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

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

YEAR ENDED JUNE 30, 2010

Murphy & Murphy, CPA, LLC

The County Commissioners for St. Mary's County

June 30, 2010

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The County Commissioners for St. Mary's County

June 30, 2010

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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 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, 2010, 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 represent 36% and 47%, 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 opinion on the financial statements, insofar as they relate to the amounts included for the St. Mary's County Public Schools, is 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 provides 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 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, 2010, 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 9, 2010, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedules of employer contributions and funding progress for the Sheriff's Office Retirement Plan and the Retiree Health Benefit Plan on pages 3 through 15 and 109 through 111, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements as a whole. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and information schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, and the schedules on pages 114-122 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
November 9, 2010

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, 2010. 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 \$204 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), Recreation and Parks recreation activities, and the Wicomico Golf Course. Approximately 26.8% of the total net assets, or \$54.6 million (*unrestricted net assets*), may be used to meet ongoing obligations to citizens and creditors. Unrestricted net assets related to governmental activities are \$54.8 million. The unrestricted net assets for the enterprise funds (*business-type activities*) reflect a deficit of \$185,555; the SW&R enterprise fund had a shortfall of \$186,852 as of June 30, 2010, compared to the shortfall as of June 30, 2009 of \$340,962. Other components of the net assets are \$36.8 million of restricted net assets and approximately \$112.5 million of net investment in capital assets. The net investment in capital assets represents the capitalized assets, net of accumulated depreciation and outstanding debt.
- The Government's overall net asset position reflects an increase of \$3.9 million over the prior year.
- As of June 30, 2010, the County's governmental funds reported combined fund balances of \$70.3 million, an increase of \$22 million over the prior year. The general fund and the capital projects fund reflected increases of \$3.8 and \$17.6 million, respectively. The fund balance for the non-major funds increased \$473,042. The County's governmental fund balances at June 30, 2010 include \$36.9 million for capital projects, \$32.5 million in general funds, and \$872,257 for the other non-major funds. The general fund balance includes \$1.5 million that is reserved, the largest components of which are encumbrances, inventory, and County funds held as required matching funds for specific grants. In addition, the general fund reflects designations of approximately \$18.4 million, including a bond rating reserve of \$11.9 million and a Rainy Day Fund of \$1.625 million. Also designated are \$3.5 million as revenue replacement to balance the operating needs of the FY2011 budget. There is also \$955,000 designated for the FY2011 Department of Public Safety budget to fund the potential replacement of equipment for the 911 system, in order to maintain functionality until the County implements a comprehensive 800MHz system upgrade, which is budgeted in future years as a capital project. The County's undesignated fund balance is approximately \$12.7 million, including both the FY2010 results as well as the prior accumulated fund balance. The County did not utilize all of its fund balance when it adopted the FY2010 budget or the FY2011 budget in order to retain resources to address State cuts in allocations to the County, and uncertainty as to the State's distributions of the County income tax revenues and the local economic environment. During FY2011, it is likely that the State will signal its long-term intentions with respect to highway user allocations, teacher pension, and other State funding allocations that might be cut or State costs that may be shifted to the County. As a part of the FY2012 budget process, the County will re-examine the longer-term prospects for revenues and allocations and may utilize the fund balance retained to soften its impact. 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 increase of \$17.7 million in the capital projects fund reflects the sale of \$30 million in general obligation bonds, net of other funding sources and expenditures for capital projects.

- The business-type operating activities reflect a net increase in net assets of \$338,517. Fee-based recreation activities posted an increase of \$114,857. 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. Fee-based solid waste and recycling activities posted an increase of \$198,464, which included a general fund subsidy of \$1,194,317. The intention was that, at the time that the transfer station was constructed and operational, the County would implement fee changes to better match the operational costs. As a part of the FY2011 budget process, the transfer station project was removed from the capital plan because the expanded operation could not be self-sustaining. The SW&R enterprise fund will likely continue with a significant general fund subsidy. The Wicomico Golf Course reflects a decrease of \$213,560. The net assets of the Medical Adult Daycare Services Fund (MADS) increased \$238,756, entirely due to the \$586,396 subsidy from the General fund. This increase was planned as it was the County's intention to eliminate the accumulated deficit. Beginning in FY2011, the County terminated its operation of the MADS as a County program, and successfully transitioned it to a non-profit entity.
- At June 30, 2010, the unreserved fund balance for the general fund (primary operating fund) was \$31 million, or 17.3% of general fund expenditures, excluding pass-throughs. Designated fund balance of the general fund was \$18.4 million, or 59.2% of unreserved fund balance.
- Governmental activities' total general obligation indebtedness, including general obligation bonds and Water Quality loans, increased by \$21.2 million during the fiscal year ended June 30, 2010. Additions were the sale of \$45.6 million in General Obligation Bonds for capital projects. Payments on the debt totaled \$24.4 million, of which \$15.1 million was a partial refunding of the 1997 General Obligation Consolidated Public Improvement and Refund Bonds. A reduction in the amount of \$400,000 was made, representing the revision of estimated post-closure costs of the landfill, and there was a net increase in the accrual for compensated absences of \$5,413.

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 in FY2010 include the Medical Adult Daycare Services, Wicomico Golf Course, Solid Waste and Recycling Activities and the Recreation Activities, including an indoor swimming pool. Effective at the start of FY2011, the County ceased operation of the MADS. The fund's activities in FY2011 will be limited to the collection of accounts receivable that were outstanding as of June 30, 2010 as well as the payment of accounts and compensation payable, also as of June 30, 2010.

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 16 to 19 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 20 to 21 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 23 to 25 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 26 to 29 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 30 to 108 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 109 to 111 of this report. Other supplementary information can be found on pages 112 to 122.

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 \$204 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 55.1% 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 18.1% 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 \$54.6 million (26.8% 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
ASSETS						
Current Assets	\$121,001,374	\$104,051,832	\$ 1,758,114	\$ 1,122,811	\$122,759,488	\$105,174,643
Other Non-Current Assets	19,096,407	20,222,377	0	0	19,096,407	20,222,377
Capital Assets, net of accumulated depreciation	<u>209,980,936</u>	<u>208,027,170</u>	<u>17,015,781</u>	<u>17,309,849</u>	<u>226,996,717</u>	<u>225,337,019</u>
Total Assets	<u>\$350,078,717</u>	<u>\$332,301,379</u>	<u>\$18,773,895</u>	<u>\$18,432,660</u>	<u>\$368,852,612</u>	<u>\$350,734,039</u>
LIABILITIES						
Current Liabilities	\$ 28,294,185	\$ 33,544,209	\$ 1,783,484	\$ 1,478,386	\$ 30,077,669	\$ 35,022,595
Non-current Liabilities	<u>132,981,526</u>	<u>113,555,162</u>	<u>1,700,815</u>	<u>2,003,195</u>	<u>134,682,341</u>	<u>115,558,357</u>
Total Liabilities	<u>\$161,275,711</u>	<u>\$147,099,371</u>	<u>\$ 3,484,299</u>	<u>\$ 3,481,581</u>	<u>\$164,760,010</u>	<u>\$150,580,952</u>
NET ASSETS						
Invested in Capital Assets, net of related debt	\$ 97,053,622	\$115,400,807	\$15,475,151	\$15,494,552	\$112,528,773	\$130,895,359
Restricted	36,888,125	19,548,718	0	0	36,888,125	19,548,718
Unrestricted	<u>54,861,259</u>	<u>50,252,483</u>	<u>(185,555)</u>	<u>(543,473)</u>	<u>54,675,704</u>	<u>49,709,010</u>
Total Net Assets	<u>\$188,803,006</u>	<u>\$185,202,008</u>	<u>\$15,289,596</u>	<u>\$14,951,079</u>	<u>\$204,092,602</u>	<u>\$200,153,087</u>
Total Liabilities and Net Assets	<u>\$350,078,717</u>	<u>\$332,301,379</u>	<u>\$18,773,895</u>	<u>\$18,432,660</u>	<u>\$368,852,612</u>	<u>\$350,734,039</u>

At June 30, 2010, 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:

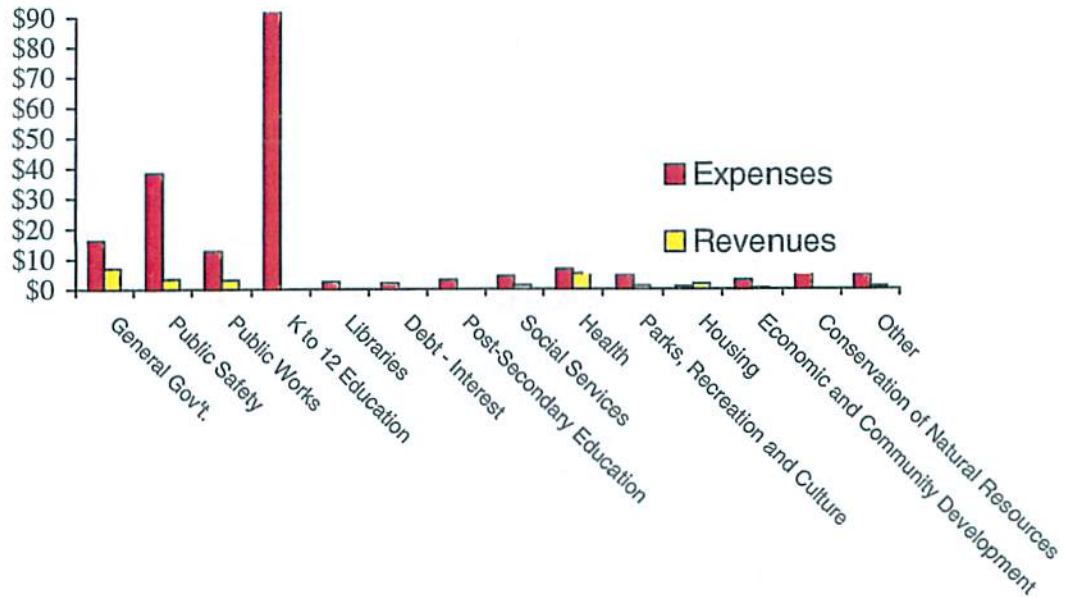
ST. MARY'S COUNTY GOVERNMENT'S CHANGES IN NET ASSETS
Years Ended June 30, 2010 and 2009

	<u>Governmental Activities</u>		<u>Business - Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Program Revenues:						
Charges for Services	\$ 10,502,278	\$ 8,592,477	\$ 3,810,573	\$ 3,900,654	\$ 14,312,851	\$ 12,493,131
Environment/Solid Waste Fees	0	0	2,296,740	2,272,980	2,296,740	2,272,980
Operating Grants and Contributions	12,476,275	21,644,726	415,679	381,871	12,891,954	22,026,597
Capital Grants and Dedicated Fees or Taxes	7,552,366	2,833,220	0	0	7,552,366	2,833,220
General Revenues:						
Property Taxes	94,282,830	87,183,424	0	0	94,282,830	87,183,424
Income Taxes	65,115,901	61,471,674	0	0	65,115,901	61,471,674
Other Taxes	13,299,726	13,309,660	0	0	13,299,726	13,309,660
Investment Earnings	157,854	628,327	2,561	9,062	160,415	637,389
Subsidies to Enterprise Funds	(1,830,713)	(1,402,910)	1,830,713	1,402,910	0	0
Roads Developed by Third Parties	5,351,370	5,140,269	0	0	5,351,370	5,140,269
Exempt Financing Proceeds - Vehicles	230	1,778,443	0	0	230	1,778,443
Capital Projects Funding	0	2,624,064	0	0	0	2,624,064
Miscellaneous	203,433	146,119	46	30	203,479	146,149
Total Revenues	\$207,111,550	\$203,948,493	\$ 8,356,312	\$ 7,967,507	\$215,467,862	\$211,917,000
Program Expenses:						
General Government	16,115,527	15,847,731	0	0	16,115,527	15,847,731
Public Safety	38,388,910	38,256,986	0	0	38,388,910	38,256,986
Public Works	12,661,324	14,428,668	3,673,972	3,811,523	16,335,296	18,240,191
Health	6,560,335	6,991,219	0	0	6,560,335	6,991,219
Social Services	4,393,469	5,132,079	0	0	4,393,469	5,132,079
Primary and Secondary Education	92,079,469	90,733,752	0	0	92,079,469	90,733,752
Post-Secondary Education	3,094,870	2,791,419	0	0	3,094,870	2,791,419
Parks, Recreation, and Culture	4,770,725	7,858,709	4,343,823	4,599,177	9,114,548	12,457,886
Housing	981,314	1,366,689	0	0	981,314	1,366,689
Libraries	2,469,826	2,417,419	0	0	2,469,826	2,417,419
Conservation of Natural Resources	12,272,259	365,678	0	0	12,272,259	365,678
Economic Development and Opportunity	3,078,413	3,110,950	0	0	3,078,413	3,110,950
Interest on Debt	1,882,123	2,372,161	0	0	1,882,123	2,372,161
Other, principally Retirees' Health	4,761,988	10,585,404	0	0	4,761,988	10,585,404
Total Expenses	\$203,510,552	\$202,258,844	\$ 8,017,795	\$ 8,410,700	\$211,528,347	\$210,669,544
Increase/(Decrease) in Net Assets	3,600,998	1,690,649	338,517	(443,193)	3,939,515	1,247,456
Net Assets - Beginning	185,202,008	183,140,331	14,951,079	15,765,300	200,153,087	198,905,831
Prior Period Adjustment	0	371,028	0	(371,028)	0	0
Net Assets - Ending	\$188,803,006	\$185,202,008	\$15,289,596	\$14,951,079	\$204,092,602	\$200,153,087

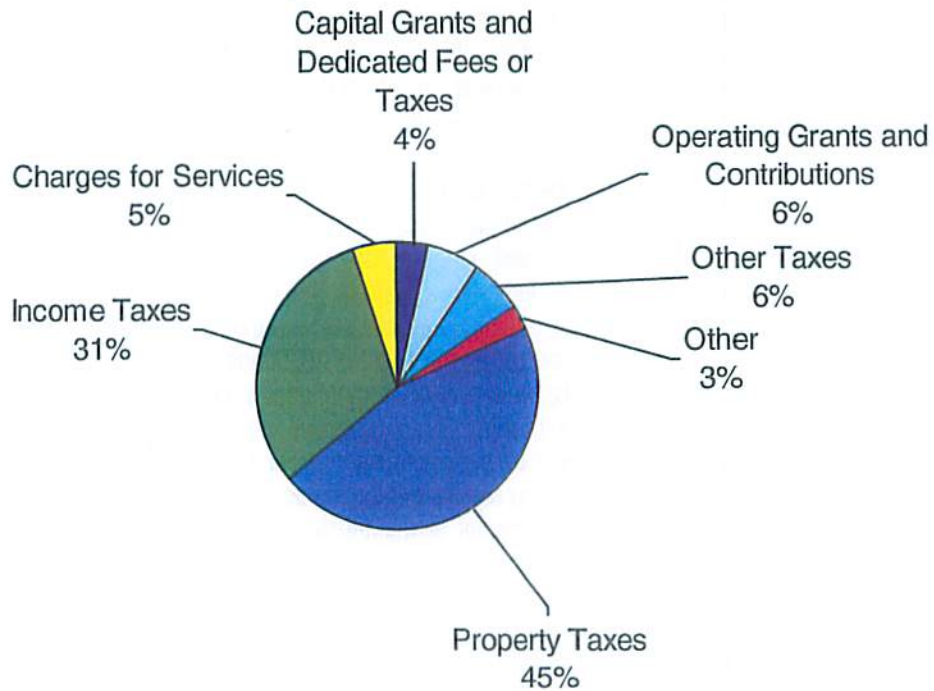
Governmental activities: Governmental activities reflected an increase in net assets of \$3.6 million. The governmental funds reflected a net increase of \$21.9 million, principally due to the net effect of selling \$30 million in General Obligation Bonds to fund capital project costs.

Business-type activities: Business-type activities reflected an increase in net assets of \$.3 million. Wicomico Golf Course fee-based activities posted a decrease while Recreation and Parks, and Solid Waste and Recycling fee-based activities posted increases. As discussed elsewhere, the Medical Adult Daycare posted an increase of \$238,756, which reflects the impact of the General Fund transfer made to cover the MADS accumulated deficit through June 30, 2010, also the date that MADS ceased operating as a County-funded program.

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, 2010, St. Mary's County Government's governmental funds reported combined ending fund balances of \$70.3 million, an increase of \$22 million over the prior year. The Capital Projects fund accounts for \$36.9 million of the balance and \$17.7 million of the net increase. As discussed previously, this reflects the impact of selling \$30 million in General Obligation Bonds to fund capital projects, all of which was consistent with the capital budget. This higher than normal level also reflects the fact that the County intended to sell bonds during FY2009, but deferred the sale due to the uncertain capital markets situation. Approximately \$33.1 million, or 47.1% of this total, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. Of this \$33.1 million, the Board of County Commissioners has designated \$4.455 million for the 2011 budget, \$11.9 million for the Bond Rating reserve, and \$1.625 million for the Rainy Day fund. Additionally, \$1.41 million is in the Emergency Services Support Fund and the Fire and Rescue Revolving Loan Fund, both of which are identified for specific uses related to the County's volunteer fire and rescue related services. The application of fund balance to the subsequent year's budget and these designations are discussed elsewhere in this section. Reserved fund balance includes \$36.2 million for capital projects as well as approximately \$1.5 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, 2010, unreserved fund balance of the general fund was \$31 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 17.4% of total general fund expenditures, excluding pass-throughs, while total fund balance represents 18.1% of that same amount.

In addressing the budget to actual variances, this section focuses generally on comparisons to the original approved budget. However, given the almost \$4 million in State funding cuts that occurred early in FY2010, some descriptions will necessarily refer to both the original and the revised budgets. The "other supplementary information" on pages 114 through 120 reflects the original and revised budgets as well as the actual results, in more detail. During FY2010, the County also made several significant reductions to its "local revenue" estimates. The most significant was to reduce the estimate for income taxes, based on the fact that distributions made by the State were running approximately 8% behind what was needed to make the FY2010 budget, based on the collections pattern of the prior years, prompting a mid-year write-down of \$5.3 million. Subsequently, the June 2010 through August 2010 distributions from the State increased by more than 30% over the prior year for the same 3-month period, which resulted in the County closing its FY2010 books having met its original income tax revenue budget for FY2010. The determination of whether this is a correction of the amount distributed by the State to St. Mary's County for prior years, due to the State's settlement process, or is the trend for FY2011 and beyond remains uncertain, and will be assessed as a part of the FY2012 budget process, since reports from the State generally received toward the end of the calendar year provide more information about the components of the income taxes. The County's property tax revenue was very close to both the original and revised budgets. Highway user revenues were cut by 95% by the State during its budget-balancing efforts in August 2009, well after the County's budget had been approved, and already into the 2010 fiscal year. This revenue source has declined significantly from almost \$7 million in FY2009 to what is now an expected allocation from the State closer to \$300,000. At the time that these revenue revisions were made, we also reduced the estimate for the investment income from \$1.5 million down to just over \$102,000, a

reflection of the reduced revenues and balances on hand as well as drastically reduced rates. The County took corresponding efforts to reduce the expenses. These included delays in hiring as well as a hiring freeze, elimination of the vehicle replacement program for FY2010, and numerous other smaller reductions to department budgets. Since the allocation to the Board of Education for FY2010 exceeded the State-mandated maintenance of effort requirement by almost \$6 million, the County allocation was reduced by \$750,000 as well. State funding cuts included State police aid of just over \$300,000; a corresponding reduction was made to the Sheriff's budget, recognizing turn-over savings due to his unfilled positions. Planned additions to the bond rating reserve were not necessary to retain the reserve at 6%, since the overall budget declined from FY2010 to FY2011. The budgeted transfer of pay-go funds was eliminated to balance the budget to the reduced revenue level.

As to the final results for FY2010, the cost-saving efforts did not end when the mid-year budget reductions were approved. In the final analysis, the County's cost-saving efforts yielded savings in personal services totaling \$3 million, excluding grants (which would have a corresponding decrease in revenues). These personal services cost savings were generated by the freezing of positions, as noted previously, turn-over, which can achieve savings through lower-step placement as well as by allowing a period of time to elapse before re-filling the position, savings in health benefits due to an experience-based refund under our rating arrangement of almost \$600,000, and reduced costs of workers compensation totaling almost \$375,000, attributable to self-insurance and County monitoring and containment efforts started in FY2008. Actual debt service was \$2.3 million less than originally budgeted, reflecting the later timing of the bond sale as well as our garnering of the lowest effective interest rates that we have had.

In addition, throughout all departments, there is an accumulation of individually smaller positive expense variances, which is a reflection of on-going efforts to save costs whenever and wherever possible. Costs associated with major weather issues were covered through internal re-alignment, cuts in other areas, and recovery from FEMA. Vehicle fuel costs were \$200,000 below the original budget. Contracted services were \$1.1 million less than the original budget, with the largest variances being in Elections, Animal Control, LUGM, Non-Public School Bus Transportation, and Corrections. 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. If savings can be identified, they are not used to implement other non-budgeted items. Instead, they accrue to the County's general fund balance.

Historically, the County'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 State's budget situation as well as the general economic conditions, the FY2010 budget did not apply all of the undesignated fund balance from prior years to non-recurring costs. The same is true of the FY2011 budget. The uncertain climate and the apparent need for the State to shift more costs in order to balance its budget prompted the County to retain such reserves for a period of the next several years in order to use them to bridge the gap in revenues which are deemed temporary – what we refer to as "revenue replacement." The County is limiting its reliance on fund balance as revenue replacement to approximately \$3.5 million annually. As the State budget intentions further develop and as a "new" longer-term economic pattern becomes clearer, the County will re-assess its use of fund balance for this purpose. It is expected that in the next several years, the County will return to funding recurring costs only with recurring revenues. However, maintaining the higher undesignated reserves at this time will enable us to soften the impact of further cuts or cost shifts, such as teacher pensions, allowing some additional time to implement longer-term cost reduction measures, as might be appropriate. 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 and the circumstances warrant it. The use and application of fund balance as well as long-term additional permanent changes to expenses will be major discussion and decision items for the FY2012 and FY2013 budgets.

The fund balance of St. Mary's County Government's general fund increased by \$3.8 million during the fiscal year ended June 30, 2010. The single largest component of this was the reversion of \$955,000 from the capital projects fund to the general fund – pay-go funding budgeted in a land acquisition capital project that was determined to no

longer be needed. The other variances are discussed previously and could generally be described as savings generated by continued belt-tightening efforts on the part of all aspects of County Government.

The capital projects fund has a total fund balance of \$36.8 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 \$36.2 million, which reflects the accumulated unspent balances of impact fees, recordation taxes, transfer taxes, and pay-go, has been appropriated for specific projects, but remains unspent as of June 30, 2010. 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 reflected a deficit of \$5,852. The Recreation Activities Fund reflected unrestricted net assets of \$7,149, and the Solid Waste and Recycling Fund reflected a deficit of \$186,852. On a combined basis, there was a \$.34 million increase 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 \$10.5 million less than the original budget. State cuts through in August accounted for \$3.8 million of the reduction. Additionally, write-downs of income tax revenue net of the write-up of property tax revenues, as well as the write-down of recordation taxes and investment income due to lowered revenue expectations accounted for another \$6.8 million. 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.

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, 2010, amounts to \$227 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, 2010 was \$1.7 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$31,602,570	\$31,061,709	\$1,078,666	\$1,078,666	\$32,681,236	\$32,140,375
Building and Improvements	61,748,685	61,692,793	3,074,185	3,166,849	64,822,870	64,859,642
Facilities Under Construction	5,310,769	4,796,374	0	0	5,310,769	4,796,374
Solid Waste Facilities	0	0	11,522,871	11,522,871	11,522,871	11,522,871
Infrastructure	99,474,374	97,590,641	247,777	264,471	99,722,151	97,855,112
Vehicles	3,864,390	4,548,881	1,070,507	1,256,421	4,934,897	5,805,302
Equipment	<u>7,980,148</u>	<u>8,336,772</u>	<u>21,775</u>	<u>20,570</u>	<u>8,001,923</u>	<u>8,357,342</u>
	<u>\$209,980,936</u>	<u>\$208,027,170</u>	<u>\$17,015,781</u>	<u>\$17,309,848</u>	<u>\$226,996,717</u>	<u>\$225,337,018</u>

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

- The Emergency Equipment Shelter.
- Approximately \$5.3 million in roads were added to the County system, including roads developed/constructed by third parties.
- Several park improvements were completed and capitalized in FY2010, including additional phases of Three Notch Trail, and Chancellor's Run Park improvements, totaling approximately \$.644 million.
- Land purchases principally relating to future road developments were added to our capital asset base in FY2010, including the purchase of the Turner property.

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, 2010, 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, 2009</u>	<u>June 30, 2010</u>	<u>Amounts due within one year</u>
General Obligation Bonds(GOB) – County	\$ 82,200,000	\$ 105,500,000	\$ 8,730,000
Less: Amount Deferred on Refunding	(1,747,217)	(2,294,327)	(140,897)
Water Quality Loan	4,644,158	4,116,609	536,299
State Loans	1,905,283	1,824,278	98,749
Surplus Property Transfer of Debt	196,389	148,982	49,639
Exempt Financing (Equipment & Vehicles)	3,627,750	2,231,772	1,185,947
	<u>\$ 90,826,363</u>	<u>\$ 111,527,314</u>	<u>\$ 10,459,737</u>
GOB sold on behalf of St. Mary's Hospital	<u>\$ 16,785,000</u>	<u>\$ 15,905,000</u>	<u>\$ 920,000</u>

Business-Type Activities

	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>Amounts due within one year</u>
Exempt Financing (Equipment)	<u>\$1,815,294</u>	<u>\$1,540,630</u>	<u>\$215,231</u>

St. Mary's County Government's total general obligation bonded debt increased by a net \$22.8 million, due to the issuance of \$30 million new general obligation bonds in FY2010. Repayments include \$880,000 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 an "AA" rating from Fitch Ratings, an "AA" from Standard and Poors 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 FY2011 budget is \$189.7 million, and incorporates the various State cuts and write-downs mentioned as a part of the FY2010 discussion. The property tax income is based on information provided by the State as to estimated taxable assessed value of \$11.264 billion, which is 7% higher than the FY2010 estimate provided by the State. Initial billings for FY2011 are comparable to the estimates. The income taxes were written down to \$60 million, based on the reduced level of the tax distributions that had been made through May 2010, when we adopted the budget, and other information then provided as to reduced numbers of filers, etc.
- Though the County may be impacted by the general and State 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 the 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 continues to be one of the highest in the State. Census 2010 figures are not yet finalized, but indicate the County exceeds 100,000 in population.
- The County ranks first in the State for growth in the labor force, 2nd in the State for average weekly wages, and consistently posts unemployment rates that are well below State averages. County median household income is 5% 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 375th. The County's accommodations tax continues to reflect strong growth.
- 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. While the FY2011 budget did not use fund balance for these purposes, but retained it instead to bridge the revenue gap, it is expected that after the FY2012 and FY2013 budget cycles, as the State's intentions with respect to several major funding items becomes known and as the local economic picture becomes clearer, the County will reduce its reliance on fund balance for revenue replacement and return to the use of fund balance for pre-payment of capital projects or OPEB costs.

The Board intends to continue its use of multi-year outlooks and sustainability reviews as a part of the budget process, accompanied by interim reviews of selected revenues and expenditures. It is expected that cost-saving measures will continue, including the hiring freeze. 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 challenging times. Tax rates for FY2011 remained unchanged, 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.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		Component Units			
	Governmental Activities	Business-Type Activities	Total	Public Schools	Library	Metropolitan Commission Building Authority
ASSETS						
Cash and cash equivalents	\$78,351,142	\$183,718	\$78,534,860	\$29,019,305	\$349,280	\$8,754,013
Internal balances	(1,323,232)	1,323,232	0	0	0	0
Restricted cash and investments	0	0	0	0	138,363	3,346,725
Taxes receivable	4,879,082	0	4,879,082	0	0	0
Income tax reserve, funds held by the State	9,886,070	0	9,886,070	0	0	0
Due from other governments	0	0	0	6,319,944	319,140	220,099
Notes receivable, Fire and Rescue loans	415,479	0	415,479	0	0	0
Accounts receivable	11,708,315	194,551	11,902,866	2,200,046	94,177	619,621
Inventory	758,849	56,613	815,462	228,847	0	144,503
Prepaid, post-retirement benefit (OPEB)	16,171,623	0	16,171,623	0	77,944	283,984
Other prepaid expenses	154,036	0	154,036	25,720	0	19,051
Mortgages receivable from St. Mary's Hospital	15,905,000	0	15,905,000	0	0	0
Deferred and unamortized bond issuance costs	0	0	0	0	0	475,073
Fire and Rescue loans receivable, net of short-term portion	1,847,173	0	1,847,173	0	0	0
Special tax assessments receivable, net of short-term portion	1,344,234	0	1,344,234	0	0	0
Capital assets	333,560,444	20,894,559	354,455,003	333,624,402	4,735,453	8,686,544
Accumulated depreciation	(123,579,508)	(3,878,778)	(127,458,286)	(97,680,752)	(3,462,402)	(4,428,007)
Capital assets, net of accumulated depreciation	\$209,980,936	\$17,015,781	\$226,996,717	\$235,943,650	\$1,273,051	\$4,258,537
Total Assets	\$350,078,717	\$18,773,895	\$368,852,612	\$273,737,512	\$2,251,955	\$101,128,805
						\$8,683,340

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, 2010

	Primary Government		Component Units			
	Governmental Activities	Business-Type Activities	Total	Public Schools	Library	Metropolitan Commission
LIABILITIES						Building Authority
<u>Current liabilities</u>						
Accounts payable	\$3,399,170	\$407,099	\$3,806,269	\$4,153,388	\$107,838	\$20,000
Compensation-related liabilities	5,440,932	1,089,836	6,510,768	15,300,198	58,454	0
Deferred income tax distribution	9,866,070	0	9,866,070	0	0	0
Deferred revenue	4,174,726	287,517	4,472,243	558,631	524	0
Other liabilities	4,854,048	9,032	4,863,080	0	0	128,371
Due to other governments	539,239	0	539,239	39,856	0	0
<u>Non-current liabilities</u>						
Due within one year	11,417,157	215,231	11,632,388	512,732	0	1,190,000
Due in more than one year	121,584,369	1,485,584	123,049,953	13,532,328	118,932	3,985,000
Total Liabilities	\$161,275,711	\$3,484,299	\$164,760,010	\$34,095,113	\$285,748	\$5,301,371
NET ASSETS						
Invested in capital assets, net of related debt	\$97,053,622	\$15,475,151	\$112,528,773	\$235,943,650	\$1,273,051	(\$898,463)
Restricted	36,888,125	0	36,888,125	88,128	140,420	3,587,201
Unrestricted	54,881,259	(185,555)	54,675,704	3,612,623	552,738	711,231
Total Net Assets	\$188,803,006	\$15,289,596	\$204,092,602	\$239,642,399	\$1,966,207	\$3,381,969
Total Liabilities and Net Assets	\$350,078,717	\$18,773,895	\$368,852,612	\$273,737,512	\$2,251,955	\$8,683,340

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, 2010

Program Revenues

Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Dedicated Fees or Taxes	Total Revenues
General Government	\$16,115,527	\$5,782,227	\$924,787	\$0	\$6,707,014
Public Safety	38,388,910	1,330,159	1,869,947	204,865	3,404,971
Public Works	12,661,324	1,227,950	2,082,308	0	3,310,258
Health	6,560,335	0	5,187,742	0	5,187,742
Social Services	4,393,469	53,970	1,175,099	0	1,229,069
Primary and Secondary Education	92,079,469	0	0	0	0
Post -Secondary Education	3,094,870	0	0	0	0
Parks, Recreation, and Culture	4,770,725	283,067	165,694	668,613	1,117,374
Libraries	2,469,826	0	0	0	0
Conservation of Natural Resources	12,272,259	0	0	6,483,450	6,483,450
Housing	981,314	967,308	812,504	0	1,779,812
Economic Development and Opportunity	3,078,413	61,562	258,194	0	319,756
Debt Interest	1,882,123	0	0	0	0
Other, principally OPEB	4,761,988	786,035	0	195,438	991,473
TOTAL GOVERNMENTAL ACTIVITIES	\$203,510,552	\$10,502,278	\$12,476,275	\$7,552,366	\$30,530,919
Business - Type Activities					
Recreation Activity	\$2,012,353	\$2,043,518	\$33,646	\$0	\$2,077,164
Wicomico	1,516,035	1,299,914	0	0	1,299,914
Medical Adult Daycare	815,435	85,762	382,033	0	467,795
Solid Waste/Recycling	3,673,972	2,678,119	0	0	2,678,119
TOTAL BUSINESS-TYPE ACTIVITIES	\$8,017,795	\$6,107,313	\$415,679	\$0	\$8,522,992
TOTAL PRIMARY GOVERNMENT	\$211,528,347	\$16,609,591	\$12,891,954	\$7,552,366	\$37,053,911
Component Units:					
Public Schools	\$226,905,404	\$3,721,791	\$48,164,416	\$8,317,221	\$60,203,428
Library	3,341,044	248,026	879,477	0	1,127,503
MetCom	13,870,842	15,582,259	0	0	15,582,259
Building Authority	1,695,548	1,404,938	0	0	1,404,938
	\$245,812,838	\$20,957,014	\$49,043,893	\$8,317,221	\$78,318,128

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
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, 2010

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Public Schools	Library	MetCom	Building Authority
(\$9,408,513)	\$0	(\$9,408,513)				
(34,983,939)	0	(34,983,939)				
(9,351,066)	0	(9,351,066)				
(1,372,593)	0	(1,372,593)				
(3,164,400)	0	(3,164,400)				
(92,079,469)	0	(92,079,469)				
(3,094,870)	0	(3,094,870)				
(3,653,351)	0	(3,653,351)				
(2,469,826)	0	(2,469,826)				
(5,788,809)	0	(5,788,809)				
798,498	0	798,498				
(2,758,657)	0	(2,758,657)				
(1,882,123)	0	(1,882,123)				
(3,770,515)	0	(3,770,515)				
(\$172,979,633)	\$0	(\$172,979,633)				
\$0	\$64,811	\$64,811				
0	(216,121)	(216,121)				
0	(347,640)	(347,640)				
0	(995,853)	(995,853)				
\$0	(\$1,494,803)	(\$1,494,803)	\$0	\$0	\$0	\$0
(\$172,979,633)	(\$1,494,803)	(\$174,474,436)				
\$0	\$0	\$0	(\$166,701,976)	\$0	\$0	\$0
0	0	0	0	(2,213,541)	0	0
0	0	0	0	0	1,711,417	0
0	0	0	0	0	0	(290,610)
\$0	\$0	\$0	(\$166,701,976)	(\$2,213,541)	\$1,711,417	(\$290,610)
\$94,282,830	\$0	\$94,282,830	\$0	\$0	\$0	\$0
65,115,901	0	65,115,901	0	0	0	0
13,299,726	0	13,299,726	0	0	0	0
157,854	2,561	160,415	41,475	6,324	28,790	0
0	0	0	155,689,292	2,276,038	0	0
(1,830,713)	1,830,713	0	0	0	0	0
5,555,033	46	5,555,079	821,302	51,200	7,096,185	0
\$176,580,631	\$1,833,320	\$178,413,951	\$156,552,069	\$2,333,562	\$7,124,975	\$0
\$3,600,998	\$338,517	\$3,939,515	(\$10,149,907)	\$120,021	\$8,836,392	(\$290,610)
\$185,202,008	\$14,951,079	\$200,153,087	\$249,792,306	\$1,846,186	\$66,076,861	\$3,672,579
\$188,803,006	\$15,289,596	\$204,092,602	\$239,642,399	\$1,966,207	\$74,913,253	\$3,381,969

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, 2010

	General Fund	Capital Projects	Non-Major	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$68,464,443	\$0	\$0	\$68,464,443
Due from other funds	0	36,388,422	1,324,587	37,713,009
Taxes receivable	4,766,470	0	110,578	4,877,048
Income tax reserve, funds held by the State	9,886,070	0	0	9,886,070
Special tax assessments receivable	0	0	2,044	2,044
Notes receivable, Fire and Rescue loans	0	0	415,479	415,479
Accounts receivable	10,335,677	1,372,637	0	11,708,314
Inventory	758,849	0	0	758,849
Other	614,703	0	0	614,703
Fire and Rescue loans receivable, net of short-term portion	0	0	1,847,173	1,847,173
Special tax assessments receivable, net of short-term portion	0	0	1,344,234	1,344,234
Total Assets	\$94,826,212	\$37,761,059	\$5,044,095	\$137,631,366
LIABILITIES				
Accounts payable	\$2,744,451	\$641,532	\$13,187	\$3,399,170
Compensation-related liabilities	5,440,932	0	0	5,440,932
Deferred income tax distribution	9,886,070	0	0	9,886,070
Deferred revenue	322,624	244,038	3,608,064	4,174,726
Other liabilities	4,854,048	0	0	4,854,048
Due to other funds	38,485,654	0	550,587	39,036,241
Due to other governments	539,239	0	0	539,239
Total Liabilities	\$62,273,018	\$885,570	\$4,171,838	\$67,330,426
FUND BALANCES				
Reserved	\$1,492,665	\$36,213,377	(\$545,780)	\$37,160,262
Unreserved, designated	18,405,882	662,112	1,418,037	20,486,031
Unreserved, undesignated	12,654,647	0	0	12,654,647
Total Fund Balances	\$32,553,194	\$36,875,489	\$872,257	\$70,300,940
Total Liabilities and Fund Balances	\$94,826,212	\$37,761,059	\$5,044,095	\$137,631,366

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, 2010

	General Fund	Capital Projects	Non-Major	Total
REVENUES				
Property Taxes	\$94,282,830	\$0	\$0	\$94,282,830
Income Taxes	65,115,901	0	0	65,115,901
Energy Taxes	1,392,707	0	0	1,392,707
Recordation Taxes	4,539,647	435,309	0	4,974,956
Transfer Taxes	0	4,483,543	0	4,483,543
Agricultural/Development Taxes	0	46,244	0	46,244
Impact Fees	0	3,449,344	0	3,449,344
Other Local Taxes	1,074,539	0	0	1,074,539
Highway User Revenues	356,019	0	0	356,019
Licenses and Permits	1,375,944	0	0	1,375,944
Intergovernmental	10,065,653	7,765,477	520,081	18,351,211
Charges for Services	5,384,687	0	0	5,384,687
Fines and Forfeitures	354,628	0	0	354,628
Special Assessments	0	0	195,438	195,438
Other Revenues	375,945	585,949	1,774,664	2,736,558
Sub-total	184,318,500	16,765,866	2,490,183	203,574,549
Pass-Throughs	1,052,739	0	0	1,052,739
TOTAL GENERAL FUND REVENUES	\$185,371,239	\$16,765,866	\$2,490,183	\$204,627,288
EXPENDITURES				
General Government	\$19,168,114	\$1,235,647	\$0	\$20,403,761
Public Safety	32,023,300	973,309	1,788,057	34,784,666
Public Works	8,551,095	1,649,517	0	10,200,612
Health	6,405,099	0	0	6,405,099
Social Services	4,284,540	0	0	4,284,540
Primary and Secondary Education	81,154,519	10,912,560	0	92,067,079
Post-Secondary Education	3,052,585	0	0	3,052,585
Parks, Recreation, and Culture	3,832,155	1,233,746	0	5,065,901
Libraries	2,276,038	0	0	2,276,038
Conservation of Natural Resources	382,542	11,889,717	0	12,272,259
Housing	981,314	0	0	981,314
Economic Development and Opportunity	1,991,675	0	0	1,991,675
Debt Service - Principal and Interest	10,769,086	130,000	229,084	11,128,170
Other	4,761,990	0	0	4,761,990
Sub-total	179,634,052	28,024,496	2,017,141	209,675,689
Pass-Throughs	1,052,739	0	0	1,052,739
TOTAL GENERAL FUND EXPENDITURES	\$180,686,791	\$28,024,496	\$2,017,141	\$210,728,428
Excess of Revenues Over (Under) Expenditures	\$4,684,448	(\$11,258,630)	\$473,042	(\$6,101,140)
OTHER FINANCING SOURCES AND USES				
Exempt financing proceeds	\$230	\$0	\$0	\$230
Proceeds from issuance of bonds	\$0	\$30,000,000	\$0	\$30,000,000
State Loans	0	35,495	0	35,495
Capital Projects - General Fund Reversion	955,000	(955,000)	0	0
Subsidies to Enterprise Funds	(1,830,713)	0	0	(1,830,713)
Other/Private Funding Sources	0	(150,061)	0	(150,061)
Total Other Financing Sources / Uses	(\$875,483)	\$28,930,434	\$0	\$28,054,951
Net Increase/(Decrease) in Fund Balances	\$3,808,965	\$17,671,804	\$473,042	\$21,953,811
FUND BALANCE				
Beginning of the Year	\$28,744,229	\$19,203,685	\$399,215	\$48,347,129
End of Year	\$32,553,194	\$36,875,489	\$872,257	\$70,300,940

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, 2010**

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

Fund Balance - Governmental Funds	\$70,300,940
Capital assets, net of accumulated depreciation, are not reported in the Balance Sheet for Governmental Funds	209,980,936
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 \$15,905,000, but does include debt applicable to assets reported in the component unit for the Board of Education	(117,076,526)
Net Assets - Governmental Activities	<u>\$188,803,006</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	\$21,953,811
Depreciation expense which is reported in the statement of activities, but not reflected as an expenditure for governmental activities	(7,887,337)
Disposal of capital assets which is reported in the statement of activities, but not reflected as an expenditure for governmental activities	(32,946)
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	(45,663,518)
Repayment of debt	25,356,939
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	<u>9,874,049</u>
Increase/(decrease) in net assets of governmental activities	<u>\$3,600,998</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, 2010

	Medical Adult Daycare	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
ASSETS					
<u>Current assets</u>					
Cash and cash equivalents	\$0	\$0	\$183,718	\$0	\$183,718
Due from other funds	266,243	336,580	289,042	431,357	1,323,232
Accounts receivable	114,075	8,962	16,262	55,252	194,551
Inventory	0	0	56,613	0	56,613
Total Current Assets	<u>\$380,318</u>	<u>\$345,552</u>	<u>\$545,635</u>	<u>\$486,609</u>	<u>\$1,758,114</u>
<u>Non-current assets</u>					
Capital assets (including capital assets transferred)	\$0	\$132,748	\$6,417,723	\$14,344,088	\$20,894,559
Accumulated depreciation	0	(126,929)	(1,986,628)	(1,765,221)	(3,878,778)
Capital assets, net of accumulated depreciation	<u>\$0</u>	<u>\$5,819</u>	<u>\$4,431,095</u>	<u>\$12,578,867</u>	<u>\$17,015,781</u>
Total Assets	<u>\$380,318</u>	<u>\$351,371</u>	<u>\$4,976,730</u>	<u>\$13,065,476</u>	<u>\$18,773,895</u>
LIABILITIES					
<u>Current liabilities</u>					
Due to other funds	\$0	\$0	\$0	\$0	\$0
Accounts payable	30,366	71,566	40,251	273,918	416,131
Compensation-related liabilities	349,922	83,881	321,917	314,116	1,069,836
Deferred revenue	0	182,956	114,561	0	297,517
<u>Noncurrent Liabilities</u>					
Due within one year	0	0	44,313	170,918	215,231
Due in more than one year	0	0	1,264,525	221,059	1,485,584
Total Liabilities	<u>\$380,318</u>	<u>\$338,403</u>	<u>\$1,785,567</u>	<u>\$980,011</u>	<u>\$3,484,299</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$0	\$5,819	\$3,197,015	\$12,272,317	\$15,475,151
Unrestricted	0	7,149	(5,852)	(186,852)	(185,555)
Total Net Assets	<u>\$0</u>	<u>\$12,968</u>	<u>\$3,191,163</u>	<u>\$12,085,465</u>	<u>\$15,289,596</u>
Total Liabilities and Net Assets	<u>\$380,318</u>	<u>\$351,371</u>	<u>\$4,976,730</u>	<u>\$13,065,476</u>	<u>\$18,773,895</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, 2010

	Medical Adult Daycare	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
OPERATING REVENUES					
Charges for Services	\$85,762	\$2,043,518	\$1,299,914	\$381,379	\$3,810,573
Environmental/Solid Waste Fees	0	0	0	2,296,740	2,296,740
	<u>\$85,762</u>	<u>\$2,043,518</u>	<u>\$1,299,914</u>	<u>\$2,678,119</u>	<u>\$6,107,313</u>
OPERATING EXPENSES					
Personal Services	\$484,424	\$1,144,916	\$733,935	\$969,683	\$3,332,958
Operating Supplies	59,230	193,922	273,008	41,459	567,619
Professional Services	27,145	253,406	82,106	1,153,683	1,516,540
Communications	0	21,091	3,395	5,615	30,101
Transportation	166,298	3,400	32,986	62,916	265,600
Rentals	0	141,651	8,543	30,994	181,188
Public Utilities	8,521	238,685	70,286	13,747	331,239
Other Operating Costs	1,215	6,417	28,302	0	35,934
Tipping Fees	0	0	0	1,142,987	1,142,987
Retirees' Health Benefits	67,834	0	70,265	50,524	188,623
Interest Expense	0	0	70,642	13,750	84,392
Equipment	768	8,565	3,759	0	13,092
Depreciation	0	300	138,808	188,414	327,522
Total operating expenses	<u>\$815,435</u>	<u>\$2,012,353</u>	<u>\$1,516,035</u>	<u>\$3,673,972</u>	<u>\$8,017,795</u>
Operating Income (Loss)	(\$729,673)	\$31,165	(\$216,121)	(\$995,653)	(\$1,910,482)
Non-Operating Revenue					
Other, principally interest income	\$0	\$46	\$2,561	\$0	\$2,607
Grants revenue	382,033	33,646	0	0	415,679
General fund subsidy	586,396	50,000	0	1,194,317	1,830,713
Increase/(Decrease) in net assets	<u>\$238,756</u>	<u>\$114,657</u>	<u>(\$213,560)</u>	<u>\$198,464</u>	<u>\$338,517</u>
NET ASSETS					
Beginning of the Year	<u>(\$238,756)</u>	<u>(\$101,889)</u>	<u>\$3,404,723</u>	<u>\$11,887,001</u>	<u>\$14,951,079</u>
End of Year	<u>\$0</u>	<u>\$12,968</u>	<u>\$3,191,163</u>	<u>\$12,085,465</u>	<u>\$15,289,596</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 CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Medical Adult Daycare	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Charges for Services	\$58,076	\$2,075,066	\$1,293,482	\$2,679,729	\$6,106,353
Personal Services	(394,934)	(1,149,812)	(669,348)	(884,247)	(3,118,341)
Other Expenses	(342,804)	(849,403)	(665,472)	(2,455,111)	(4,312,790)
Net Cash Provided (Used) By Operating Activities	<u>(\$679,662)</u>	<u>\$75,851</u>	<u>(\$61,338)</u>	<u>(\$659,629)</u>	<u>(\$1,324,778)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES					
Net change in interfund loans	(\$288,767)	(\$153,543)	\$128,481	(\$301,921)	(\$615,750)
Grant revenue	382,033	33,646	0	0	415,679
General Operating Subsidy	586,396	50,000	0	1,194,317	1,830,713
Net Cash Provided (Used) By Non-Capital and Related Financing Activities	<u>\$679,662</u>	<u>(\$69,897)</u>	<u>\$128,481</u>	<u>\$892,396</u>	<u>\$1,630,642</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Construction / purchase of capital assets	\$0	(\$6,000)	(\$27,454)	\$0	(\$33,454)
Principal payments on long-term debt	0	0	(41,897)	(232,767)	(274,664)
Net Cash Used by Capital and Related Financing Activities	<u>\$0</u>	<u>(\$6,000)</u>	<u>(\$69,351)</u>	<u>(\$232,767)</u>	<u>(\$308,118)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Other, principally Interest Income	<u>\$0</u>	<u>\$46</u>	<u>\$2,561</u>	<u>\$0</u>	<u>\$2,607</u>
Net Increase/(Decrease) in Cash	<u>\$0</u>	<u>\$0</u>	<u>\$353</u>	<u>\$0</u>	<u>\$353</u>
CASH					
Beginning of Year	<u>0</u>	<u>0</u>	<u>183,365</u>	<u>0</u>	<u>183,365</u>
End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$183,718</u>	<u>\$0</u>	<u>\$183,718</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	(\$729,673)	\$31,165	(\$216,121)	(\$995,853)	(\$1,910,482)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation	\$0	\$300	\$138,808	\$188,414	\$327,522
(Increase) decrease in accounts receivable	(26,294)	6,450	(575)	1,610	(18,809)
(Increase) decrease in inventory	0	0	(391)	0	(391)
Increase (decrease) in accounts payable	12,915	17,734	(14,762)	56,745	72,632
Increase (decrease) in compensation-related liabilities	64,782	(4,896)	37,560	89,455	186,901
Increase (decrease) in deferred revenue	(1,392)	25,098	(5,857)	0	17,849
Net Cash Provided (Used) By Operating Activities	<u>(\$679,662)</u>	<u>\$75,851</u>	<u>(\$61,338)</u>	<u>(\$659,629)</u>	<u>(\$1,324,778)</u>
SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES					
Total capital asset additions	\$0	(\$6,000)	(\$27,454)	\$0	(\$33,454)
Less transfer of assets from other funds	0	0	0	0	0
Net cash used for purchase of capital assets	<u>\$0</u>	<u>(\$6,000)</u>	<u>(\$27,454)</u>	<u>\$0</u>	<u>(\$33,454)</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, 2010

Sheriff's Office Retirement Plan

ASSETS

Cash and cash equivalents	\$3,294,629
Restricted cash and investments	<u>31,534,373</u>
Total Assets	<u>\$34,829,002</u>

NET ASSETS

Held in trust for pension benefits	<u>\$34,829,002</u>
Total Net Assets	<u>\$34,829,002</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, 2010

Sheriff's Office Retirement Plan

ADDITIONS

Contributions - Employer	\$4,203,131
Contributions - Employee	<u>919,780</u>
	<u>\$5,122,911</u>

Interest and Dividends	\$843,477
Realized Loss	(370,517)
Net Unrealized Gain on Investments	<u>2,451,025</u>
	<u>\$2,923,985</u>

Net Additions	<u>\$8,046,896</u>
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DEDUCTIONS

Benefits	(\$2,089,092)
Administrative	<u>(235,540)</u>

Total Deductions	<u>(\$2,324,632)</u>
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Increase/(Decrease) in Net Assets	\$5,722,264
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NET ASSETS

Beginning of Year	<u>29,106,738</u>
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End of Year	<u>\$34,829,002</u>
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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, 2010

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

ASSETS

Restricted cash and investments	<u>\$26,638,506</u>
Total Assets	<u>\$26,638,506</u>

NET ASSETS

Held in trust for other post-employment benefits	<u>\$26,638,506</u>
Total Net Assets	<u>\$26,638,506</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, 2010

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

ADDITIONS

Contributions to the Trust Account - Employer	\$3,271,666
Payments to Retirees - Employer	1,612,124
Interest and Dividends	<u>48,709</u>

Net Additions	<u>\$4,932,499</u>
---------------	--------------------

DEDUCTIONS

Benefits Paid Directly to Retirees	<u>\$1,612,124</u>
Total Deductions	<u>\$1,612,124</u>

Increase/(Decrease) in Net Assets	\$3,320,375
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NET ASSETS

Beginning of Year	<u>23,318,131</u>
End of Year	<u>\$26,638,506</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, 2010

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The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2010

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. Until June 2010, they also owned and leased property to the 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, 2010

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, 2010

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

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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

Fiduciary Funds (continued)

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.

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 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, 2010

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, and St. Mary's County Housing Authority for the fiscal year ended June 30, 2010 totaled \$1,052,739. These pass-through grants are recorded as pass-through revenues and expenditures in the amount of \$1,052,739 on the Statement of Revenues and Expenditures.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2010

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.

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 80 hours per year (one through five years of service) up to a maximum of 200 hours 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 360 hours for full-time employees and 180 hours for permanent part-time employees. At calendar year end, any hours in excess of 360 for full-time employees and 180 hours for permanent part-time employees are deducted from the employees' annual leave balance and credited to their sick leave balance. 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 120 hours 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 160 hours 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. 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, 2010

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	\$11,400,525	\$30,728,818
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	77,799	734,083
Beginning of year encumbrances, rolled into FY2010	(656,776)	0
Appropriation from prior year rolled to FY2010 in order to cover the encumbrances. This is reflected in the revised budget appropriations for FY2010	656,776	656,776
Budgeted use of fund balance	(8,102,876)	0
End of year encumbrances included in budget basis expenditures, not included for GAAP	<u>433,517</u>	<u>433,517</u>
GAAP Basis	<u>\$ 3,808,965</u>	<u>\$32,553,194</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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

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, 2010

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 and prepaid expenditures

Inventory is valued at the lower of cost (first-in, first-out method) or market. Inventory in the general fund, special revenue funds and enterprise funds consists of expendable supplies held for consumption. Reported inventories and prepaid expenditures in the general fund are offset by a 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 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 FY2010 by a budget transfer from the general fund. As part of the transition of the Medical Adult Daycare program to an independent non-profit, the subsidy from the general fund was adjusted to an amount needed to bring net assets at June 30, 2010, to zero.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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

Article 95, Section 22 of the Annotated Code of Maryland states that local governments are authorized to invest in the instruments specified in the State Finance and Procurement Article, Section 6-222 of the Code. In addition, Article 95, Section 22 requires that local government deposits with financial institutions be fully collateralized and that the collateral be of types specified in the State Finance and Procurement Article, Section 6-202. The County is charged with the responsibility for selecting depositories and investing the idle funds as directed by the State and County Codes. The County is further restricted as to the types of deposits and investments in accordance with the County's investment policy. 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 \$51,372,204 and the collected bank balance was \$52,865,855. Of the collected bank balance, \$539,762 was covered by Federal Deposit Insurance Corporation (FDIC), and \$52,324,261 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, 2010

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 – Cash Deposits and Treasuries	\$51,382,654
Maryland Local Government Investment Pool (MLGIP)	17,265,507
Retiree Benefit Trust (OPEB) – (MLGIP)	26,638,506
Pension investments – Sheriff's Office Retirement Plan	
Cash	\$3,294,629
Fixed income	
Government and agencies	4,520,174
Bond Funds	8,130,322
Corporate bonds and notes	314,099
Equity mutual funds	2,369,010
Common stock	10,278,640
Venture/Limited Partnership/Closely Held	<u>5,922,128</u>
Subtotal – Sheriff's Office Retirement Plan	<u>\$ 34,829,002</u>
Total investments	<u>\$130,115,669</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, 2010

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, 2010, 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, 2010 short-term investments consist primarily of deposits in the MLGIP. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The carrying amount and market value were \$21,363,889, \$404,252, and \$825,898 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, 2010, the carrying amount of the Library's deposits was \$3,331, and the bank balances totaled \$2,581. 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>\$345,949</u>	<u>\$345,949</u>
Restricted:		
The Vanguard Group	<u>\$138,363</u>	<u>\$138,363</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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 \$2,825,435 at June 30, 2010, and the bank balance was \$2,429,954. Of the bank balances, \$250,000 was covered by federal depository insurance at June 30, 2010, with the remaining \$2,179,954 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	\$ 3,928,128
Cash	2,825,435
Petty cash	<u>450</u>
	<u>\$ 6,754,013</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>\$ 3,928,128</u>	<u>\$ 3,928,128</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

4. Changes in capital assets

Primary Government

A summary of changes in capital assets is as follows:

	Balance June 30, 2009	Additions	Transfers	Disposals	Balance June 30, 2010
Governmental Activities					
Capital assets not being depreciated:					
Land	\$31,061,709	\$540,861	\$0	\$0	\$31,602,570
Construction In Progress	4,796,374	514,395	0	0	5,310,769
911 system & equipment	1,423,733	0	0	0	1,423,733
Total capital assets not being depreciated	\$37,281,816	\$1,055,256	\$0	\$0	\$38,337,072
Capital assets being depreciated:					
Buildings & Improvements	\$94,155,786	\$1,702,749	\$0	\$0	\$95,858,535
Computer equipment	1,985,475	0	0	0	1,985,475
Other equipment	251,481	0	0	0	251,481
Vehicles - licensed	11,372,498	335,212	0	(786,205)	10,921,505
Off-road vehicles	1,804,022	0	10,215	0	1,814,237
Miscellaneous equipment	3,200,697	484,291	(10,215)	0	3,674,773
Roads	131,687,302	5,293,132	0	0	136,980,434
Curbing	946,791	0	0	0	946,791
Sidewalks	917,168	65,805	0	0	982,973
Guardrails	987,884	25,990	0	0	1,013,874
Airport infrastructure	4,588,593	0	0	0	4,588,593
Airport equipment	514,808	0	0	0	514,808
Baseball fields	707,680	94,990	0	0	802,670
Bridges	5,066,591	140,000	0	0	5,206,591
Parks & recreation	12,309,116	644,616	0	0	12,953,732
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	32,008	0	0	266,652
911 system & equipment	7,848,948	0	0	0	7,848,948
Total capital assets being depreciated	\$287,190,784	\$8,818,793	\$0	(\$786,205)	\$295,223,372
Accumulated depreciation for:					
Buildings & Improvements	(\$32,462,993)	(\$1,646,857)	\$0	\$0	(\$34,109,850)
Computer equipment	(1,764,854)	(101,972)	0	0	(1,866,826)
Other equipment	(93,492)	(14,331)	0	0	(107,823)
Vehicles - licensed	(7,365,296)	(867,733)	0	753,259	(7,479,770)
Off-road vehicles	(1,262,343)	(119,920)	(9,319)	0	(1,391,582)
Miscellaneous equipment	(1,830,860)	(303,593)	9,319	0	(2,125,134)
Roads	(53,874,354)	(3,534,126)	0	0	(57,408,480)

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

4. Changes in capital assets (continued)

Primary Government (continued)

	Balance June 30, 2009	Additions	Transfers	Disposals	Balance June 30, 2010
Accumulated depreciation for: (continued)					
Curbing	(\$611,179)	(\$19,524)	\$0	\$0	(\$630,703)
Sidewalks	(385,769)	(20,589)	0	0	(406,358)
Guardrails	(370,430)	(23,181)	0	0	(393,611)
Airport infrastructure	(4,414,901)	(22,447)	0	0	(4,437,348)
Airport equipment	(514,808)	0	0	0	(514,808)
Baseball fields	(356,918)	(14,976)	0	0	(371,894)
Bridges	(2,042,236)	(103,266)	0	0	(2,145,502)
Parks & recreation	(2,311,552)	(397,381)	0	0	(2,708,933)
Marinas & docks	(3,498,811)	(255,920)	0	0	(3,754,731)
Irrigation systems	(101,317)	(3,716)	0	0	(105,033)
Signage	(372,315)	(7,975)	0	0	(380,290)
Parking lots	(126,646)	(9,707)	0	0	(136,353)
911 equipment	(2,684,356)	(420,123)	0	0	(3,104,479)
Total accumulated depreciation	(\$116,445,430)	(\$7,887,337)	\$0	\$753,259	(\$123,579,508)
Total capital assets being depreciated, net	\$170,745,354	\$931,456	\$0	(\$32,946)	\$171,643,864
Governmental activities capital assets, net	\$208,027,170	\$1,986,712	\$0	(\$32,946)	\$209,980,936
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$1,078,666	\$0	\$0	\$0	\$1,078,666
Construction in progress	0	0	0	0	0
Solid waste facilities	11,522,871	0	0	0	11,522,871
Total capital assets not being depreciated	\$12,601,537	\$0	\$0	\$0	\$12,601,537
Capital assets being depreciated:					
Buildings & improvements	\$4,324,284	\$0	\$0	\$0	\$4,324,284
Computer equipment	57,188	0	0	0	57,188
Other equipment	39,359	0	0	0	39,359
Vehicles - Licensed	1,950,623	0	0	0	1,950,623
Off-road vehicles	1,044,997	27,454	0	0	1,072,451
Miscellaneous equipment	352,106	6,000	0	(18,975)	339,131
Irrigation systems	509,986	0	0	0	509,986
Total capital assets being depreciated	\$8,278,543	\$33,454	\$0	(\$18,975)	\$8,293,022
Accumulated depreciation for:					
Buildings & improvements	(\$1,157,435)	(\$92,664)	\$0	\$0	(\$1,250,099)
Computer equipment	(45,949)	(2,497)	0	0	(48,446)
Other equipment	(37,856)	(130)	0	0	(37,986)
Vehicles - Licensed	(1,236,789)	(127,344)	0	0	(1,364,133)
Off-road vehicles	(502,409)	(86,025)	0	0	(588,434)
Miscellaneous equipment	(344,278)	(2,168)	0	18,975	(327,471)
Irrigation systems	(245,515)	(16,694)	0	0	(262,209)
Total accumulated depreciation	(\$3,570,231)	(\$327,522)	\$0	\$18,975	(\$3,878,778)
Total capital assets being depreciated, net	\$4,708,312	(\$294,068)	\$0	\$0	\$4,414,244
Business-type activities capital assets, net	\$17,309,849	(\$294,068)	\$0	\$0	\$17,015,781

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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	\$ 985,887
Public Safety	1,455,814
Public Works	4,443,487
Social Services	111,002
Primary and Secondary Education	6,939
Post -Secondary Education	42,285
Parks, Recreation, and Culture	644,631
Libraries	193,788
Economic Development and Opportunity	3,504
Total Depreciation - Governmental Activities	<u>\$7,887,337</u>

Business-Type Activities

Recreation Activity Fund	\$ 300
Wicomico	138,808
Solid Waste/Recycling	188,414
Total Depreciation - Business-Type Activities	<u>\$327,522</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2010 is as follows:

	Balance June 30, 2009	Additions/Transfers	Deletions/Transfers	Balance June 30, 2010
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,215,095	\$ 0	\$ 330,198	\$ 2,545,293
Land under financing agreement	330,198	0	(330,198)	0
Facilities under construction	23,457,747	4,791,060	(25,878,703)	2,370,104
	<u>26,003,040</u>	<u>4,791,060</u>	<u>(25,878,703)</u>	<u>4,915,397</u>
Capital assets being depreciated:				
Buildings and improvements	290,010,913	1,572,417	28,596,298	320,179,628
Furniture and equipment	5,651,187	873,615	473,307	6,998,109
Furniture and equipment under financing agreements	3,291,122	0	(3,291,122)	0
	<u>298,953,222</u>	<u>2,446,032</u>	<u>25,778,483</u>	<u>327,177,737</u>
Accumulated depreciation for:				
Buildings and improvements, including facilities under capital lease	(85,851,043)	(6,989,689)	0	(92,840,732)
Furniture and equipment, including equipment under financing agreements	(3,509,685)	(602,341)	97,884	(4,014,142)
	<u>(89,360,728)</u>	<u>(7,592,030)</u>	<u>97,884</u>	<u>(96,854,874)</u>
Governmental activities capital assets, net	<u>\$235,595,534</u>	<u>\$ (354,938)</u>	<u>\$ (2,336)</u>	<u>\$235,238,260</u>
Business-type activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 1,353,255	\$ 189,793	\$ (11,780)	\$ 1,531,268
Accumulated depreciation for:				
Furniture and equipment	(735,764)	(101,894)	11,780	(825,878)
Business-type activities capital Assets, net	<u>\$ 617,491</u>	<u>\$ 87,899</u>	<u>\$ 0</u>	<u>\$ 705,390</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2010, as follows:

Governmental activities:

Administration	\$ 86,901
Mid-Level Administration	36,713
Other Instructional Costs	160,296
Special Education	9,621
Student Personnel Services	683
Student Transportation Services	141,119
Operation of Plant	7,152,928
Maintenance of Plant	3,769
Total governmental activities depreciation expense	<u>\$ 7,592,030</u>

Business-type activities:

Food Services	<u>\$ 101,894</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, 2010 was as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Capital assets:				
Furnishings and Equipment	\$ 1,017,221	\$ 25,658	\$ 9,000	\$ 1,033,879
Vehicles	33,102	0	0	33,102
Books	<u>3,252,138</u>	<u>416,334</u>	<u>0</u>	<u>3,668,472</u>
	<u>\$ 4,302,461</u>	<u>\$ 441,992</u>	<u>\$ 9,000</u>	<u>\$ 4,735,453</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2009	Additions	Deletions	Balance June 30, 2010
Accumulated depreciation:				
Furnishings and Equipment	\$ 888,756	\$ 52,277	\$ 9,000	\$ 932,033
Vehicles	28,331	3,181	0	31,512
Books	<u>2,167,099</u>	<u>331,758</u>	<u>0</u>	<u>2,498,857</u>
	<u>3,084,186</u>	<u>387,216</u>	<u>9,000</u>	<u>3,462,402</u>
Net capital assets	<u>\$ 1,218,275</u>	<u>\$ 54,776</u>	<u>\$ 0</u>	<u>\$ 1,273,051</u>

Governmental activities depreciation expense of \$387,216 was charged to Library services.

St. Mary's County Building Authority Commission

Capital assets

Capital assets at June 30, 2010 consisted of the following:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets:				
Nursing Home building	\$ 8,846,238	\$ 0	(\$8,846,238)	\$ 0
State Office building	8,673,157	0	0	8,673,157
Furniture and equipment	<u>13,387</u>	<u>0</u>	<u>0</u>	<u>13,387</u>
	<u>\$ 17,532,782</u>	<u>\$ 0</u>	<u>(\$8,846,238)</u>	<u>\$ 8,686,544</u>
Accumulated depreciation:				
Nursing Home building	4,291,916	221,156	(4,513,072)	0
State Office building	4,197,791	216,829	0	4,414,620
Furniture and equipment	<u>13,387</u>	<u>0</u>	<u>0</u>	<u>13,387</u>
	<u>\$ 8,503,094</u>	<u>\$ 437,985</u>	<u>(\$4,513,072)</u>	<u>\$ 4,428,007</u>
Net capital assets	<u>\$ 9,029,688</u>	<u>\$ 437,985</u>	<u>(\$4,333,166)</u>	<u>\$ 4,258,537</u>

Depreciation expense of \$437,985 was charged to activities for the fiscal year ended June 30, 2010. There were no additions of capital assets during the fiscal year ended June 30, 2010.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2010 was as follows:

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>
Capital assets:				
Utility plants	\$ 79,798,675	\$ 7,350,475	\$ 0	\$ 87,149,150
Water plant systems	19,789,857	3,719,800	0	23,509,657
Equipment	6,245,871	359,249	22,968	6,582,152
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	108,114,109	11,429,524	22,968	119,520,665
Not being depreciated:				
Utility plant construction in process	3,581,440	5,890,053	4,581,684	4,889,809
Water plant construction in process	2,947,728	3,159,666	1,673,129	4,434,265
Land/land rights	<u>598,037</u>	<u>1,000</u>	<u>0</u>	<u>599,037</u>
	<u>115,241,314</u>	<u>20,480,243</u>	<u>6,277,781</u>	<u>129,443,776</u>
Accumulated depreciation:				
Utility plants	27,131,379	1,878,294	0	29,009,673
Water plant systems	5,136,032	593,052	0	5,729,084
Equipment	3,278,280	527,262	22,968	3,782,574
Capitalized interest	237,278	16,364	0	253,642
Buildings	<u>671,088</u>	<u>55,308</u>	<u>0</u>	<u>726,396</u>
	<u>36,454,057</u>	<u>3,070,280</u>	<u>22,968</u>	<u>39,501,369</u>
Net capital assets	<u>\$ 78,787,257</u>	<u>\$ 17,409,963</u>	<u>\$ 6,254,813</u>	<u>\$ 89,942,407</u>

Depreciation expense of \$3,070,280 was charged to activities as follows:

Sewer activities	\$ 2,137,343
Water activities	780,828
Engineering activities	62,965
Administrative	<u>89,144</u>
Total	<u>\$ 3,070,280</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2010, was \$.857 per \$100 of assessed value based on the full valuation method. The personal property tax rate during the year ended June 30, 2010 was \$2.1425 per \$100 of assessed value. The County Treasurer 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, 2010, net of the allowance for uncollectibles of \$462,972, is \$4,162,911 (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, 2010, the amount of delinquent special assessment receivables due from taxpayers was \$600.

Component Units

St. Mary's County Public Schools

General Fund

Deferred revenue consists primarily of the retrospective insurance premium refund totaling \$1,219,539 which will be collected subsequent to June 30, 2010, 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, 2010 of \$341,269, and summer school tuition of \$20,704 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, 2010

6. Special tax assessment receivable and deferred revenue (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Enterprise Fund

Deferred revenue of \$89,733 represents student lunch ticket sales collected in advance which will be consumed by students in fiscal year 2011.

Capital Projects Fund

Deferred revenue consists of revenue received in advance from the County for expenditures associated with relocatable classrooms of \$104,925.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations

Primary Government

Governmental Activities

	June 30, 2009	Additions	Deductions	Principal Repayment	June 30, 2010	Amounts due within one year
General Obligation Bonds - County	\$82,200,000	\$45,645,000	\$15,085,000	(\$7,260,000)	105,500,000	\$8,730,000
Water Quality Loans	4,644,158	0	0	(527,549)	4,116,609	536,299
State Loans	1,905,283	0	0	(81,005)	1,824,278	98,749
Surplus Property Transfer of Debt	196,389	0	0	(47,407)	148,982	49,639
Exempt Financing	3,627,750	0	0	(1,395,978)	2,231,772	1,185,947
	<u>\$92,573,580</u>	<u>\$45,645,000</u>	<u>\$15,085,000</u>	<u>(\$9,311,939)</u>	<u>\$113,821,641</u>	<u>\$10,600,634</u>
General Obligation Bonds, sold on behalf of St. Mary's Hospital	\$16,785,000	\$0	\$0	(\$880,000)	\$15,905,000	\$920,000
Landfill Post-Closure Costs	\$1,800,000	\$0	\$400,000	\$0	\$1,400,000	\$0
Compensated Absences (Long-Term)	4,143,799	5,413	0	0	4,149,212	37,420
	<u>\$5,943,799</u>	<u>\$5,413</u>	<u>\$400,000</u>	<u>\$0</u>	<u>\$5,549,212</u>	<u>\$37,420</u>
Total	<u>\$115,302,379</u>	<u>\$45,650,413</u>	<u>\$15,485,000</u>	<u>(\$10,191,939)</u>	<u>\$135,275,853</u>	<u>\$11,558,054</u>
Less: Amount Deferred on Refunding 2002	(\$1,747,217)	\$12,890	\$0	\$0	(\$1,734,327)	(\$140,897)
Less: Amount Deferred on Refunding 2009	0	0	560,000	0	(560,000)	0
Amount Reported in Statement of Net Assets	<u>\$113,555,162</u>	<u>\$45,663,303</u>	<u>\$16,045,000</u>	<u>(\$10,191,939)</u>	<u>\$132,981,526</u>	<u>\$11,417,157</u>
<u>Business-Type Activities</u>						
Exempt Financing	\$1,815,294	\$0	\$0	(\$274,664)	\$1,540,630	\$215,231
Compensated Absences (Long-Term)	187,901	0	(27,716)	0	160,185	0
Amount Reported in Statement of Net Assets	<u>\$2,003,195</u>	<u>\$0</u>	<u>(\$27,716)</u>	<u>(\$274,664)</u>	<u>\$1,700,815</u>	<u>\$215,231</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, 2010

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, 2010

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, 2010, the amount of debt outstanding removed from long-term debt amounted to \$15,085,000.

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 final payment was paid in 2010 on the 1997 General Obligation Consolidated Public Improvement and Refunding Bonds.

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

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

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

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

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, 2010, 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>
2011	\$ 232,149	\$ 32,787	\$ 12,753	\$ 277,689
2012	237,721	27,215	12,753	277,689
2013	243,426	0	12,753	277,689
2014	249,268	15,668	12,753	277,689
2015	255,251	9,686	12,753	277,690
2016	<u>148,312</u>	<u>3,559</u>	<u>12,753</u>	<u>164,624</u>
	<u>\$ 1,366,127</u>	<u>\$ 110,425</u>	<u>\$ 76,518</u>	<u>\$ 1,553,070</u>

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, 2010, 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>
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	11,488	345,853
2015	317,755	16,650	11,448	345,853
2016-2019	<u>1,195,906</u>	<u>31,262</u>	<u>45,792</u>	<u>1,272,960</u>
	<u>\$ 2,750,482</u>	<u>\$ 148,711</u>	<u>\$ 103,032</u>	<u>\$ 3,002,225</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

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, 2010, 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>
2011	\$ 293,350	\$ 9,098	\$ 302,448
	<u>\$ 293,350</u>	<u>\$ 9,098</u>	<u>\$ 302,448</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, 2010, 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>
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	137	21	158
2016-2018	<u>442</u>	<u>33</u>	<u>475</u>
	<u>\$ 148,982</u>	<u>\$ 13,904</u>	<u>\$ 162,886</u>

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 \$1,727,000 for the purchase of vehicles and technology equipment. The lease bears interest at a rate of 4.05% per annum, payable bi-annually through 2010. 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, 2010, 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>
2011	\$ 328,263	\$ 16,854	\$ 345,117
2012	169,134	3,425	172,559
	<u>\$ 497,397</u>	<u>\$ 20,279</u>	<u>\$ 517,676</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

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, 2010, 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>
2011	\$ 564,333	\$ 36,686	\$ 601,019
2012	580,360	20,660	601,020
2013	296,332	4,178	300,510
	<u>\$ 1,441,025</u>	<u>\$ 61,524</u>	<u>\$ 1,502,549</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

Long-term obligations at June 30, 2010 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>			
Maryland Department of Natural Resources:			
Point Breeze	1993-2017	None	\$ 65,136
Sandgates Road	1994-2015	None	31,160
Jefferson Island #2 and #3 Erosion Projects	1985-2015	None	12,997
Tall Timbers #2 Erosion Project	1986-2012	None	7,547
Tall Timbers #3 Erosion Project	1991-2016	None	39,493
Jefferson Island Club, Inc.	1991-2016	None	68,693
Hollywood Shores	1998-2012	None	15,693
Holly Point Shores	2008-2032	None	220,628
Maryland Water Quality Loan	2003-2016	2.4%	1,366,127
Murray Road Revetment	2004-2028	None	65,376
Maryland Water Quality Loan	2005-2019	None	2,750,482
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>\$ 5,940,887</u>

General obligation bonds:

2001 General Obligation Bonds	2004-2012	4-5.5%	\$ 2,285,000
2002 Refunding Bonds	2004-2020	3.25-5%	19,510,000
2002 St. Mary's Hospital Bonds	2006-2023	3.5-5.125%	15,905,000
2003 Public Facilities and Refunding Bonds	2006-2023	2.75-4.75%	18,700,000
Consolidated Public Improvement Bonds of 2005	2006-2025	3.75-4.25%	13,120,000
2008 Refunding Bonds	2008-2013	2.4%	6,240,000
2009 Refunding Bonds, Series A	2010-2019	2.5-4.0%	13,055,000
2009 Bonds, BAB, Series B	2020-2029	4.519%-5.7%*	16,945,000
*Rate shown does not reflect 35% rebate			
2009 Refunding Bonds, Series C	2010-2021	2-5%	15,645,000
Total general obligation bonds			<u>\$ 121,405,000</u>
Total state loans and bonds			\$ 127,345,887
Surplus property transfer of debt			148,982
Accrued landfill closure and postclosure costs			1,400,000
Exempt Financing			2,231,772
Accumulated unpaid annual leave			4,149,212
Sub-total			<u>\$ 135,275,853</u>
Less: Amount deferred on refunding			<u>(2,294,327)</u>
Net			<u>\$ 132,981,526</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Primary Government (continued)

Business-Type Activities

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, 2010, 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>
2011	\$ 59,234	\$ 1,837	\$ 61,071
	<u>\$ 59,234</u>	<u>\$ 1,837</u>	<u>\$ 61,071</u>

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, 2010, 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>
2011	\$ 36,474	\$ 1,873	\$ 38,347
2012	18,793	381	19,174
	<u>\$ 55,267</u>	<u>\$ 2,254</u>	<u>\$ 57,521</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, 2010, 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>
2011	\$ 75,210	\$ 4,889	\$ 80,099
2012	77,346	2,753	80,099
2013	39,493	557	40,050
	<u>\$ 192,049</u>	<u>\$ 8,199</u>	<u>\$ 200,248</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Primary Government (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, 2010, 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>
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	55,454	57,085	112,539
2016-2020	329,072	233,621	562,693
2021-2025	435,584	127,109	562,693
2026-2028	220,763	13,692	234,455
	<u>\$ 1,234,080</u>	<u>\$ 688,455</u>	<u>\$ 1,922,535</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Primary Government (continued)

Special assessment debt

Special assessment fund debt payable as of June 30, 2010 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.	\$ 15,693
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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.	7,547
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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.	39,493
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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.	12,997
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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.	68,693
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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>220,628</u>
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\$365,051

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Primary Government (continued)

The annual requirements to amortize all debt outstanding as of June 30, 2010, including interest of \$37,737,765, 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>
2011	\$9,748,749	\$4,840,162	\$14,588,911
2012	8,899,189	4,330,156	13,229,345
2013	9,206,221	4,010,857	13,217,078
2014	7,450,348	3,713,001	11,163,349
2015	7,705,225	3,437,351	11,142,576
2016-2020	42,989,889	12,329,324	55,319,213
2021-2025	27,843,881	4,218,597	32,062,478
2026-2030	9,345,553	858,317	10,203,870
2031-2032	40,223	0	40,223
Total	<u>\$123,229,278</u>	<u>\$37,737,765</u>	<u>\$160,967,043</u>

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

	<u>General</u>	<u>Hospital Bonds</u>	<u>State Loans</u>	<u>Special Assessment Fund</u>	<u>Total</u>
Principal	\$ 105,500,000	\$ 15,905,000	\$ 1,459,227	\$ 365,051	\$ 123,229,278
Interest	31,799,319	5,938,446	-	0	37,737,765
	<u>\$ 137,299,319</u>	<u>\$ 21,843,446</u>	<u>\$ 1,459,227</u>	<u>\$ 365,051</u>	<u>\$ 160,967,043</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Component Units

St. Mary's County Public Schools

Long-term Liabilities

During the year ended June 30, 2010, the School System used previous years accumulated fund balance to pay off all of its financing agreement obligations. General long-term debt at June 30, 2010, consists of accumulated compensated absences payable and net OPEB obligation. The following is a summary of changes in the School System's general long-term liabilities for the year ended June 30, 2010.

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions/</u> <u>Maturities</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amounts due</u> <u>Within one year</u>
Governmental activities:					
Financing agreements					
Office facility construction	\$ 3,421,250	\$ 0	(\$3,421,250)	\$ 0	\$ 0
School buses and related equipment	184,090	0	(184,090)	0	0
Computer equipment	704,340	0	(704,340)	0	0
Vehicles	126,225	0	(126,225)	0	0
	<u>\$ 4,435,905</u>	<u>\$ 0</u>	<u>(\$4,435,905)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other long-term liabilities:					
Compensated absences	\$ 3,591,221	\$ 710,519	(\$ 353,181)	\$ 3,948,559	\$ 504,636
Net OPEB obligation	2,625,870	7,368,770	0	9,994,640	0
Governmental activities:					
Long-term liabilities	<u>\$10,652,996</u>	<u>\$ 8,079,289</u>	<u>(\$4,789,086)</u>	<u>\$13,943,199</u>	<u>\$ 504,636</u>
Business-type activities:					
Other long-term liabilities:					
Compensated absences	<u>\$ 91,847</u>	<u>\$ 17,431</u>	<u>(\$ 7,417)</u>	<u>\$ 101,861</u>	<u>\$ 8,096</u>

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

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2010:

<u>Balance</u> <u>July 1, 2009</u>	<u>Increase</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amounts due</u> <u>within one year</u>
\$101,118	\$17,814	\$118,932	\$ 0

Metropolitan Commission

Long-term debt

Long-term bonds payable as of June 30, 2010 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%	\$ 665,000	\$ 70,919
Fourteenth Issue	2001-2029	4.125 - 5.0%	1,426,400	814,176
Seventeenth Issue	2006-2019	2.75 - 4.40%	4,273,862	877,601
Twenty-first Issue	2007-2021	3.65 - 4.275%	899,700	228,799
Twenty-third Issue	2008-2027	3.5 - 4.25%	<u>4,744,712</u>	<u>1,916,550</u>
			12,009,674	3,908,045
Less current portion			<u>918,166</u>	<u>499,143</u>
Total			<u>\$11,091,508</u>	<u>\$3,408,902</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2010 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011 (current)	\$ 918,166	\$ 499,143
2012	966,623	461,271
2013	1,008,347	420,206
2014	807,548	376,256
2015	837,249	343,351
2016-2020	4,219,480	1,170,178
2021-2025	2,085,712	535,558
2026-2030	<u>1,166,549</u>	<u>102,082</u>
	<u>\$ 12,009,674</u>	<u>\$ 3,908,045</u>

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, 2010

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 \$71,138.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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 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, 2010, MetCom had drawn only \$5,887,712 of the proceeds.

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, 2010

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, 2010 are as follows:

Description	Due	Rate	Principal	Interest
Leonardtown	2010-2020	6.10 - 10%	\$ 99,400	\$ 73,163
Sixth Issue	2017	6.682%	97,942	27,865
MD Water Quality Loan #8	2012	3.45%	195,616	10,180
MD Water Quality Loan #11	2017	4.26%	1,859,957	330,139
MD Water Quality Loan #15	2020	2.70%	472,789	73,011
MD Water Quality Loan #16	2023	1.20%	366,971	27,663
MD Water Quality Loan #18	2025	1.10%	3,628,976	327,498
MD Water Quality Loan #19	2024	1.10%	738,264	62,350
MD Water Quality Loan #20	2024	1.10%	971,119	65,305
MD Water Quality Loan #22	2027	1.10%	992,026	93,080
MD Water Quality Loan #25	2029	1.00%	191,593	19,433
MD Water Quality Loan #26	2030	1.00%	470,147	50,272
			10,084,800	1,159,959
Less current portion			876,614	195,861
Total			<u>\$ 9,208,186</u>	<u>\$ 964,098</u>

As of June 30, 2010, MetCom has ten 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 was used to replace the Lexington Park Wastewater Pumping Station. Proceeds drawn at June 30, 2010 were \$976,700. Loan number twenty was for water meter installations. As of June 30, 2010 amounts drawn on the loan were \$1,466,576. Loan number twenty-two for \$1,136,984 was used for the Andover Road/Estates sewer projects and for arsenic remediation wells. Loan number twenty-five for \$191,593 was used for the Hollywood Water Extension to provide arsenic remediation. This loan has been fully drawn. Loan number twenty-six for \$582,547 is to be used for Patuxent Park Sewer Line Repair and the Marley-Taylor Powered CoGeneration Project. Proceeds drawn at June 30, 2010 were \$470,147.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2010, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011 (current)	\$ 876,614	\$ 195,861
2012	888,488	173,654
2013	807,272	151,984
2014	826,148	133,109
2015	845,688	113,570
2016-2020	3,477,289	298,361
2021-2025	2,149,101	87,919
2026-2030	<u>214,200</u>	<u>5,501</u>
	<u>\$10,084,800</u>	<u>\$1,159,959</u>

Changes in long-term debt

The changes in long-term debt payable for the year ended June 30, 2010 were as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>	<u>Amounts due Within one year</u>
Bonds payable	\$10,462,343	\$2,642,039	\$1,094,708	\$12,009,674	\$ 918,166
Notes, leases and loans payable	10,062,061	872,463	849,724	10,084,800	876,614
Total long-term debt	<u>\$20,524,404</u>	<u>\$3,514,502</u>	<u>\$1,944,432</u>	<u>\$22,094,474</u>	<u>\$1,794,780</u>

Building Authority Commission

Long-term Debt

Changes in Long-term Debt

The changes in long-term debt for the year ended June 30, 2010 were as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>	<u>Amounts due within one year</u>
Bonds payable	<u>\$6,295,000</u>	<u>\$0</u>	<u>\$1,140,000</u>	<u>\$5,155,000</u>	<u>\$1,190,000</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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.

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.

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.

As part of the transfer of the Nursing Center building to the St. Mary's County Nursing Home, Inc., an escrow account was established in order to implement the optional redemption on July 15, 2013. The intent is to complete the optional redemption on July 15, 2013. The proceeds of the property transfer were determined to be the amount needed to defease the bonds as of that date.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

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.

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 County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

State Office Building Refunding Bonds (continued)

Mandatory extraordinary redemption

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 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.

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 affect 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.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

State Office Building Refunding Bonds (continued)

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 annual requirements to amortize the principal of all bonds outstanding as of June 30, 2010 are as follows:

<u>Years</u>	<u>State Office Building</u>	<u>Nursing Home</u>	<u>Total</u>
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	1,430,000	1,430,000
	<u>\$ 2,020,000</u>	<u>\$ 3,135,000</u>	<u>\$ 5,155,000</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

The annual requirements to amortize the interest of all bonds outstanding as of June 30, 2010 are as follows:

<u>Years</u>	<u>State Office Building</u>	<u>Nursing Home</u>	<u>Total</u>
2011	\$ 105,518	\$ 98,241	\$ 203,759
2012	69,417	80,298	149,715
2013	30,638	60,891	91,529
2014	0	25,552	25,552
	<u>\$ 205,573</u>	<u>\$ 264,982</u>	<u>\$ 470,555</u>

As part of the transfer of the asset to the St. Mary's County Nursing Center, Inc., the Nursing Center deposited funds into restricted investment accounts in an amount adequate to defease the bonds on July 15, 2013.

<u>Type of Security</u>	<u>SLGS Maturity Date</u>	<u>Par Amount</u>	<u>Interest</u>	<u>Rate</u>	<u>Net Escrow Receipts</u>	<u>Present Value to 06/28/10 @ 0.9954321%</u>
SLGS - Certificate	7/15/10	\$ 608,283	\$ 0	0.000%	\$ 608,283	\$ 607,998
SLGS - Certificate	1/15/11	31,985	12,974	0.160%	44,959	44,715
SLGS - Note	7/15/11	603,123	11,834	0.280%	614,957	608,596
SLGS - Note	1/15/12	24,350	10,990	0.490%	35,340	34,801
SLGS - Note	7/15/12	604,409	10,930	0.720%	615,339	602,957
SLGS - Note	1/15/13	16,797	8,755	0.960%	25,552	24,913
SLGS - Note	7/15/13	<u>1,457,778</u>	<u>8,674</u>	1.190%	<u>1,466,452</u>	<u>1,422,745</u>
		<u>\$ 3,347,825</u>	<u>\$ 64,157</u>		<u>\$ 3,410,882</u>	<u>\$ 3,346,725</u>

The Building Authority retained financial advisors to assist in the determination of amounts and rates required to equate to the debt service payments required on the bonds. The intent is to complete the optional redemption on July 15, 2013.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

8. Fund balances

A summary of the reserved and unreserved - designated and undesignated fund balances as of June 30, 2010 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
Reserved							
Encumbrances	\$433,517			\$3,941	\$5,051,926		
Inventory	758,849						
Retirement of Long-Term Obligations							
Domestic Violence Programs	1,065	(\$549,721)					
County Matching Funds for Approved Grants	261,814						
Revenues Specified for Capital Projects							
Agricultural Preservation							
Transfer Tax					194,329		
County Paygo					9,548,726		
Roads- Impact Fees					3,471,438		
Roads- Mitigation					601,432		
Parks- Impact fees					420,287		
Parks- Mitigation					555,381		
Schools- Impact Fees					26,617		
Schools- Mitigation					3,626,192		
Critical Area- Mitigation					34,125		
Forest Planting- Mitigation					167,957		
Other, Net, Including Bonds and Grants	37,420				358,582		
Total Reserved Fund Balances	\$1,482,665	(\$549,721)	\$0	\$3,941	\$36,213,377	\$0	\$0
Unreserved							
Designated	\$18,405,862	\$0	\$327,845	\$1,080,192	\$662,112	\$34,829,002	\$26,638,506
Undesignated	12,654,647	0	0	0	0	0	0
Total Unreserved Fund Balances	\$31,060,529	\$0	\$327,845	\$1,080,192	\$662,112	\$34,829,002	\$26,638,506
Total Fund Balances (deficit)	\$32,553,194	(\$549,721)	\$327,845	\$1,084,133	\$36,875,489	\$34,829,002	\$61,467,508

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

8. Fund balances (continued)

The reserved fund balance includes:

Encumbrances - The amount of outstanding purchase orders at June 30, 2010.

Inventory - The amount of inventory at June 30, 2010, 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 FY2010, but for which the period extends beyond June 30, 2010. 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 2011 operating budget, revenue replacement	\$ 3,500,000
Appropriation for FY 2011 – Public Safety and 911 equipment replacement	955,000
Bond rating reserve (6%)	11,892,240
Rainy day fund	<u>1,625,000</u>
	\$17,972,240
 Miscellaneous revolving fund	 <u>433,642</u>
	<u>\$18,405,882</u>

As a part of the FY2011 budget process, the Board of County Commissioners appropriated \$3.5 million of fund balance to be applied to the FY2011 budget. Due to the decrease in general fund revenues from the State and the slowing of the economy, this \$3.5 million will be used as revenue replacement. Additionally, the Commissioners budgeted fund balance of \$955,000 to be used to fund the proposed interim solution for the 800 MHz emergency communications system, if needed, to bridge the transition to the next generation system that is in the capital plan. The \$955,000 reverted back to the general fund from the capital projects fund in FY2010, as a reduction to the land acquisition project.

The unreserved undesignated fund balance includes unallocated FY2009 unreserved undesignated fund balance that was intentionally not appropriated for the FY2011 budget by the Board, in anticipation of using it to offset State revenue reductions in FY2011 and beyond. The disposition of the balance will be considered as a part of the FY2012 budget process.

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, 2010 was \$39,851,487, of which \$22,675,054 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, 2010

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 1.2% times AFS times years of credit to June 30, 1998 plus 1.8% times AFS times years of credit after July 1, 1998. The service credit earned as of June 30, 1998 is multiplied by 1.2% unless the former non-contributory formula (0.8%/1.5%) produces a higher benefit.

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, 2009. 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 2.75% to 3.5% per year depending on the system (adopted June 30, 2009), (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, 2010

9. Retirement plans (continued)

Primary Government (continued)

Funding status and progress (continued)

At June 30, 2009, 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	\$28,914,824,184
Current employees	<u>23,814,347,146</u>
Total pension benefit obligation	\$52,729,171,330
Net actuarial assets available for benefits	<u>34,284,568,617</u>
Unfunded actuarial pension benefit obligation	<u>\$18,444,602,713</u>

The schedule below (expressed in thousands) presents the actuarial value of the System's assets and the actuarial accrued liability as of June 30, 2009 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>2009</u>	<u>2008</u>	<u>2007</u>
Actuarial value of assets	\$34,284,569	\$39,504,284	\$37,886,936
Actuarial accrued liability (AAL)	<u>52,729,171</u>	<u>50,244,047</u>	<u>47,144,354</u>
Unfunded AAL	<u>\$18,444,603</u>	<u>\$10,739,763</u>	<u>\$9,257,418</u>
Funded ratio	65.02%	78.62%	80.36%
Covered payroll	\$10,714,241	\$10,542,806	\$9,971,012
Unfunded AAL as a % of payroll	172%	102%	93%
Annual required contributions	\$1,313,560	\$1,183,765	\$1,025,972
Percentage contributed	84%	89%	81%
Net pension obligation	\$0	\$0	\$0

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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 \$443,524,000 for fiscal year 2009 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2009. 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 2009 totaled approximately \$532,101,000. The County's contributions to the System for the year ended June 30, 2010 were \$1,325,467.

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, 2009.

Sheriff's Department plan

Effective date

The effective date of the plan is July 1, 1986, with amendments effective October 2000, September 2006, June 2007 and July 2008.

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, 2010

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 is on an incremental basis, with up to one year of service each time the participant completes four years of eligibility service, 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.

The amount of the annual retirement income shall be equal to the lesser of: (1) 80% of the Participant's average compensation, plus the Participant's unused sick leave, or (2) the sum of:

- (i) 2.5% of the Participant's average compensation multiplied by the number of years (and fractional years) of credited service earned by, or credited to, the Participant on and after July 1, 2008, plus
- (ii) 2.0% multiplied by all years (and fractional years) of credited service earned by, or credited to, the Participant prior to July 1, 2008.

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 subject to a maximum benefit of 80% of the Participant's average compensation.

Disability benefit

Eligibility - A participant with five years of service 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 66% 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, 2010

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, 2010

9. Retirement plans (continued)

Sheriff's Department Plan (continued)

Post-retirement pension increases

Each July 1, a 3% cost of living increase will be granted to retired participants or spouses whose benefit has been in pay status at least one year. 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 projected unit credit 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 increase is 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, 2010

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 \$12,887,886, and the Sheriff's Department's total payroll for all employees is \$13,871,770. The following employer contributions were made during the fiscal year ended June 30, 2010:

	<u>Contributions</u>	<u>% of Covered Payroll</u>
Retirement plan	\$4,203,131	32.61%

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2010

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
Notes to Financial Statements
June 30, 2010

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, 2010 was \$628,019.

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
Notes to Financial Statements
June 30, 2010

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 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 percent or 7 percent of their earnable compensation and under the "Pension System" employees contribute 2 percent of their earnable compensation. 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
June 30, 2010

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 \$911,235 or 0.8 percent of covered payroll, and contributions by the State of Maryland on behalf of the School System totaling \$13,031,237 or 11.3 percent of covered payroll for fiscal year 2010, were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2009. 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 percent or more than 120 percent 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 11-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
2008	\$11,007,358	\$948,618	\$10,058,740	100%	\$0
2009	11,710,668	874,571	10,836,097	100%	0
2010	13,942,472	911,235	13,031,237	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, 2010

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, 2010.

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 11-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 more than 100 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, 2010

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, 2010, the Library's total payroll and payroll for covered employees were \$1,903,810 and \$1,714,008, respectively. No contributions were made by the Library for the year ended June 30, 2010.

For fiscal year 2010, the State contributed \$232,603 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 13.57% 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 2.75-3.5% per annum depending on the system (adopted June 30, 2009)
- 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

	June 30		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual required contribution (in thousands)	\$1,313,560	\$1,183,765	\$1,025,972
Percentage contributed	84%	89%	81%

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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 FY10 is 1.11% of salaries.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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 5% of earnable compensation for the year ended June 30, 2010.

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, 2010, MetCom's total payroll and payroll for covered employees were \$4,786,691 and \$3,829,598, respectively. MetCom's contribution to the System for the year ended June 30, 2010, was \$282,327.

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 2.75-3.5% per annum depending on the system (adopted June 30, 2009).
- 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>2009</u>	<u>June 30</u> <u>2008</u>	<u>2007</u>
Annual required contributions (in thousands)	\$1,313,560	\$1,183,765	\$1,025,972
Percentage contributed	84%	89%	81%

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2010 is as follows:

	<u>Medical Adult Daycare</u>	<u>Wicomico Municipal Golf Course</u>	<u>Recreation Activity Fund</u>	<u>Solid Waste/ Recycling Fund</u>	<u>Total Enterprise Funds</u>
Operating revenue	\$ 85,762	\$ 1,299,914	\$ 2,043,518	\$ 2,678,119	\$ 6,107,313
Depreciation	\$ 0	\$ 138,808	\$ 300	\$ 188,414	\$ 327,522
Operating income (loss)	(\$729,673)	(\$ 216,121)	\$ 31,165	(\$ 995,853)	(\$1,910,482)
Change in net assets	\$ 238,756	(\$ 213,560)	\$ 114,857	\$ 198,464	\$ 338,517
Plant, property and equipment additions	\$ 0	\$ 27,454	\$ 6,000	\$ 0	\$ 33,454
Net working capital	\$ 0	\$ 68,906	\$ 7,149	(\$ 101,425)	(\$ 25,370)
Total assets	\$ 380,318	\$ 4,976,730	\$ 351,371	\$13,065,476	\$18,773,895
Total equity	\$ 0	\$ 3,191,163	\$ 12,968	\$12,085,465	\$15,289,596

11. Interfund balances

Individual fund interfund receivable and payable balances are composed of the following as of June 30, 2010:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Primary Government</u>		
<u>General Fund</u>		
Special Revenue Fund		\$ 774,000
Capital Projects Fund		36,388,422
Enterprise Fund	\$ 1,323,232	
 <u>Special Revenue Funds</u>		
General Fund	774,000	
 <u>Capital Projects Funds</u>		
General Fund	36,388,422	
 <u>Enterprise Funds</u>		
General Fund		1,323,232
 Total due from/to other funds	<u>\$38,485,654</u>	<u>\$38,485,654</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

11. Interfund balances (continued)

Component Units

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Component Unit-St. Mary's County Building Authority Commission	\$220,099	
Component Unit-Board of Library Trustees for St. Mary's County	319,140	
Primary Government-General Fund	_____	<u>\$539,239</u>
Total due to/from Primary Government to Component Unit	<u>\$539,239</u>	<u>\$539,239</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 \$15,905,000. 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, 2010 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, 2010

13. Commitments and contingencies (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

School Construction

As of June 30, 2010, 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 \$449,848.

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, 2010

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>2010</u>	<u>2009</u>	<u>2008</u>
Retirees and Their Beneficiaries Currently Receiving Benefits	329	307	201
Active Employees	<u>682</u>	<u>684</u>	<u>681</u>
Total	<u>1,011</u>	<u>991</u>	<u>882</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>2010</u>	<u>2009</u>	<u>2008</u>
Annual Required Contribution	\$ 4,888,000	\$ 4,617,000	\$ 4,617,000
Annual OPEB Cost	4,888,000	4,617,000	4,617,000
Contributions Made	3,271,666	9,108,152	13,439,139
Payments to Retirees	1,612,124	1,649,723	1,349,484
Net OPEB Obligation (Prepaid), Beginning of Year	<u>(16,171,623)</u>	<u>(10,171,623)</u>	<u>0</u>
Net OPEB Obligation (Prepaid), End of Year	(\$16,171,623)	(\$16,171,623)	(\$10,171,623)

The funded status of the plan was as follows:

Actuarial Accrued Liability (AAL)	\$73,285,000	\$60,135,000	\$60,135,000
Value of Plan Assets	<u>26,638,506</u>	<u>23,318,131</u>	<u>14,003,796</u>
Unfunded Actuarial Accrued Liability	\$46,646,494	\$36,816,869	\$46,131,204
Funded Ratio (Value of Plan Assets/AAL)	36.35%	38.78%	23.29%
Covered Payroll (Active Plan Members)	\$35,562,940	\$35,716,358	\$34,115,335
UAAL as a percentage of covered payroll	131.17%	103.08%	135.22%

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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, 2009 actuarial valuation, the liabilities were computed using the project unit credit method, with proration to benefit eligibility method. The actuarial assumptions included a 6.0% annual rate of return and an initial annual healthcare cost trend rate of 8.0%, decreasing 1% per year to an ultimate rate of 5.2%. The UAAL is being amortized as a level percentage of projected payroll over 30 years.

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, 2010, the cost of these post-employment benefits was \$54,223.

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, or hired before July 1, 1991, regardless of retirement date, the percentage ranges from 26.6% with five years of service to 85% with 16 or more years of service. The percentages for employees retiring on or after May 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 Library Board of Trustees.

Membership

At June 30, membership consisted of:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Retirees and Beneficiaries Currently Receiving Benefits	8	9	8
Active Employees	<u>17</u>	<u>15</u>	<u>17</u>
Total	<u>25</u>	<u>24</u>	<u>25</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

14. Other post-employment benefits (continued)

Component Units (continued)

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

Funding Policy

During FY08, the Library established a trust fund, the Retiree Health Benefit Trust of St. Mary's County Library, to fund certain retiree health benefits. The Library contributed \$227,975 in FY09. The Net OPEB Obligation is overpaid by \$77,944 as of June 30, 2010.

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) was calculated as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Required Contribution	\$ 87,000	\$ 113,000	\$ 113,000
Interest on Net OPEB	(10,000)	0	0
Adjustment to ARC	<u>9,000</u>	<u>0</u>	<u>0</u>
Annual OPEB Cost	86,000	113,000	113,000
Contributions Made	0	0	224,908
Payments to Retirees	(54,223)	(58,277)	(52,536)
Net OPEB Obligation (Prepaid), Beginning of Year	<u>(109,721)</u>	<u>(164,444)</u>	<u>0</u>
Net OPEB Obligation (Prepaid), End of Year	(\$77,944)	(\$109,721)	(\$164,444)

The funded status of the plan was as follows:

Actuarial Accrued Liability (AAL)	\$1,371,000	\$1,519,000	\$1,519,000
Value of Plan Assets	<u>283,000</u>	<u>227,975</u>	<u>224,908</u>
Unfunded Actuarial Accrued Liability	\$1,088,000	\$1,291,025	\$1,294,092
Funded Ratio (Value of Plan Assets/AAL)	20.64%	15.01%	14.81%
Covered Payroll (Active Plan Members)	\$1,714,008	\$1,701,672	\$1,676,627
UAAL as a percentage of covered payroll	63.48%	75.87%	77.18%

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, 2009 actuarial valuation, the liabilities were computed using the project unit credit, with proration to benefit eligibility method. The actuarial assumptions included a 6% annual rate of return and an initial annual healthcare cost trend rate

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

14. Other post-employment benefits (continued)

Component Units (continued)

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

Actuarial Methods and Assumptions (continued)

of 9%, decreasing .10% to .50% per year to an ultimate rate of 5%. The UAAL is being amortized as a level percentage of projected payroll over 30 years, closed basis, with 28 years remaining.

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 and healthcare cost trends.

Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial value of assets was based on the estimated July 1, 2009 asset figure of \$283,000.

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>2010</u>	<u>2009</u>	<u>2008</u>
Retirees and Beneficiaries Currently Receiving Benefits	9	6	8
Active Employees	<u>60</u>	<u>62</u>	<u>61</u>
Total	<u>69</u>	<u>68</u>	<u>69</u>

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

14. Other post-employment benefits (continued)

Component Units (continued)

Metropolitan Commission (continued)

Funding Policy

During FY08 MetCom established a trust fund, the Retiree Benefit Trust of St. Mary's County Metropolitan Commission, to fund certain retiree health benefits. MetCom contributed \$405,000 to the trust in FY10. The net OPEB obligation is overpaid by \$284,984 as of June 30, 2010. MetCom's Board determines show much is contributed to the OPEB Trust as part of the budget process. It is MetCom's intention to fully fund the OPEB cost each year. The FY11 operating budget includes fully funding the OPEB cost.

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) was calculated as follows:

	2010	2009	2008
Annual Required Contribution	\$ 409,000	\$ 519,000	\$ 518,000
Interest on Net OPEB	16,000	17,000	0
Adjustment to ARC	<u>(20,000)</u>	<u>(22,000)</u>	<u>0</u>
Annual OPEB Cost	405,000	514,000	518,000
Contributions Made	405,000	514,000	757,828
Payments to Retirees	0	0	(44,156)
Net OPEB Obligation (Prepaid), Beginning of Year	<u>(283,984)</u>	<u>(283,984)</u>	<u>0</u>
Net OPEB Obligation (Prepaid), End of Year	(\$283,984)	(\$283,984)	(\$283,984)

The funded status of the plan was as follows:

Actuarial Accrued Liability (AAL)	\$3,989,000	\$5,462,000	\$4,873,000
Value of Plan Assets	<u>1,219,000</u>	<u>1,222,517</u>	<u>757,828</u>
Unfunded Actuarial Accrued Liability	\$2,770,000	\$4,239,483	\$4,115,172
Funded Ratio (Value of Plan Assets/AAL)	30.56%	22.38%	15.55%
Covered Payroll (Active Plan Members)	\$3,670,430	\$3,724,636	\$3,400,838
UAAL as a percentage of covered payroll	75.47%	113.82%	121%

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.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

14. Other post-employment benefits (continued)

Component Units (continued)

Metropolitan Commission (continued)

Actuarial Methods and Assumptions (continued)

In the July 1, 2009 actuarial valuation, the liabilities were computed using the project unit credit, with proration to benefit eligibility method. The actuarial assumptions included a 7% annual rate of return. The medical cost trend varied between 8.5% and 5.2% using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The rates include a 3.2% rate of inflation assumption. The UAAL is being amortized as a 30-year level percentage of projected payroll, closed basis, with 28 years remaining.

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 and healthcare cost trends.

Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial value of assets was based on the estimated July 1, 2009 asset figure of \$1,219,000.

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 percent to 65 percent 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 percent of life insurance premiums based upon 50 percent of final salary coverage.

In March 2009, the School System established the Retiree Benefit Trust of the Board of Education of St. Mary's County (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 percent of annual covered payroll. The ARC consisted of the normal cost of \$6,519,000 and the amortization of unfunded accrued liability of \$6,657,000. The School System contributed \$5,828,230 for the year ended June 30, 2010, including \$3,540,830 towards current healthcare and life insurance premiums and an additional \$2,287,400 to prefund future benefits.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

14. Other post-employment benefits (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

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, 2010 was \$13,197,000 which was comprised of the ARC of \$13,176,000 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:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 8,649,000	79.93%	\$1,735,862
2009	10,333,000	91.12%	2,625,870
2010	13,197,000	44.16%	9,994,640

Funded Status and Funding Progress

The funded status of the plan was as follows:

	2010	2009	2008
Actuarial Accrued Liability (AAL)	\$153,381,000	\$110,233,686	\$ 90,851,000
Value of Plan Assets	11,607,000	4,238,000	0
Unfunded Actuarial Accrued Liability	\$141,774,000	\$105,995,686	\$ 90,851,000
Funded Ratio (Value of Plan Assets/AAL)	7.57%	3.84%	0.00%
Covered Payroll (Active Plan Members)	\$114,877,552	\$111,916,732	\$111,968,457
UAAL as a percentage of covered payroll	123.41%	94.71%	81.14%

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.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

14. Other post-employment benefits (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Actuarial Methods and Assumptions (continued)

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 5.5 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 8.02 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 1.0 to 15.0 percent, (g) disablement rates based on age, ranging from 0.03 percent to 0.54 percent, (h) retirement rates based on age and length of service, ranging from 1.0 percent to 24.0 percent, and (i) medical claims including prescription drugs are based on actual experience during the period from April 1, 2008 through March 31, 2010, and were projected with annual increases of 9 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 over a period of 29 years for year ended June 30, 2010.

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 \$1,400,000 reported as landfill closure and postclosure care liability at June 30, 2010, 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, and St. Mary's County Housing Authority for the fiscal year ended June 30, 2010 totaled \$1,052,739. These pass-through grants are recorded as pass-through revenue in the amount of \$1,052,739 and expenditures in the amount of \$1,052,739 on the Statement of Revenues and Expenditures.

The County Commissioners for St. Mary's County
Notes to Financial Statements
June 30, 2010

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 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 2010, the County paid premiums of \$735,287 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)

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, 2010. The unpaid claims also include liabilities for incurred but not reported (IBNR) claims as of June 30, 2010.

19. Subsequent Event

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through November 9, 2010, the date the financial statements were to be available to be issued. No events occurred during the subsequent period requiring recognition or disclosure in these financial statements.

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, 2010

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
REVENUES				
Property Taxes	\$93,266,022	\$94,266,022	\$94,282,830	\$16,808
Income Taxes	65,300,000	60,000,000	65,115,901	5,115,901
Energy Taxes	1,500,000	1,500,000	1,392,707	(107,293)
Recordation Taxes	5,500,000	4,400,000	4,539,647	139,647
Other Local Taxes	1,010,000	1,010,000	1,074,539	64,539
Highway User Revenues	3,751,037	326,053	356,019	29,966
Licenses and Permits	1,469,100	1,469,100	1,375,944	(93,156)
State/Federal Grants	14,760,211	10,455,709	10,065,653	(390,056)
Charges for Services	5,783,089	5,745,118	5,359,140	(385,978)
Fines and Forfeitures	278,386	278,386	251,985	(26,401)
Investment and Other Revenues	2,586,150	1,242,667	257,542	(985,125)
Sub-total	\$195,203,995	\$180,693,055	\$184,071,807	\$3,378,852
Pass-Throughs	0	0	1,052,739	1,052,739
TOTAL GENERAL FUND REVENUES	\$195,203,995	\$180,693,055	\$185,124,646	\$4,431,591
EXPENDITURES				
General Government	\$21,946,423	\$20,996,417	\$19,288,515	\$1,707,902
Public Safety	37,995,007	34,771,963	32,193,255	2,578,708
Public Works	8,779,732	8,610,523	8,559,945	50,578
Health	7,818,983	6,510,948	6,405,099	105,849
Social Services	4,883,138	4,860,529	4,818,230	42,299
Primary and Secondary Education	82,099,951	81,376,116	81,154,519	221,597
Post-Secondary Education	3,052,585	3,052,585	3,052,585	0
Parks, Recreation, and Culture	3,993,717	3,730,669	3,883,433	(152,764)
Libraries	2,286,038	2,276,038	2,276,038	0
Conservation of Natural Resources	401,682	387,626	382,542	5,084
Housing	1,368,624	1,358,624	981,314	377,310
Economic Development and Opportunity	2,115,682	1,857,644	2,008,392	(150,748)
Debt Service	13,214,897	10,925,897	10,769,086	156,811
Inter-governmental	64,425	64,425	64,425	0
Other	4,739,402	4,639,402	4,697,563	(58,161)
Sub-total	\$194,760,266	\$185,419,406	\$180,534,941	\$4,884,465
Pass-Throughs	0	0	1,052,739	(1,052,739)
TOTAL GENERAL FUND EXPENDITURES	\$194,760,266	\$185,419,406	\$181,587,680	\$3,831,726
OTHER FINANCING SOURCES AND USES				
Reserves - Use of Fund Balance	4,100,000	8,102,876	8,102,876	0
Reserves - Grants	(1,000,000)	(1,094,940)	0	1,094,940
Reserves - Bond Rating	(725,000)	0	0	0
Reserves - Budget Stabilization	(376,381)	(1,000,000)	0	1,000,000
Reserves - Emergency Appropriations	(500,000)	(87,268)	0	87,268
Capital Projects - General Fund Transfer/Pay-Go	(500,000)	0	0	0
Capital Projects - Reversion of Pay-Go Funds	0	0	955,000	955,000
Solid Waste/Recycling - General Fund Transfer	(1,442,348)	(1,194,317)	(1,194,317)	0
TOTAL OTHER FINANCING SOURCES AND USES	(\$443,729)	\$4,726,351	\$7,863,559	\$3,137,208
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	\$0	\$0	\$11,400,525	\$11,400,525

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SHERIFF'S OFFICE RETIREMENT PLAN
FOR THE YEAR ENDED JUNE 30, 2010

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
06/30/08	2,921,354	100%	0
06/30/09	3,823,341	100%	0
06/30/10	4,203,131	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
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, 2010

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%
06/30/10	4,883,790	4,888,000	99.96%

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%	\$35,716,358	103.08%
07/01/09	26,638,506	73,285,000	46,646,494	36.35%	35,562,940	131.17%

See Independent Auditor's Report

OTHER SUPPLEMENTARY INFORMATION

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Assessments	Fire And Rescue Revolving Loan Fund	Emergency Services Support Fund	Total Non-Major
ASSETS				
Due from other funds	\$0	\$327,845	\$956,742	\$1,324,587
Special tax assessments receivable, current portion	2,044	0	0	2,044
Notes receivable, Fire and Rescue loans, current portion	0	415,479	0	415,479
Emergency Support Services taxes receivable	0	0	110,578	110,578
Notes receivable, Fire and Rescue loans (net of current portion)	0	1,847,173	0	1,847,173
Special tax assessments receivable (net of current portion)	1,344,234	0	0	1,344,234
Total Assets	\$1,346,278	\$2,590,497	\$1,107,320	\$5,044,095
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$0	\$0	\$13,187	\$13,187
Deferred revenue	1,345,412	2,262,652	0	3,608,064
Due to other funds	550,587	0	0	550,587
Total Liabilities	\$1,895,999	\$2,262,652	\$13,187	\$4,171,838
FUND BALANCES				
Reserved	(\$549,721)	\$0	\$3,941	(\$545,780)
Unreserved, designated	0	327,845	1,090,192	1,418,037
Total Fund Balances	(\$549,721)	\$327,845	\$1,094,133	\$872,257
Total Liabilities and Fund Balances	\$1,346,278	\$2,590,497	\$1,107,320	\$5,044,095

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, 2010

	Special Assessments	Fire And Rescue Revolving Loan Fund	Emergency Services Support Fund	Total Non-Major
REVENUES				
Fire and Rescue Loan Repayments	\$0	\$491,548	\$0	\$491,548
Special Assessments	195,438	0	0	195,438
Emergency Services Support Tax	0	0	1,763,046	1,763,046
Other	0	11,618	28,533	40,151
	<u>\$195,438</u>	<u>\$503,166</u>	<u>\$1,791,579</u>	<u>\$2,490,183</u>
EXPENDITURES				
Loans to Fire and Rescue	\$0	\$392,686	\$0	\$392,686
Debt Service	59,252	0	169,832	229,084
LOSAP	0	0	624,660	624,660
Operating Allocations	0	0	340,000	340,000
Advanced Life Support	0	0	351,107	351,107
Emergency Services Committee	0	0	39,636	39,636
Grants	0	0	39,968	39,968
	<u>\$59,252</u>	<u>\$392,686</u>	<u>\$1,565,203</u>	<u>\$2,017,141</u>
Net Increase/(Decrease) in Fund Balances	<u>\$136,186</u>	<u>\$110,480</u>	<u>\$226,376</u>	<u>\$473,042</u>
FUND BALANCES				
Beginning of Year	(\$685,907)	\$217,365	\$867,757	\$399,215
End of Year	<u>(\$549,721)</u>	<u>\$327,845</u>	<u>\$1,094,133</u>	<u>\$872,257</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, 2010

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
PROPERTY TAXES				
Real and personal property				
Real Property Taxes	\$87,583,245	\$88,583,245	\$88,735,661	\$152,416
Payments in Lieu of Taxes	222,451	222,451	270,300	\$47,849
Personal Property	318,384	318,384	128,846	(189,538)
Public Utilities	2,611,077	2,611,077	2,389,464	(221,613)
Ordinary Business Corporations	2,864,788	2,864,788	3,144,450	279,662
Additions and Abatements	(600,000)	(600,000)	(655,081)	(55,081)
Penalties and Interest	850,000	850,000	892,072	42,072
State Homeowners Credit (Circuit Breaker)	600,000	600,000	679,454	79,454
Homeowners Tax Credit (County)	(600,000)	(600,000)	(679,454)	(79,454)
Other Tax Credits	(583,923)	(583,923)	(622,882)	(38,959)
Total Property Taxes	\$93,266,022	\$94,266,022	\$94,282,830	\$16,808
Income Tax				
Local Income Tax	\$65,300,000	\$60,000,000	\$65,115,901	\$5,115,901
Other Local Taxes				
Recordation Taxes	\$5,500,000	\$4,400,000	\$4,539,647	\$139,647
Energy Taxes	1,500,000	1,500,000	1,392,707	(107,293)
Public Accommodations Tax	650,000	650,000	730,992	80,992
Trailer Park Tax	240,000	240,000	258,911	18,911
Admissions and Amusement	120,000	120,000	84,636	(35,364)
Total Other Local Taxes	\$8,010,000	\$6,910,000	\$7,006,893	\$96,893
State-Shared Taxes - Highway Users	\$3,751,037	\$326,053	\$356,019	\$29,966
TOTAL TAXES	\$170,327,059	\$161,502,075	\$166,761,643	\$5,259,568
LICENSES AND PERMITS				
Business	\$259,100	\$259,100	\$260,417	\$1,317
Marriage/Animal Licenses	12,000	12,000	12,580	580
Other	473,000	473,000	306,912	(166,088)
CATV Franchise Fees	725,000	725,000	796,035	71,035
TOTAL LICENSES AND PERMITS	\$1,469,100	\$1,469,100	\$1,375,944	(\$93,156)
INTER-GOVERNMENTAL				
General Government	\$826,020	\$726,977	\$632,432	(\$94,545)
Public Safety	4,575,369	2,444,204	1,760,202	(684,002)
Public Works	1,707,826	1,140,805	1,438,290	297,485
Social Services	1,039,425	1,112,612	1,004,721	(107,891)
Parks, Recreation and Culture	85,000	(48,200)	165,694	213,894
Economic Development & Opportunity	6,526,571	5,079,311	5,064,314	(14,997)
TOTAL INTER-GOVERNMENTAL	\$14,760,211	\$10,455,709	\$10,065,653	(\$390,056)

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, 2010
(CONTINUED)

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
CHARGES FOR SERVICES				
General Government	\$1,693,382	\$1,686,614	\$1,887,425	\$190,811
Public Safety	1,462,486	1,466,886	1,304,592	(162,294)
Public Works	644,562	598,959	534,962	(63,997)
Social Services	328,576	328,576	365,500	36,924
Parks, Recreation and Culture	233,970	233,970	243,605	9,635
Reimbursement - Housing Authority	1,420,113	1,420,113	1,023,056	(397,057)
TOTAL CHARGES FOR SERVICES	\$5,783,089	\$5,745,118	\$5,359,140	(\$385,978)
FINES AND FORFEITURES				
General Government	\$274,386	\$274,386	\$249,787	(\$24,599)
Public Safety	4,000	4,000	2,198	(1,802)
TOTAL FINES AND FORFEITURES	\$278,386	\$278,386	\$251,985	(\$26,401)
OTHER REVENUES				
General Government				
Interest	\$1,502,200	\$102,200	\$146,514	\$44,314
Other	0	0	27,633	27,633
Grant Reserve	1,000,000	1,053,317	0	(1,053,317)
Contributions and Donations	83,950	87,150	83,395	(3,755)
TOTAL OTHER REVENUES	\$2,586,150	\$1,242,667	\$257,542	(\$985,125)
TOTAL, BEFORE PASS-THROUGH PROCEEDS	\$195,203,995	\$180,693,055	\$184,071,907	\$3,378,852
Pass-through Proceeds	0	0	1,052,739	1,052,739
OTHER FINANCING SOURCES				
Appropriation of Fund Balance	4,100,000	8,102,876	8,102,876	0
TOTAL REVENUES INCLUDING PASS-THROUGHS	\$199,303,995	\$188,795,931	\$193,227,522	\$4,431,591

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, 2010

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
GENERAL GOVERNMENT				
Legislative/County Commissioners				
Legislative/County Commissioners	\$434,171	\$431,771	\$383,632	\$48,139
County Administrator	456,654	381,949	353,230	28,719
Public Information	304,267	210,289	193,776	16,513
County Attorney	640,883	659,952	606,454	53,498
Legislative/County Commissioners	1,835,975	1,683,961	1,537,092	146,869
Department of Finance				
Administration/Budget	683,759	666,604	638,774	28,030
Accounting	497,049	489,238	471,135	18,103
Auditing	55,735	54,535	52,240	2,295
Procurement	293,340	290,440	270,269	20,171
Copy Center	19,003	20,028	13,791	6,237
Department of Finance	1,548,866	1,521,045	1,446,209	74,836
Department of Information Technology	2,265,691	2,263,391	2,160,345	103,046
Department of Human Resources				
Human Resources	620,852	512,110	481,261	30,849
Risk Management	1,088,764	778,958	687,810	91,148
Department of Human Resources	1,709,616	1,291,068	1,169,071	121,997
Department of Public Works & Transportation				
Building Services	3,820,220	3,824,449	3,428,481	394,968
Carter State Office Building	636,328	636,328	473,651	162,677
Development Review	230,216	223,516	219,707	3,809
Mailroom/Messenger Services	145,404	137,563	130,935	6,628
Vehicle Maintenance Shop	1,283,164	1,320,632	1,336,621	(15,989)
Department of Public Works & Transportation	6,115,332	6,142,488	5,590,395	552,093
Dept of Land Use & Growth Management				
Administration	639,268	621,268	567,373	53,895
Board of Electrical Examiners	15,000	15,000	5,203	9,797
Comprehensive Planning	634,021	606,547	558,774	47,773
Development Services	326,897	305,497	275,575	29,922
Inspections & Compliance	691,284	658,245	540,695	117,550
Permit Services	277,666	193,418	190,688	2,730
Zoning Administration	352,262	345,562	337,726	7,836
Building Code Appeals Board	1,000	1,000	0	1,000
Commission on the Environment	2,000	2,000	0	2,000
Plumbing & Gas Board	3,695	3,695	837	2,858
Planning Commission	23,229	23,229	23,118	111
Boards and Commissions	20,764	20,764	18,847	1,917
Historical Preservation	3,215	3,215	1,938	1,277
Grants	46,500	1,500	47,970	(46,470)
Dept of Land Use & Growth Management	3,036,601	2,600,940	2,568,744	232,196
Circuit Court				
Administration	946,876	932,446	874,919	57,527
Law Library	60,500	60,000	54,135	5,865
Grants	478,338	416,110	371,428	44,682
Orphan's Court	32,331	32,331	30,954	1,377
Circuit Court	1,518,047	1,440,887	1,331,436	109,451
Office of the State's Attorney				
Judicial	2,169,703	2,139,003	2,105,004	33,999
Grants	486,822	488,446	426,936	71,510
Office of the State's Attorney	2,656,525	2,637,449	2,531,940	105,509
County Treasurer	372,697	366,397	363,441	2,956

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, 2010
(CONTINUED)

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
Alcohol Beverage Board	239,823	214,446	176,884	37,562
Supervisors of Elections	614,997	833,512	412,901	220,611
Ethics Commission	833	833	57	776
Total General Government	\$21,846,423	\$20,996,417	\$19,288,515	\$1,707,902
PUBLIC SAFETY				
Emergency Management				
Emergency Management	\$293,615	\$265,249	\$250,607	\$14,642
Animal Control	745,457	697,967	597,051	100,916
Emergency Management	1,039,072	963,216	847,658	115,558
Emergency Communications Center				
Emergency Communications Center	2,294,080	2,252,887	2,127,726	125,161
Emergency Radio Communications	833,592	754,466	662,074	92,412
Grants	506,328	550,154	402,700	147,454
Emergency Communications Center	3,634,000	3,557,527	3,192,500	365,027
Office of the Sheriff				
Law Enforcement	19,390,621	18,950,654	18,222,232	728,422
Corrections	10,079,714	9,600,469	8,669,021	931,448
Training	260,355	260,355	199,241	61,114
Canine	16,400	16,400	14,146	2,254
Grants	3,374,845	1,222,302	847,417	374,885
Office of the Sheriff	33,121,935	30,050,180	27,952,057	2,098,123
Volunteer Fire Depts. & Rescue Squads	200,000	201,040	201,040	0
Total Public Safety	\$37,995,007	\$34,771,963	\$32,183,255	\$2,578,708
PUBLIC WORKS				
Department of PW and Transportation				
Administration	\$416,563	\$404,663	\$392,068	\$12,795
Engineering Services	627,852	604,652	595,743	8,909
Construction & Inspections	489,749	506,279	478,312	27,967
County Highways	3,810,598	4,243,843	4,144,860	98,983
Solid Waste/Recycling Subsidy	1,442,348	1,194,317	1,194,317	0
St. Mary's County Airport	15,167	15,167	14,438	729
St. Mary's Transit System	3,402,303	2,819,219	2,918,686	(99,467)
Department of PW and Transportation	10,204,560	9,788,340	9,738,424	49,916
Maryland Dept. of Agriculture Weed Control	17,500	16,500	15,838	662
Total Public Works	\$10,222,080	\$9,804,840	\$9,754,262	\$50,578
HEALTH				
Operating Allocation				
Health Department	\$1,359,577	\$1,359,577	\$1,359,531	\$46
Mosquito Control	50,500	50,500	50,500	0
Operating Allocation	1,410,077	1,410,077	1,410,031	46
Office of the State's Attorney				
Project Graduation	60,350	60,350	54,431	5,919
Human Services				
Human Services	606,162	453,002	472,985	(19,883)
Marcey Halfway House	494,761	448,996	439,026	9,970
Grants	5,742,374	4,587,519	4,467,652	119,867
Human Services	6,843,297	5,489,517	5,379,663	109,854
Total Health	\$8,313,724	\$6,859,944	\$5,844,125	\$115,819

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, 2010
(CONTINUED)

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
SOCIAL SERVICES				
Department on Aging				
Department on Aging	1,400,440	1,304,697	1,270,747	33,942
Oakley	55,453	25,985	24,237	1,748
SMILE/Medical Adult Daycare Subsidies	600,000	538,811	586,396	(47,585)
Grants	817,404	924,925	894,793	40,132
Department on Aging	2,873,297	2,794,418	2,766,173	28,237
Department of Social Services	388,006	441,541	437,457	4,084
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
Catholic Charities	15,000	15,000	15,000	0
So. Md. Center for Independent Living, Inc.	15,000	16,250	16,250	0
The Center for Life Enrichment	155,808	155,808	155,808	0
Greenwell Foundation	42,000	45,000	45,000	0
St. Mary's Caring, Inc.	3,000	6,000	6,000	0
Three Oaks Center	130,000	135,000	135,000	0
Alternatives for Youth/Families, Inc.	26,250	26,250	26,250	0
Tri-County Community Action (SMTCCAC, Inc.)	17,751	17,751	17,751	0
Tri-County Youth Services Bureau	116,479	116,479	116,479	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	36,250	36,250	0
Operating Allocation	1,227,074	1,175,574	1,175,574	0
Total Social Services	\$4,488,377	\$4,411,533	\$4,378,204	\$32,329
PRIMARY AND SECONDARY EDUCATION				
Board of Education	\$79,945,102	\$79,195,102	\$79,195,102	\$0
Non-Public School Bus Transportation	2,142,849	2,169,014	1,947,417	221,597
Operating Allocation				
Literacy Council of St. Mary's County	12,000	12,000	12,000	0
Total Primary and Secondary Education	\$82,099,951	\$81,376,116	\$81,154,519	\$221,597
POST-SECONDARY EDUCATION				
College of Southern Maryland - general operations	\$2,971,585	\$2,971,585	\$2,971,585	\$0
College of Southern Maryland - scholarship fund	\$25,000	\$25,000	\$25,000	\$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
Total Post-Secondary Education	\$3,052,585	\$3,052,585	\$3,052,585	\$0
PARKS, RECREATION AND CULTURE				
Department of Recreation and Parks				
Administration	\$1,050,014	\$1,025,984	\$1,021,023	\$4,961
Parks Maintenance	1,993,865	1,809,640	1,860,523	49,117
Museum Division	567,838	546,245	539,192	7,053
Recreation Fund Subsidy	50,000	50,000	50,000	0
Grants	85,000	(48,200)	165,695	(213,895)
Department of Recreation and Parks	3,746,717	3,483,669	3,636,433	(152,764)

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, 2010
(CONTINUED)

	Budgeted Amounts			Favorable (Unfavorable) Variance
	Original	Final	Actual	
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
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	100,000	100,000	100,000	0
Historic Sotterley, Inc.	75,000	75,000	75,000	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	247,000	247,000	247,000	0
Total Parks, Recreation and Culture	\$3,993,717	\$3,730,669	\$3,683,433	(\$152,764)
LIBRARIES				
County Funding - general operations	\$2,288,038	\$2,276,038	\$2,276,038	\$0
CONSERVATION OF NATURAL RESOURCES				
Cooperative Extension Service	\$193,701	\$183,020	\$179,366	\$3,654
Soil Conservation District	55,646	55,646	55,471	175
Conservation of Natural Resources	249,347	238,666	234,837	3,829
Allocation of Agriculture and Seafood (Division of DECD)	123,281	119,906	118,651	1,255
Operating Allocation				
SMC Forest Conservation District Board	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	\$401,682	\$387,626	\$382,542	\$5,084
HOUSING				
Total Housing	\$1,358,624	\$1,358,624	\$981,314	\$377,310
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Department of Economic & Community Development				
Administration/Office of the Director	\$244,211	\$237,011	\$239,475	(\$2,464)
Tourism Development	423,838	409,338	381,601	27,737
Agriculture & Seafood Development	184,374	159,874	158,201	1,673
Less Allocation (see above)	(123,281)	(119,906)	(118,651)	(1,255)
Business Development/Lexington Park Revitalization	368,107	360,207	362,801	(2,594)
Grants	151,003	113,259	248,441	(135,183)
Department of Economic & Community Development	1,226,252	1,159,782	1,271,868	(112,086)
Office of Community Services				
Office of Community Services	380,175	338,351	331,664	6,687
Grants	330,061	210,161	258,914	(48,753)
Human Relations Commission	2,750	2,750	0	2,750
Commission for the Disabled	2,300	2,300	1,752	548
Commission for Women	3,500	3,500	3,353	147
VISTA Program	34,044	2,700	2,741	(41)
	752,830	559,762	598,424	(38,662)
Operating Allocation				
Navy Alliance	30,000	30,000	30,000	0
So. Md. Child Care Resource Center	12,400	13,900	13,900	0
Tri-County Council	94,200	94,200	94,200	0
Operating Allocation	138,600	138,100	138,100	0
Total Economic Development and Opportunity	\$2,115,682	\$1,857,644	\$2,008,392	(\$150,748)

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, 2010
(CONTINUED)

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
DEBT SERVICE				
Debt Service	<u>\$13,214,697</u>	<u>\$10,925,897</u>	<u>\$10,769,086</u>	<u>\$156,811</u>
INTER-GOVERNMENTAL				
Leonardtown Tax Rebate	<u>\$64,425</u>	<u>\$64,425</u>	<u>\$64,425</u>	<u>\$0</u>
Total Inter-Governmental	<u>\$64,425</u>	<u>\$64,425</u>	<u>\$64,425</u>	<u>\$0</u>
OTHER				
Employer Contributions-Retiree Health Benefits	\$4,593,402	\$4,593,402	\$4,642,621	(\$49,219)
Unemployment Compensation	11,000	11,000	30,435	(19,435)
Bank Service Fees	<u>35,000</u>	<u>35,000</u>	<u>24,507</u>	<u>10,493</u>
Total Other	<u>\$4,639,402</u>	<u>\$4,639,402</u>	<u>\$4,697,563</u>	<u>(\$58,161)</u>
Total Expenditures, Before Pass-Throughs	<u>196,202,614</u>	<u>186,613,723</u>	<u>181,729,258</u>	<u>4,884,465</u>
Pass-Through Expenditures	0	0	1,052,739	(1,052,739)
Total Expenditures, Including Pass-Throughs	<u>\$196,202,614</u>	<u>\$186,613,723</u>	<u>\$182,781,997</u>	<u>\$3,831,726</u>
RESERVES				
Reserve - Grants	\$1,000,000	\$1,094,940	\$0	\$1,094,940
Reserve - Bond Rating	725,000	0	0	0
Reserve - Budget Stabilization	376,381	1,000,000	0	1,000,000
Reserve - Emergency Appropriations	<u>500,000</u>	<u>87,268</u>	<u>0</u>	<u>87,268</u>
Reserves	<u>2,601,381</u>	<u>2,182,208</u>	<u>0</u>	<u>2,182,208</u>
Total Reserves	<u>\$2,601,381</u>	<u>\$2,182,208</u>	<u>\$0</u>	<u>\$2,182,208</u>
Total Expenditures, Including Pass-Throughs and Reserves	<u>\$198,803,995</u>	<u>\$188,795,931</u>	<u>\$182,781,997</u>	<u>\$6,013,934</u>
Transfer				
Capital Projects - General Fund Transfer/Pay-Go	\$500,000	\$0	\$0	\$0
Capital Projects - Reversion of Pay-Go Funds	<u>0</u>	<u>0</u>	<u>(955,000)</u>	<u>955,000</u>
	<u>500,000</u>	<u>0</u>	<u>(955,000)</u>	<u>955,000</u>
Total Expenditures and Other Financing Uses	<u>\$199,303,995</u>	<u>\$188,795,931</u>	<u>\$181,826,997</u>	<u>\$6,966,934</u>

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
SCHEDULE OF UNEXPENDED APPROPRIATIONS FOR CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2010

LAND PRESERVATION

Agriculture Preservation	\$1,584,712	
Transfer of Development Rights	234,000	
Forest Conservation Planting	80,676	
Critical Area Planting	75,000	\$1,974,388

HIGHWAYS

Patuxent Park Neighborhood Preservation	\$1,927,114	
FDR Blvd. Extended	1,294,978	
Mechanicsville Road	1,292,000	
Dr. Johnson Rd. Bridge Structure	728,478	
Modified Surface Treatment	654,001	
Pegg Rd. Extension to Rt 5	545,754	
Streetscape Improvement	415,938	
Asphalt Overlay	254,660	
Roadside Obstacles	245,834	
Regional Stormwater Management	229,289	
Roadway Base Widening	210,839	
Bridge/Culvert Replacement	111,705	
Transportation Plan	95,072	
Adequate Public Facilities	30,775	
County Mapping	13,259	
Big Chestnut Mitigation	9,509	\$8,059,205

MARINE

Villas on Waters Edge	\$420,310	
Kingston Creek #2	257,577	
Thomas Road Revetment	137,402	
Gibson Road	98,075	
St. Jerome's Creek Dredging	85,703	
Patuxent Beach Road Revetment	72,365	
St. Jerome's Creek Jetty Study	64,352	\$1,135,784

PUBLIC WORKS

Patuxent River Naval Museum-New	\$5,433,312	
ADC Minimum Security Addition	1,152,536	
STS Bus Barn	1,107,900	
Leonardtown Library Renovation	1,076,500	
Airport Master Plan	916,200	
Chancellor's Run Rebuild	858,050	
CSM Wellness & Pool	450,000	
MEA Clean Energies Grant	438,000	
Workforce Housing Initiative	350,450	
Parking/Site Improvements	347,121	
Carter State Building Maintenance/Repair	326,880	
Mattapany Farmers Market	271,638	
Adult Detention Center Booking/Inmate Processing	264,000	
Airport Improvements	213,052	
Building Maintenance & Repairs	191,582	
Stormwater Management 2007	187,506	
Adult Detention Center Maintenance & Repairs	105,859	
ADC Locking Mech. & Cameras	102,052	
800 MHz Radio Enhancement	57,952	
Lexington Manor EDI	45,539	
Fuel Facility Upgrades	43,629	
Emergency Communications Center Hardening	38,803	
Emergency Equipment Shelter	13,472	
Armory Building	6,772	\$13,998,805

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
SCHEDULE OF UNEXPENDED APPROPRIATIONS FOR CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)

PIERS AND BOAT RAMPS

River Springs Landing	\$125,000	
Fox Harbor Landing II	106,247	
St. George's Island Pier Replacement	56,720	
Derelict Boat Removal	20,000	\$307,967

PUBLIC SCHOOLS

Leonardtown MS Renovation	\$3,255,377	
Land Acquisition	1,045,000	
Oakville ES HVAC	614,406	
ADA Transition Plan	607,908	
Playground Equipment	457,081	
State Relocatable-site to be determined	440,008	
Margaret Brent MS Wastewater	385,865	
Early Childhood Center HVAC	336,089	
Evergreen Elementary School	261,267	
Second New Elementary School	250,000	
Tech Center Addition	238,395	
BBEC Roof Replacement	183,066	
Greenview Knolls HVAC	169,900	
Security Entrances (12)	149,459	
Site Acquisition Various	147,110	
Site Paving and Sidewalks	73,939	
Chopticon High School Sewer	50,000	
Margaret Brent Add/Renovation	45,715	
Playground Equipment Study	42,096	
Leonardtown High - Relocatables	41,132	
GMHS Tennis/Track Resurfacing	17,572	
Leonardtown Elementary Addition	11,440	
Chopticon High School Gym Floor	9,200	
Lettie Dent Chiller	7,345	\$8,839,370

RECREATION & PARKS

Three Notch Trail	\$1,536,241	
Parks Land Acquisition	1,223,661	
Piney Point Lighthouse Park	704,049	
Charlotte Hall Athletic Fields	537,907	
Carver Heights Park	12,016	
Park Roads, Parking & Access	6,500	
7th District Park Improvements	5,821	
Chancellor's Run Park	2,125	
Tennis Court Replacement	1,570	\$4,029,890

SOLID WASTE

Landfill Mitigation	\$435,909	
Conevience Center Expansion	254,842	
St. Andrews Area D	93,687	
New Transfer Station	64,710	\$849,148

Total	\$39,194,557
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Included in the above total is \$13,586,201 in unexpended State and Federal projects appropriations.



**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 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, 2010, which collectively comprise the County Commissioners for St. Mary's County, Maryland's basic financial statements and have issued our report thereon dated November 9, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

We noted certain matters that we reported to the management of the County, in a separate letter dated November 9, 2010.

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.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
November 9, 2010