,809	
ADA Transition Plan	696,383	
State Relocatable-site to be determined	664,731	
Oakville ES HVAC	643,077	
Playground Equipment	457,082	
Leonardtown MS Renovation	446,227	
STEM Academy	384,191	
Early Childhood Center HVAC	360,098	
Tech Center Addition	322,755	
Leonardtown Elementary Addition	296,142	
Chopticon High School Gym Floor	209,977	
Lettie Dent Chiller	200,974	
Site Acquisition Various	180,028	
BBEC Roof Replacement	74,280	
Playground Equipment Study	64,866	
Middle School HVAC	56,974	
Margaret Brent Add/Renovation	50,000	
Second New Elementary School	50,000	
Margaret Brent MS Wastewater	48,360	
Leonardtown High - Relocatables	41,132	
Flooring Replacement - Various	11,852	
Site Paving and Sidewalks	5,126	
Ridge Elementary - parking site mods	1,150	\$18,110,941

RECREATION & PARKS

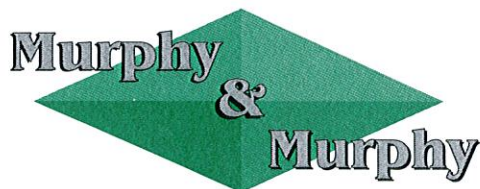
Three Notch Trail	\$1,700,616	
Parks Land Acquisition	1,138,729	
Piney Point Lighthouse Park	856,028	
Chancellor's Run Park	213,532	
Carver Heights Park	132,888	
Piney Point Lighthouse Museum	129,022	
Lancaster Park So. Parcel	120,541	
Museum Collection Storage	120,000	
Lancaster Park Improvements	115,914	
Charlotte Hall Athletic Fields	39,550	
Parks Maintenance Building	38,264	\$4,605,084

SOLID WASTE

Landfill Mitigation	\$399,705	
New Transfer Station	188,035	
St. Andrews Area D	93,687	\$681,427

Total		<u>\$54,834,514</u>
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Included in the above total is \$16,393,516 in unexpended State and Federal projects appropriations.



**CPA, LLC**

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

The County Commissioners  
for St. Mary's County, Maryland  
Leonardtown, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the fiduciary-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners for St. Mary's County, Maryland, as of and for the year ended June 30, 2009, which collectively comprise the County Commissioners for St. Mary's County, Maryland's basic financial statements and have issued our report thereon dated November 16, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the St. Mary's County Public Schools as described in our report on the County Commissioners for St. Mary's County, Maryland's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County Commissioners for St. Mary's County, Maryland's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Commissioners for St. Mary's County, Maryland's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Commissioners for St. Mary's County, Maryland's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County Commissioners for St. Mary's County, Maryland's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County Commissioners for St. Mary's County, Maryland's financial statements that is more than inconsequential will not be prevented or detected by the County Commissioners for St. Mary's County, Maryland's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County Commissioners for St. Mary's County, Maryland's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

This report is intended solely for the information and use of the County Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

La Plata, Maryland  
November 16, 2009

A handwritten signature in black ink that reads "Murphy & Murphy C.P.A. LLC". The signature is written in a cursive, flowing style.