

SOMERSET COUNTY, MARYLAND

FINANCIAL REPORT

June 30, 2019

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The County Commissioners of Somerset County, Maryland (the "County") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

## ***Opinions***

In our opinion, based on our audit and the reports of other auditors the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Maryland State Retirement and Pension Systems schedules and Schedule of Funding Progress – Other Post-Employment Benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The additional supplementary information and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* in considering the County's internal control over financial reporting and compliance.

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

Salisbury, Maryland  
December 20, 2019



## Management's Discussion and Analysis

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Somerset County's Financial Report for fiscal year ended June 30, 2019 reflects reporting in accordance with the format brought about by the Governmental Accounting Standards Board's (GASB) Statement No. 34 for State and Local Governments. One of the requirements of GASB 34 is this discussion and analysis that will provide the following things:

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

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

### FINANCIAL HIGHLIGHTS

The total assets of Somerset County exceeded liabilities at the end of fiscal year 2019 by \$19.1 million. A net pension liability of \$7.39 million is reflected as a liability in accordance with the pension standard, as required under GASB 68. In addition, a liability for other post-employment benefits of \$20.6 million is reflected as a liability in accordance with GASB 75.

The total net position of the County decreased approximately \$1 million during fiscal year 2019. There are several factors that enter into this decrease, but two significant items that are treated as expenses for purposes of the Statement of Activities but not as expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances include the increase in other postemployment benefits expense of \$1.3 million and the increase in pension expense of 1 million.

The County's total governmental funds show a fund balance of \$16.4 million as of the end of the fiscal year. Of this total, \$11.8 million is either committed or assigned for capital projects, debt service, other post-employment benefits, future budget purposes, or other fund purposes. Approximately \$4.3 million remains unassigned.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



components of accountability are fiscal accountability and operational accountability. Fiscal accountability refers to the government's responsibility to justify compliance with public decisions

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

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

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

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

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

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

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

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



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

### Financial Data and Management's Analysis

#### Government-wide Statements

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

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

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

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

Current assets amount to \$22,927,771 for the Primary Government at June 30, 2019, with \$17,662,614 in cash and cash equivalents including restricted cash. Capital assets amount to \$51,945,416, net of accumulated depreciation.

Total liabilities amount to \$57,605,133, which includes \$7,596,975 for Board of Education projects, \$10,588,651 for Landfill and Solid Waste projects and obligations and \$7,387,809 for the net pension liability under GASB 68. In addition, the balance sheet includes a liability for the unfunded annual required contribution for retirees' future post-employment health care benefits. This liability was estimated by our actuary to be \$20,589,462 for all governmental and business type entities.

Total net position amounted to \$19,058,103 of which \$31,462,165 is invested in capital assets net of related debt and \$12,609,674 is the unrestricted deficit, after recording the net pension liability, and the other post-employment benefit obligation.



SOMERSET COUNTY MARYLAND  
SUMMARY OF STATEMENT OF NET POSITION  
June 30, 2019 and 2018

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Current and other assets	\$ 22,905,538	\$ 20,492,492	\$ 22,233	\$ 27,956
Restricted	205,612	197,295	-	-
Capital assets	50,707,026	47,708,586	1,238,390	1,351,725
Total assets	\$ 73,818,176	\$ 68,398,373	\$ 1,260,623	\$ 1,379,681
Deferred outflows of resources	2,420,350	1,877,007	-	-
Current and other liabilities	9,830,834	8,168,895	102,295	106,823
Long-term liabilities	47,610,841	42,325,597	61,163	77,472
Total liabilities	\$ 57,441,675	\$ 50,494,492	\$ 163,458	\$ 184,295
Deferred inflows of resources	835,913	913,214	-	-
Net position:				
Invested in capital assets				
net of related debt	30,284,938	31,464,389	1,177,227	1,274,253
Restricted	205,612	197,295	-	-
Unrestricted	(12,529,612)	(12,794,010)	(80,062)	(78,867)
Total net position	\$ 17,960,938	\$ 18,867,674	\$ 1,097,165	\$ 1,195,386



Total		Component Units	
2019	2018	2019	2018
\$ 22,927,771	\$ 20,520,448	\$ 7,762,722	\$ 7,586,961
205,612	197,295	1,517,169	1,815,288
51,945,416	49,060,311	111,314,958	89,028,864
<u>\$ 75,078,799</u>	<u>\$ 69,778,054</u>	<u>\$ 120,594,849</u>	<u>\$ 98,431,113</u>
2,420,350	1,877,007	1,461,843	718,649
9,933,129	8,275,718	5,277,351	4,856,432
47,672,004	42,403,069	37,935,868	36,367,144
<u>\$ 57,605,133</u>	<u>\$ 50,678,787</u>	<u>\$ 43,213,219</u>	<u>\$ 41,223,576</u>
835,913	913,214	315,198	323,776
31,462,165	32,738,642	98,571,702	76,074,688
205,612	197,295	510,172	1,184,221
(12,609,674)	(12,872,877)	(20,553,599)	(19,656,499)
<u>\$ 19,058,103</u>	<u>\$ 20,063,060</u>	<u>\$ 78,528,275</u>	<u>\$ 57,602,410</u>



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

Governmental activities had expenses that exceeded revenues and transfers by \$906,736 for the year ended June 30, 2019. There are several factors that enter into this decrease in net position, but two significant items that are treated as expenses for purposes of the Statement of Activities but not as expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances include the increase in other postemployment benefits expense of \$1.3 million and the increase in pension expense of \$1 million. These two factors have the effect of changing the increase in fund balances into a decrease in net position.

In the general revenue category, the disparity grant, listed under State of Maryland – Disparity Grant, is the County’s third largest revenue source and amounted to \$5,558,432. The Disparity Grant is provided from the State to counties whose per capita taxable income falls below 75% of the State average.



SOMERSET COUNTY MARYLAND  
STATEMENT OF ACTIVITIES  
For the Fiscal Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Program Revenues				
Charges for services	\$ 2,410,428	\$ 2,557,636	\$ 425,657	\$ 375,224
Operating Grants and contributions	5,201,629	5,978,664	-	-
Capital grants and contributions	194,119	140,344	-	-
	7,806,176	8,676,644	425,657	375,224
General Revenues:				
Property taxes	17,609,025	15,923,943	-	-
Income taxes	7,974,502	7,625,199	-	-
Other taxes	574,000	722,005	-	-
State of Maryland - Disparity Grant	5,558,432	5,290,166	-	-
Other	469,012	6,354,879	1,509	(872)
	32,184,971	35,916,192	1,509	(872)
Total revenues	39,991,147	44,592,836	427,166	374,352
Expenses				
General Government	7,848,816	7,103,351	-	-
Public safety	9,780,454	8,705,028	-	-
Public works	6,844,186	6,244,834	-	-
Health	972,749	965,652	-	-
Social services	297,376	353,222	-	-
Education	10,875,018	10,555,441	-	-
Recreation & culture	1,224,241	972,756	-	-
Conservation of natural resources	118,626	111,992	-	-
Economic and community development	1,751,832	3,623,751	-	-
Intergovernmental	144,953	169,542	-	-
Interest on long-term debt	529,631	547,358	-	-
Golf-course	-	-	1,035,387	1,025,848
Component units	-	-	-	-
Total expenses	40,387,883	39,352,927	1,035,387	1,025,848
Transfers	(510,000)	(590,000)	510,000	590,000
Change in net position	(906,736)	4,649,909	(98,221)	(61,496)
Net position beginning of year	18,867,674	14,217,765	1,195,386	1,256,882
Net position end of year	\$ 17,960,938	\$ 18,867,674	\$ 1,097,165	\$ 1,195,386



Total		Component Units	
2019	2018	2019	2018
\$ 2,836,085	\$ 2,932,860	\$ 4,971,190	\$ 4,896,867
5,201,629	5,978,664	55,439,941	53,212,067
194,119	140,344	25,333,167	12,345,203
8,231,833	9,051,868	85,744,298	70,454,137
17,609,025	15,923,943	-	-
7,974,502	7,625,199	-	-
574,000	722,005	-	-
5,558,432	5,290,166	-	-
470,521	6,354,007	219,656	131,446
32,186,480	35,915,320	219,656	131,446
40,418,313	44,967,188	85,963,954	70,585,583
7,848,816	7,103,351	-	-
9,780,454	8,705,028	-	-
6,844,186	6,244,834	-	-
972,749	965,652	-	-
297,376	353,222	-	-
10,875,018	10,555,441	-	-
1,224,241	972,756	-	-
118,626	111,992	-	-
1,751,832	3,623,751	-	-
144,953	169,542	-	-
529,631	547,358	-	-
1,035,387	1,025,848	-	-
-	-	65,038,089	67,727,300
41,423,270	40,378,775	65,038,089	67,727,300
-	-	-	-
(1,004,957)	4,588,413	20,925,865	2,858,283
20,063,060	15,474,647	57,602,410	54,744,127
\$ 19,058,103	\$ 20,063,060	\$ 78,528,275	\$ 57,602,410



## Governmental funds

Total governmental fund balances at the end of the fiscal year amounted to \$16,444,084 of which \$69,072 is non-spendable, \$205,612 is restricted, \$9,300,000 is committed, \$2,519,684 is assigned and \$4,349,716 is unassigned.

The general fund constitutes the main operating fund of the Somerset County Government and reports a fiscal year ending fund balance of \$14,565,082. The general fund balance increased by \$1,790,869 during fiscal year 2019. This result is significantly better than the budgeted decrease of \$1,999,750.

## Budgetary Variations

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

Property taxes were \$1,224,829 greater than what was budgeted for fiscal year 2019. This is primarily due to a large solar project that was nearing completion at December 31, 2018. At the time we struck our budget for fiscal year 2019, we did not know the stage of completion and we underestimated the revenue, for purposes of being conservative, by \$1,050,000.

Income tax revenue was \$751,083 greater than budget. The County budgeted income taxes based on an average of actual income taxes over the past 4 years. However the recent increasing trend of fiscal year 2018 continued into the current year. Also, for calendar 2018, there was a major change to the federal income tax law which included a large increase to the standard deduction. The State of MD and the local counties benefitted from this change which reduced state personal deductions and resulted in higher MD & county local taxes.

Significant Federal and State grant revenues were anticipated for airport projects but the projects have not fully materialized yet, creating the negative airport program revenue variance of \$382,467.

The Federal Transportation Alternatives Grant budget was \$4,151,696 under budget, while the DHHS-Bike Trail Prevent Obesity grant was \$784,904 under budget. These grants relate to the new \$4,936,600 Bike Trail project, which as budgeted in its entirety in FY 2019, but was only just started during the fiscal year. The only expense incurred was \$128,055 for wetland mitigation. Therefore, the actual revenues fell far short of the budget. However, both grants have been carried into fiscal year 2020.

Proceeds from debt financing were \$2,403,734 less than budget because the Board of Education's J. M. Tawes Technology and Career Center Project progressed slower than anticipated, as far as the County's local portion of the total project. Therefore, this resulted in lesser loan draws from what was projected in the budget.

On the expenditure side, Actual sheriff expenditures exceeded budget by \$304,394. There were 4 primary causes for this variance. First capital expenditures for a patrol boat and for training simulator equipment were not budgeted, and totaled \$77,292 and \$62,630, respectively. However, a grant revenue source was available to offset both of these purchases. Similarly, 2 new sheriff vehicles were purchased for \$101,427 that were unbudgeted but were financed with Ford Credit. The lease payments for the vehicles were a budgeted expenditure but the capital vehicle purchases were not, as is consistent



with County policy. In addition, there were significant operating expenditures incurred for vehicle repair costs, as well as for purchasing new police tasers.

911 total budgeted expenditures exceeded actual by \$467,108. This was due to the Radio Equipment Upgrade project, which was originally estimated to be \$3.9 million. This project was not fully completed by June 30, 2019. Therefore, a portion of the budget was encumbered and carried over to fiscal year 2020.

Actual expenditures for Highways, Streets & Waterways fell short of budget by \$203,252. There are 2 reasons for this variance. First of note is the fact that the Rumbley capital project, estimated to cost \$119,000, was delayed into fiscal year 2020. Secondly, off road drainage projects totaling \$125,804 were budgeted in FY 2019, but only \$73,374 of the total was completed, with the remaining projects carried into fiscal year 2020.

Budgeted expenditures for transportation exceeded actual by \$359,141, primarily because an airport capital project progressed much slower than anticipated. However, the project is expected to come into full fruition in fiscal year 2020.

The County shows a favorable variance of \$3,070,767 for Education primarily because the County's share of project costs, primarily for the design stage and architectural fees of the new proposed J. M. Tawes Technology and Career Center, progressed behind schedule. The new school did open on time in September, 2019.

Recreation and Culture actual expense were \$4,919,651 less than budget. This is due to the fact that the "Walk/Bike Trail" project, estimated at \$4,950,099 was just started toward the end of fiscal year 2019. This project, which is funded by federal and state grants, was carried over into fiscal year 2020.

Transfers to the County Roads were \$263,154 less than budget because the County Roads department made a conscious effort to use available fund balance in lieu of maximizing county draws.

#### Capital Asset and Long-term Debt Activity

The investment in capital assets for the County as of June 30, 2019 amounted to \$51,945,416 for both governmental and business-type activities. The schedule below summarizes the capital assets by category. Total additions for fiscal year 2019 amounted to \$5,331,849, net of transfers to construction in progress. The most significant addition during the year was the emergency services radio equipment totaling \$3,482,535. Other significant additions included a bulldozer totaling \$396,742 and the Webster's Cove marina project totaling \$214,128.

School construction reimbursements to the Somerset Board of Education, which are not included in the County's investment in capital assets, totaled \$706,373 for the year.

The Roads Department investment in capital assets as of June 30, 2019, totaled \$6,658,521, net of depreciation. Major additions for the year included bridge renovations totaling \$79,613 and a utility tractor purchased for \$51,870.



SOMERSET COUNTY MARYLAND  
Capital Assets  
(Net of Depreciation)  
For the Fiscal Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land (not depreciated)	\$ 4,548,086	\$ 4,510,359	\$ -	\$ -
Land improvements	-	-	510,185	595,039
Construction in Progress	3,972,304	728,477	-	-
Buildings, improvements	17,385,650	17,845,888	630,173	652,235
Improvements, non-buildings	20,801,191	21,061,831	-	-
Vehicles	714,060	813,011	-	-
Furniture, machinery, equipment	3,285,735	2,749,020	98,032	104,451
Total	\$ 50,707,026	\$47,708,586	\$ 1,238,390	\$ 1,351,725



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Total	
<u>2019</u>	<u>2018</u>
\$ 4,548,086	\$ 4,510,359
510,185	595,039
3,972,304	728,477
18,015,823	18,498,123
20,801,191	21,061,831
714,060	813,011
3,383,767	2,853,471
<hr/>	
\$ 51,945,416	\$ 49,060,311



Long-term debt for governmental and business-type activities amounted to \$23,682,451 at the end of the fiscal year. Additions for fiscal year 2019 included \$689,478 of short term borrowings for school construction loan projects, \$4,000,000 long term borrowings for emergency services radio project, and \$400,000 long term borrowings for bulldozer purchase. Debt service for the fiscal year 2019 was \$2,438,688, which was 6% of the 2019 general fund actual expenditures.

#### Currently Known Facts, Decisions, or Conditions

The City of Crisfield has a 1 year option to develop the Carvel Hall Industrial Site. The City is currently performing due diligence to determine the options for possible incoming tenants at the former 73,000 square foot, Carvel Hall facility.

During 2013, Somerset County was awarded an \$8.6 million Community Development Block Grant-Disaster Relief to be used for Hurricane Sandy recovery efforts within the County. Approximately 94% of this grant has been expended through November, 2019 for housing rehabilitation as well as economic development related improvements. The County is also a recipient of an additional \$16.7 million of federal funding for a second round of infrastructure related disaster relief that started in FY 2015. These funds, which are 80% expended at November, 2019, have been specifically set aside by the Maryland Department of Housing and Community Development for exclusive use by Somerset County.

Phase II of the Great Bay solar project has been approved and is expected to be completed during 2020. The 25 MHz project is expected to bring personal property into the county totaling \$55 million. In addition, the project could result in as much as \$665,000 of new personal property tax revenues annually, for the County.

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

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

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

**SOMERSET COUNTY, MARYLAND**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 17,356,893	\$ 25,596	\$ 17,382,489
Investments	74,513	-	74,513
Receivables			
Property taxes, net of allowance of \$315,461	1,640,756	-	1,640,756
Accounts receivable	199,286	-	199,286
Grants receivable	-	-	-
Notes receivable	5,877	-	5,877
Due from other governmental units	2,333,117	-	2,333,117
Other	1,169,040	8,086	1,177,126
Internal balances	55,654	(55,654)	-
Inventories, at cost	69,072	44,205	113,277
Other	1,330	-	1,330
Restricted assets			
Cash and cash equivalents	205,612	-	205,612
Investments	-	-	-
Receivables, net of allowance of \$306,972	-	-	-
Capital assets, not being depreciated	8,520,390	-	8,520,390
Capital assets, being depreciated, net	42,186,636	1,238,390	43,425,026
Total assets	\$ 73,818,176	\$ 1,260,623	\$ 75,078,799
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Other post-employment benefits	920,187	-	920,187
Pensions	1,500,163	-	1,500,163
Total deferred outflow of resources	2,420,350	-	2,420,350
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,676,325	47,085	2,723,410
Due to other governmental units	1,159,045	-	1,159,045
Unearned revenue	803,834	55,210	859,044
Due to fiduciary fund	207,608	-	207,608
Other	-	-	-
Long-term liabilities			
Due within one year			
Compensated absences	106,360	-	106,360
Bonds, notes and capital leases payable	4,877,662	16,931	4,894,593
Due in more than one year			
Compensated absences	889,944	-	889,944
Bonds, notes and capital leases payable	18,743,626	44,232	18,787,858
Other post-employment benefit obligation	20,589,462	-	20,589,462
Net pension liability	7,387,809	-	7,387,809
Total liabilities	57,441,675	163,458	57,605,133
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions (see Note 9)	835,913	-	835,913
<b>NET POSITION</b>			
Net investment in capital assets	30,284,938	1,177,227	31,462,165
Restricted	205,612	-	205,612
Unrestricted	(12,529,612)	(80,062)	(12,609,674)
Total net position	\$ 17,960,938	\$ 1,097,165	\$ 19,058,103

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

<b>Component Units</b>				
<u>Board of Education</u>	<u>Library</u>	<u>Sanitary District</u>	<u>Liquor Control Board</u>	<u>Local Management Board</u>
\$ 2,157,133	\$ 357,023	\$ 962,777	\$ 83,729	\$ 126,745
-	111,301	165,412	-	-
-	-	-	-	-
-	-	1,154,026	-	480,601
-	-	53,313	-	-
-	-	-	-	-
1,564,506	9,535	9,750	-	-
-	-	4,749	-	-
-	-	-	-	-
20,085	-	-	485,733	-
-	2,371	6,699	6,859	375
-	-	1,129,656	-	-
-	-	124,408	-	-
-	-	263,105	-	-
34,092,236	-	6,731,136	-	-
49,873,654	727,292	19,871,427	19,213	-
<b>\$ 87,707,614</b>	<b>\$ 1,207,522</b>	<b>\$ 30,476,458</b>	<b>\$ 595,534</b>	<b>\$ 607,721</b>
774,357	46,717	2,328	-	-
471,995	-	166,446	-	-
<b>1,246,352</b>	<b>46,717</b>	<b>168,774</b>	<b>-</b>	<b>-</b>
2,363,176	47,656	331,718	128,779	200,069
10,943	-	260,155	137,946	187,488
562,481	11,838	-	-	-
-	-	-	-	-
-	-	409,812	4,500	-
25,000	-	21,229	-	-
-	-	400,252	174,309	-
755,357	-	120,300	-	-
-	-	12,168,695	-	-
20,698,239	1,128,390	184,814	-	-
2,141,214	-	738,859	-	-
<b>26,556,410</b>	<b>1,187,884</b>	<b>14,635,834</b>	<b>445,534</b>	<b>387,557</b>
227,549	-	87,649	-	-
83,965,890	727,292	14,033,616	(155,096)	-
-	-	510,172	-	-
(21,795,883)	(660,937)	1,377,961	305,096	220,164
<b>\$ 62,170,007</b>	<b>\$ 66,355</b>	<b>\$ 15,921,749</b>	<b>\$ 150,000</b>	<b>\$ 220,164</b>

**SOMERSET COUNTY, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2019**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 7,848,816	\$ 338,565	\$ 1,004,824	\$ 61,206
Public safety	9,780,454	107,239	773,376	122,630
Public works	6,844,186	1,868,329	1,421,734	1,053
Health	972,749	42,875	33,333	-
Social services	297,376	-	189,670	-
Education	10,875,018	-	-	-
Recreation and culture	1,224,241	53,420	483,152	9,230
Conservation of natural resources	118,626	-	53,067	-
Economic and community development	1,751,832	-	1,242,473	-
Intergovernmental	144,953	-	-	-
Interest on long-term debt	529,631	-	-	-
<b>Total Governmental Activities</b>	<b>40,387,883</b>	<b>2,410,428</b>	<b>5,201,629</b>	<b>194,119</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Golf Course	1,035,387	425,657	-	-
<b>Total Business-Type Activities</b>	<b>1,035,387</b>	<b>425,657</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 41,423,270</b>	<b>\$ 2,836,085</b>	<b>\$ 5,201,629</b>	<b>\$ 194,119</b>
<b>COMPONENT UNITS</b>				
Board of Education	\$ 56,086,871	\$ 90,726	\$ 52,607,510	\$ 24,162,193
Library	1,176,139	15,125	937,123	-
Sanitary District	5,042,639	2,928,789	933,622	1,170,974
Liquor Control Board	1,800,427	1,936,550	-	-
Local Management Board	932,013	-	961,686	-
<b>Total Component Units</b>	<b>\$ 65,038,089</b>	<b>\$ 4,971,190</b>	<b>\$ 55,439,941</b>	<b>\$ 25,333,167</b>

**General Revenues**

Taxes:

Property

Income

Other

State of Maryland - Disparity Grant

Payments in lieu of taxes

Distributions from Somerset County Dispensary

Interest

Other

Total General Revenues

Transfers

Total general revenues and transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units				
Governmental Activities	Business-Type Activities	Total	Board of Education	Library	Sanitary District	Liquor Control Board	Local Management Board
\$ (6,444,221)	\$ -	\$ (6,444,221)	\$ -	\$ -	\$ -	\$ -	\$ -
(8,777,209)	-	(8,777,209)	-	-	-	-	-
(3,553,070)	-	(3,553,070)	-	-	-	-	-
(896,541)	-	(896,541)	-	-	-	-	-
(107,706)	-	(107,706)	-	-	-	-	-
(10,875,018)	-	(10,875,018)	-	-	-	-	-
(678,439)	-	(678,439)	-	-	-	-	-
(65,559)	-	(65,559)	-	-	-	-	-
(509,359)	-	(509,359)	-	-	-	-	-
(144,953)	-	(144,953)	-	-	-	-	-
(529,631)	-	(529,631)	-	-	-	-	-
(32,581,707)	-	(32,581,707)	-	-	-	-	-
-	(609,730)	(609,730)	-	-	-	-	-
-	(609,730)	(609,730)	-	-	-	-	-
\$ (32,581,707)	\$ (609,730)	\$ (33,191,437)	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 20,773,558	\$ (223,891)	\$ -	\$ -	\$ -
-	-	-	-	-	(9,254)	-	-
-	-	-	-	-	-	136,123	-
-	-	-	-	-	-	-	29,673
\$ -	\$ -	\$ -	\$ 20,773,558	\$ (223,891)	\$ (9,254)	\$ 136,123	\$ 29,673
17,609,025	-	17,609,025	-	-	-	-	-
7,974,502	-	7,974,502	-	-	-	-	-
574,000	-	574,000	-	-	-	-	-
5,558,432	-	5,558,432	-	-	-	-	-
47,153	-	47,153	-	-	-	-	-
116,630	-	116,630	-	-	-	(137,946)	-
122,213	(2,583)	119,630	306,080	4,020	4,378	-	22
183,016	4,092	187,108	-	41,279	-	1,823	-
32,184,971	1,509	32,186,480	306,080	45,299	4,378	(136,123)	22
(510,000)	510,000	-	-	-	-	-	-
31,674,971	511,509	32,186,480	306,080	45,299	4,378	(136,123)	22
(906,736)	(98,221)	(1,004,957)	21,079,638	(178,592)	(4,876)	-	29,695
18,867,674	1,195,386	20,063,060	41,090,369	244,947	15,926,625	150,000	190,469
\$ 17,960,938	\$ 1,097,165	\$ 19,058,103	\$ 62,170,007	\$ 66,355	\$ 15,921,749	\$ 150,000	\$ 220,164

**SOMERSET COUNTY, MARYLAND**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2019**

	Special Revenue Funds					Total Governmental Funds
	General Fund	Roads Board	Economic Development Commission	Hurricane Sandy	Other Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 15,155,479	\$ 1,050,945	\$ 792,798	\$ 184,153	\$ 173,518	\$ 17,356,893
Investments	74,513	-	-	-	-	74,513
Receivables:						
Property taxes	1,640,756	-	-	-	-	1,640,756
Accounts receivable	-	35,627	-	-	163,659	199,286
Notes receivable	-	-	5,877	-	-	5,877
Due from other governmental units	1,963,418	66,731	-	272,208	30,760	2,333,117
Other	1,169,040	-	-	-	-	1,169,040
Due from other funds	82,847	18,980	45,295	140,692	31,149	318,963
Inventories, at cost	-	69,072	-	-	-	69,072
Other	-	-	1,330	-	-	1,330
Restricted Assets						
Cash and cash equivalents	205,612	-	-	-	-	205,612
<b>Total assets</b>	<b>\$ 20,291,665</b>	<b>\$ 1,241,355</b>	<b>\$ 845,300</b>	<b>\$ 597,053</b>	<b>\$ 399,086</b>	<b>\$ 23,374,459</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 2,503,253	\$ 144,370	\$ 4,665	\$ 1,900	\$ 22,137	\$ 2,676,325
Due to other funds	271,882	53,513	-	-	145,522	470,917
Due to other governmental units	1,131,194	-	1,091	-	26,760	1,159,045
Unearned revenue	1,820,254	-	-	599,008	204,826	2,624,088
<b>Total liabilities</b>	<b>5,726,583</b>	<b>197,883</b>	<b>5,756</b>	<b>600,908</b>	<b>399,245</b>	<b>6,930,375</b>
<b>FUND BALANCES</b>						
Nonspendable	-	69,072	-	-	-	69,072
Restricted for:						
Future expenditures	205,612	-	-	-	-	205,612
Committed for:						
Capital projects	5,800,000	-	-	-	-	5,800,000
Debt Service	2,300,000	-	-	-	-	2,300,000
OPEB	1,200,000	-	-	-	-	1,200,000
Assigned for:						
Future budget	705,899	-	-	-	-	705,899
Fund purpose	-	974,400	839,544	-	-	1,813,944
Unassigned	4,353,571	-	-	(3,855)	(159)	4,349,557
<b>Total fund balances</b>	<b>14,565,082</b>	<b>1,043,472</b>	<b>839,544</b>	<b>(3,855)</b>	<b>(159)</b>	<b>16,444,084</b>
<b>Total liabilities and fund balances</b>	<b>\$ 20,291,665</b>	<b>\$ 1,241,355</b>	<b>\$ 845,300</b>	<b>\$ 597,053</b>	<b>\$ 399,086</b>	<b>\$ 23,374,459</b>

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2019**

Total fund balances, governmental funds		\$ 16,444,084
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		50,707,026
Certain revenues that do not provide current financial resources are reported as unearned revenue in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.		1,820,254
Deferred outflows of resources - pensions		1,500,163
Deferred outflows of resources - OPEB		920,187
Deferred inflows of resources - pensions		(835,913)
Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of:		
Other post-employment benefit obligation	(20,589,462)	
Bonds, notes and capital leases payable	(23,621,288)	
Compensated absences	(996,304)	
Net pension liability (see Note 9)	<u>(7,387,809)</u>	
Total long-term liabilities		<u>(52,594,863)</u>
Net position of governmental activities in the Statement of Net Position		<u>\$ 17,960,938</u>

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

**Year Ended June 30, 2019**

	General Fund	Special Revenue Funds			Other Governmental Funds	Total Governmental Funds
		Roads Board	Economic Development Commission	Hurricane Sandy		
<b>REVENUE</b>						
Taxes						
Local - property	\$ 17,534,903	\$ -	\$ -	\$ -	\$ -	\$ 17,534,903
Local - income	7,974,502	-	-	-	-	7,974,502
Local - other	574,000	-	-	-	-	574,000
State shared	-	896,717	-	-	-	896,717
Licenses and permits	174,122	-	-	-	-	174,122
Intergovernmental						
Federal	848,739	-	-	304,901	289,769	1,443,409
State	7,390,615	-	-	-	1,003,679	8,394,294
Local	173,783	-	-	-	68,722	242,505
Program income	-	-	-	64,020	-	64,020
Charges for services	1,727,260	509,046	-	-	-	2,236,306
Miscellaneous	305,229	17,045	56,472	-	3,501	382,247
<b>Total revenue</b>	<b>36,703,153</b>	<b>1,422,808</b>	<b>56,472</b>	<b>368,921</b>	<b>1,365,671</b>	<b>39,917,025</b>
<b>EXPENDITURES</b>						
Current						
General government	6,577,679	-	-	-	-	6,577,679
Public safety	8,210,392	-	-	-	-	8,210,392
Public works	2,037,235	2,931,060	-	-	-	4,968,295
Health	954,072	-	-	-	-	954,072
Social services	70,390	-	-	-	226,986	297,376
Education	10,168,645	-	-	-	-	10,168,645
Recreation and culture	978,920	-	-	-	-	978,920
Conservation of natural resources	118,626	-	-	-	-	118,626
Economic and community development	-	-	239,594	372,149	1,140,089	1,751,832
Intergovernmental	144,953	-	-	-	-	144,953
Debt service						
Principal retirement	1,912,954	-	-	-	-	1,912,954
Interest and fiscal charges	529,631	-	-	-	-	529,631
Capital outlay	6,203,693	131,483	-	-	-	6,335,176
<b>Total expenditures</b>	<b>37,907,190</b>	<b>3,062,543</b>	<b>239,594</b>	<b>372,149</b>	<b>1,367,075</b>	<b>42,948,551</b>
Excess of revenues over (under) expenditures	(1,204,037)	(1,639,735)	(183,122)	(3,228)	(1,404)	(3,031,526)
<b>OTHER FINANCING (USES) SOURCES</b>						
Proceeds from debt financing	5,190,906	-	-	-	-	5,190,906
Operating transfers, net	(2,196,000)	1,500,000	186,000	-	-	(510,000)
<b>Total other financing (uses) sources</b>	<b>2,994,906</b>	<b>1,500,000</b>	<b>186,000</b>	<b>-</b>	<b>-</b>	<b>4,680,906</b>
Net change in fund balances	1,790,869	(139,735)	2,878	(3,228)	(1,404)	1,649,380
Fund balances, beginning	12,774,213	1,183,207	836,666	(627)	1,245	14,794,704
<b>Fund balances, ending</b>	<b>\$ 14,565,082</b>	<b>\$ 1,043,472</b>	<b>\$ 839,544</b>	<b>\$ (3,855)</b>	<b>\$ (159)</b>	<b>\$ 16,444,084</b>

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

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019**

Net change in fund balances, governmental funds \$ 1,649,380

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

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

Capital outlay	5,444,470	
Depreciation expense	<u>(2,446,030)</u>	
		2,998,440

Loan proceeds provide current financial resources to governmental funds; however,  
issuing debt increases long-term liabilities in the Statement of Net Position. In the  
current period, loans of this amount were issued. (5,190,906)

Because some revenues will not be collected for several months after the County's  
fiscal year ends, they are not considered "available" revenues and are deferred in the  
governmental funds. Unearned revenues changed by this amount this year. 74,122

Governmental funds report repayment of debt principal as an expenditure. In  
contrast, the Statement of Activities treats such repayments as a reduction in  
long-term liabilities. 1,912,954

The change in estimated landfill closure costs recorded in governmental activities  
and related expenditures increase or decrease a liability on the government-wide  
statements, but are not a use of current financial resources in the governmental funds. (61,200)

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

Increase in other post-employment benefits	(1,308,389)	
Change in compensated absences	(5,083)	
Change in pension expense	<u>(976,054)</u>	
		<u>(2,289,526)</u>

Change in net position of governmental activities \$ (906,736)

**SOMERSET COUNTY, MARYLAND**  
**STATEMENT OF FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITIES**  
**June 30, 2019**

	<b>Enterprise Fund</b>
	<u>Golf Course</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 25,596
Membership receivables	6,424
Vendor receivables	1,662
Inventory	44,205
Total current assets	77,887
Noncurrent assets	
Capital assets at cost	5,148,815
Less accumulated depreciation	(3,910,425)
Total noncurrent assets	1,238,390
Total assets	1,316,277
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued expenses	47,085
Due to other funds	55,654
Unearned revenue	55,210
Current maturities of long-term debt	16,931
Total current liabilities	174,880
Noncurrent liabilities	
Noncurrent portion of long-term debt	44,232
Total liabilities	219,112
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	1,177,227
Unrestricted deficit	(80,062)
Total net position	\$ 1,097,165

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

**SOMERSET COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITIES**  
**Year Ended June 30, 2019**

	<b>Enterprise Fund</b>
	<u>Golf</u> <u>Course</u>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 425,657
Other operating	4,092
<hr/>	
Total operating revenue	429,749
<hr/>	
<b>OPERATING EXPENSES</b>	
Salaries and related taxes	506,114
Repairs and maintenance	55,667
Supplies	119,117
Utilities	36,749
Insurance	48,304
Depreciation and amortization	136,335
Other operating	133,101
<hr/>	
Total operating expenses	1,035,387
<hr/>	
Net operating loss	(605,638)
<hr/>	
<b>NON-OPERATING (EXPENSES) REVENUE</b>	
Financial expense, net	(2,583)
<hr/>	
Total non-operating expenses	(2,583)
<hr/>	
Loss before contributions, distributions and transfers	(608,221)
<hr/>	
Operating transfers, net	510,000
<hr/>	
Change in net position	(98,221)
<hr/>	
Total net position, beginning	1,195,386
<hr/>	
Total net position, ending	\$ 1,097,165
<hr/>	

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

**SOMERSET COUNTY, MARYLAND**

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

**Year Ended June 30, 2019**

	<u>Enterprise Fund</u>
	Golf Course
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 413,727
Payments to suppliers	(171,344)
Payments to employees	(504,381)
Other payments	(214,211)
<hr/>	
Net cash used by operating activities	(476,209)
<hr/>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating transfers	510,000
<hr/>	
Net cash provided by noncapital financing activities	510,000
<hr/>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on long-term debt	(16,309)
Interest paid on long-term debt	(2,583)
Additions of capital assets	(23,000)
<hr/>	
Net cash used by capital and related financing activities	(41,892)
<hr/>	
Net change in cash and cash equivalents	(8,101)
<b>Cash and cash equivalents, beginning</b>	<b>33,697</b>
<hr/>	
<b>Cash and cash equivalents, ending</b>	<b>\$ 25,596</b>
<hr/>	

**SOMERSET COUNTY, MARYLAND**

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

**(Continued)**

**Year Ended June 30, 2019**

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

Operating loss	\$	(605,638)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense		136,335
Changes in assets and liabilities:		
Receivables, net		(4,328)
Accounts and other payables		3,074
Inventories		(10,880)
Unearned revenue		(7,602)
Due to other funds		12,830
<b>Net cash used by operating activities</b>	<b>\$</b>	<b>(476,209)</b>

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

**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2019**

	State Tax Fund	Agency	Dental Fund	Retirees Health Fund
<b>ASSETS</b>				
Cash	\$ -	\$ 24,044	\$ 33,984	\$ 178,635
Property taxes receivable	145,358	-	-	-
Due from other funds	207,608	-	-	-
<hr/>				
Total assets	\$ 352,966	\$ 24,044	\$ 33,984	\$ 178,635
<hr/>				
<b>LIABILITIES</b>				
Due to other governmental units	\$ 352,966	\$ -	\$ -	\$ -
Other liabilities	-	24,044	33,984	178,635
<hr/>				
Total liabilities	352,966	24,044	33,984	178,635
<hr/>				
<b>NET POSITION</b>				
Restricted	\$ -	\$ -	\$ -	\$ -
<hr/>				

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

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Description of Somerset County, Maryland

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

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

### Note 2. Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

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

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

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

The *Liquor Control Board of Somerset County* (the “Liquor Control Board”) is a separately elected body that oversees the operation of liquor sales in the County. The Liquor Control Board is organized as a separate legal entity, but does not have the power to levy taxes or issue bonds. The County approves the Liquor Control Board’s budget. The Liquor Control Board is included as of and for the year ended April 30, 2019.

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

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### A. Financial Reporting Entity (continued)

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

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

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

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

#### B. Basis of Presentation

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### B. Basis of Presentation (continued)

##### FUND FINANCIAL STATEMENTS

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

#### C. Fund Accounting

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

##### GOVERNMENTAL FUNDS

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### C. Fund Accounting (continued)

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

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

#### PROPRIETARY FUNDS

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

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

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

#### FIDUCIARY FUND TYPES

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

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

#### D. Measurement Focus

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

Fund financial statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### D. Measurement Focus (continued)

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

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

#### E. Basis of Accounting

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### E. Basis of Accounting (continued)

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### F. Budgetary Process

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

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

#### G. Cash Equivalents

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. Summary of Significant Accounting Policies (continued)**

**H. Property Tax**

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

**I. Inventories**

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

**J. Capital Assets**

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### K. Compensated Absences

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

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

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

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

#### L. Accrued Liabilities and Long-Term Obligations

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

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

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

#### M. Net Position

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### N. Fund Balance Reserves

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

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

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

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

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

Unassigned – Amounts not included in other spendable classifications.

#### O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for golf course activities.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues not meeting these definitions are reported as non-operating.

#### P. Estimates

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

#### Q. Interfund Receivables/Payables

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

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Deposits and Investments

#### A. Deposits

##### Primary Government

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

At June 30, 2019, the Primary Government had deposits with various commercial banks of \$19,009,926 (carrying value \$17,588,101). As required by law, a depository is to pledge securities, in addition to Federal Deposit Insurance Corporation ("FDIC") insurance, at least equal to the amount on deposit at all times. The depository banks pledge collateral for specific accounts, which are held in the County's name by their trust departments or agents. At June 30, 2019 the deposits were fully insured or collateralized. Petty cash totaled \$310 as of June 30, 2019.

##### Board of Education

At June 30, 2019, the Board's demand deposits, savings deposits and certificates of deposit were covered by FDIC insurance in the amount of \$250,000 and \$2,403,404 (carrying value \$2,157,133) was collateralized with federal securities held by the bank's trust department, in the Board's name. The Board's exposure to investment rate and credit risk is minimal, as all investments are in cash and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by attempting to have all investments fully collateralized by securities.

##### Library

At June 30, 2019 the Library had deposits with various commercial banks totaling \$359,800 (carrying value \$357,023), which were either fully insured or collateralized with securities held in the name of the Library.

##### Sanitary District

At June 30, 2019, the Sanitary District had deposits with various commercial banks totaling \$2,201,751 (carrying value \$2,092,433). All deposits were fully collateralized as of June 30, 2019.

##### Liquor Control Board

At April 30, 2019, the Liquor Control Board had deposits with various commercial banks totaling \$134,505 (carrying value \$83,729), which were either fully insured or collateralized with securities held in the name of the Liquor Control Board.

##### LMB

At June 30, 2019, the LMB had deposits with various commercial banks totaling \$129,501 (carrying value \$126,745). All deposits were fully insured as of June 30, 2019.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Deposits and Investments (continued)

#### B. Investments

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

At June 30, 2019, the County and the Library had investments in MLGIP of \$74,513 and \$49,025, respectively, which are recorded at fair value.

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

At June 30, 2019, the Library had investments in the Community Foundation of the Eastern Shore totaling \$62,276 (carrying value \$62,276).

At June 30, 2019, the Sanitary District had certificates of deposit of \$289,820 reported separately as they represent a certificate with an original due date of more than 90 days. The certificates have a maturity of twelve months with interest rates of .75% and 1.0%.

### Note 4. Interfund Receivables and Payables

As a result of its operations, the County affects a variety of transactions between funds to finance operations, service debt, etc. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2019, appropriate due from/to other funds have been established.

Due from/to other funds balances as of June 30, 2019 were as follows:

	Due from Other Funds	Due to Other Funds
Governmental activities	\$ 318,963	\$ 470,917
Business-type activities	-	55,654
Fiduciary fund	207,608	-
	\$ 526,571	\$ 526,571

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Transfers and Reductions	Balance June 30, 2019
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,510,359	\$ 37,727	\$ -	\$ 4,548,086
Construction in progress	728,477	3,388,448	(144,621)	3,972,304
Total capital assets, not being depreciated	5,238,836	3,426,175	(144,621)	8,520,390
Capital assets, being depreciated:				
Buildings and improvements	24,196,626	72,417	11,483	24,280,526
Improvements, non-buildings	62,096,661	885,058	11,645	62,993,364
Vehicles	4,697,899	134,895	-	4,832,794
Furniture, machinery and equipment	10,724,659	925,925	89,493	11,740,077
Total capital assets, being depreciated	101,715,845	2,018,295	112,621	103,846,761
Less accumulated depreciation:				
Buildings and improvements	6,350,738	544,138	-	6,894,876
Improvements, non-buildings	41,034,830	1,157,343	-	42,192,173
Vehicles	3,884,888	233,846	-	4,118,734
Furniture, machinery and equipment	7,975,639	510,703	(32,000)	8,454,342
Total accumulated depreciation	59,246,095	2,446,030	(32,000)	61,660,125
Total capital assets, being depreciated, net	42,469,750	(427,735)	144,621	42,186,636
Governmental activities capital assets, net	\$ 47,708,586	\$ 2,998,440	\$ -	\$ 50,707,026
<b>Business-Type Activities:</b>				
<b>Great Hope Golf Course</b>				
Capital assets, being depreciated:				
Land improvements	\$ 3,098,690	\$ -	\$ -	\$ 3,098,690
Buildings and improvements	1,361,623	-	-	1,361,623
Furniture, machinery and equipment	665,502	23,000	-	688,502
Total capital assets, being depreciated	5,125,815	23,000	-	5,148,815
Less accumulated depreciation:				
Land improvements	2,503,651	84,854	-	2,588,505
Buildings and improvements	709,388	22,062	-	731,450
Furniture, machinery and equipment	561,051	29,419	-	590,470
Total accumulated depreciation	3,774,090	136,335	-	3,910,425
Total capital assets, being depreciated, net	1,351,725	(113,335)	-	1,238,390
Business-type activities capital assets, net	\$ 1,351,725	\$ (113,335)	\$ -	\$ 1,238,390

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Capital Assets (continued)**

	Balance June 30, 2018	Additions	Transfers and Reductions	Balance June 30, 2019
<b>Board of Education</b>				
Capital assets, not being depreciated:				
Land	\$ 493,252	\$ -	\$ -	\$ 493,252
Construction in progress	10,045,095	23,553,889	-	33,598,984
Total capital assets, not being depreciated	10,538,347	23,553,889	-	34,092,236
Capital assets, being depreciated:				
Land improvements	3,444,579	153,303	(2,500)	3,595,382
Buildings and improvements	77,225,599	203,056	-	77,428,655
Vehicles	311,344	25,779	(44,950)	292,173
Furniture, machinery and equipment	3,328,249	443,983	-	3,772,232
Total capital assets, being depreciated	84,309,771	826,121	(47,450)	85,088,442
Less accumulated depreciation:				
Land improvements	2,944,005	50,135	(1,563)	2,992,577
Buildings and improvements	27,211,201	1,907,308	-	29,118,509
Library materials	-	-	-	-
Vehicles	134,677	32,036	(22,798)	143,915
Furniture, machinery and equipment	2,892,953	66,834	-	2,959,787
Total accumulated depreciation	33,182,836	2,056,313	(24,361)	35,214,788
Total capital assets, being depreciated, net	51,126,935	(1,230,192)	(23,089)	49,873,654
Total Board of Education capital assets, net	\$ 61,665,282	\$ 22,323,697	\$ (23,089)	\$ 83,965,890
	Balance June 30, 2018	Additions	Transfers and Reductions	Balance June 30, 2019
<b>Library</b>				
Capital assets, being depreciated:				
Books and media	\$ 776,878	\$ 100,992	\$ (81,484)	\$ 796,386
Furniture, machinery and equipment	721,101	50,581	-	771,682
Vehicles	-	7,959	-	7,959
Total capital assets, being depreciated	1,497,979	159,532	(81,484)	1,576,027
Less accumulated depreciation:				
Books and media	397,435	78,663	(81,484)	394,614
Furniture, machinery and equipment	373,978	78,684	-	452,662
Buildings	-	1,459	-	1,459
Total accumulated depreciation	771,413	158,806	(81,484)	848,735
Total Library capital assets, net	\$ 726,566	\$ 726	\$ -	\$ 727,292

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Capital Assets (continued)**

	Balance June 30, 2018	Additions	Transfers and Reductions	Balance June 30, 2019
<b>Sanitary District</b>				
Capital assets, not being depreciated:				
Land	\$ 17,512	\$ -	\$ -	\$ 17,512
Construction in progress	6,552,420	1,161,356	(1,000,152)	6,713,624
Total capital assets, not being depreciated	<u>6,569,932</u>	<u>1,161,356</u>	<u>(1,000,152)</u>	<u>6,731,136</u>
Capital assets, being depreciated:				
Sewage treatment plants and lines	38,499,648	1,059,042	(13,254)	39,545,436
Water plants and lines	12,060,512	-	-	12,060,512
Equipment and vehicles	3,331,507	63,822	(879)	3,394,450
Total capital assets, being depreciated	<u>53,891,667</u>	<u>1,122,864</u>	<u>(14,133)</u>	<u>55,000,398</u>
Less accumulated depreciation:				
Sewage treatment plants and lines	24,014,868	925,287	(2,982)	24,937,173
Water plants and lines	7,122,195	269,307	-	7,391,502
Equipment and vehicles	2,687,520	113,655	(879)	2,800,296
Total accumulated depreciation	<u>33,824,583</u>	<u>1,308,249</u>	<u>(3,861)</u>	<u>35,128,971</u>
Total capital assets, being depreciated, net	<u>20,067,084</u>	<u>(185,385)</u>	<u>(10,272)</u>	<u>19,871,427</u>
Total Sanitary District capital assets, net	<u>\$ 26,637,016</u>	<u>\$ 975,971</u>	<u>\$ (1,010,424)</u>	<u>\$ 26,602,563</u>
	Balance June 30, 2018	Additions	Transfers and Reductions	Balance June 30, 2019
<b>Liquor Control Board</b>				
Capital assets, being depreciated:				
Furniture, machinery and equipment	\$ -	\$ 20,691	\$ -	\$ 20,691
Less accumulated depreciation:				
Furniture, machinery and equipment	-	1,478	-	1,478
Total Liquor Control Board capital assets, net	<u>\$ -</u>	<u>\$ 19,213</u>	<u>\$ -</u>	<u>\$ 19,213</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 269,430
Public safety	496,373
Public works	1,484,762
Recreation and culture	176,788
Health	<u>18,677</u>
Total depreciation expense	<u>\$ 2,446,030</u>

### Note 6. Notes Payable and Long-Term Debt

#### Sanitary District

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

#### Liquor Control Board

The Liquor Control Board has a \$350,000 line of credit at 5.5% interest with Hebron Savings Bank, used to purchase inventory. At April 30, 2019, the outstanding balance was \$174,309.

## NOTES TO FINANCIAL STATEMENTS

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

Notes payable and long-term debt at June 30, 2019 is comprised of the following issues:

	Interest <u>Rate</u>	Fiscal Year <u>Issued</u>	Fiscal Year <u>Matures</u>
<b><u>Primary Government</u></b>			
<b><u>Governmental Activities</u></b>			
<b><u>Bonds and Notes Payable</u></b>			
Landfill Bond of 1997	4.50	1998	2030
Maryland Water Quality Financing Admin - Landfill Closure	2.00	2002	2021
USDA - Permanent Financing Cell 2	4.38	2004	2044
BB&T - Refinancing	4.17	2005	2020
USDA RDA - Smith Island Incinerator	4.25	2006	2020
M&T Bank - Board of Education - Phase I	4.19	2006	2021
Bank of America - Board of Education Capital 2009	3.89	2008	2025
Bank of America - Board of Education Capital 2008	3.44	2009	2019
USDA - Cell 3 Loan 1	4.25	2009	2049
MEA - County Complex HVAC	0.00	2010	2021
SunTrust - Board of Education Capital 2010	2.13	2014	2024
USDA - Cell 4	2.13	2014	2043
Hebron Savings Bank - Board of Education Capital 2017	0.99	2017	2020
Hebron Savings Bank - Board of Education/Library/Tax Collection	1.75	2017	2026
Hebron Savings Bank - Vehicle Loans	4.50	2017	2022
Bank of America-911 Equipmt Ln	2.77	2019	2029
BB&T-Bulldozer Loan	2.83	2019	2025
 <b><u>Other</u></b>			
County Commissioners - capital lease obligation	5.45	2015	2019
County Commissioners - capital lease obligation	5.45	2016	2020
County Commissioners - capital lease obligation	3.11	2016	2020
County Commissioners - capital lease obligation	4.97	2017	2021
County Commissioners - capital lease obligation	5.00	2018	2024
County Commissioners - capital lease obligation	5.45	2018	2022
County Commissioners - capital lease obligation	6.45	2019	2023
County Commissioners - landfill closure/post-closure care costs	-	-	-
Total Governmental Activities			
 <b><u>Business -type Activities</u></b>			
<b><u>Other</u></b>			
County Commissioners - capital lease obligation	5.20	2015	2021
County Commissioners - capital lease obligation	3.32	2017	2023

**NOTES TO FINANCIAL STATEMENTS**

<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2019</u>	<u>Amount Due in One Year</u>
\$ 3,300,000	\$ 1,620,421	\$ -	\$ 107,180	\$ 1,513,241	\$ 112,134
2,151,215	395,508	-	129,234	266,274	162,799
1,765,000	1,447,739	-	30,847	1,416,892	32,007
1,783,654	232,277	-	153,240	79,037	79,037
100,000	21,319	-	8,277	13,042	8,634
2,000,000	505,752	-	161,602	344,150	168,602
2,300,000	1,163,616	-	160,453	1,003,163	166,575
4,000,000	117,532	-	117,532	-	-
2,200,000	1,953,748	-	32,132	1,921,616	33,519
300,000	90,000	-	30,000	60,000	30,000
4,075,000	2,251,039	-	399,152	1,851,887	417,737
3,799,000	3,345,274	-	101,425	3,243,849	103,416
4,000,000	2,073,348	689,478	-	2,762,826	2,762,826
3,000,000	2,651,955	-	283,116	2,368,839	288,103
55,585	41,075	-	10,807	30,268	11,303
4,000,000	-	4,000,000	87,149	3,912,851	354,666
400,000	-	400,000	-	400,000	62,056
69,497	14,616	-	14,616	-	-
62,019	25,412	-	12,369	13,043	13,043
44,700	18,141	-	8,932	9,209	9,209
115,335	69,093	-	21,923	47,170	23,013
25,391	21,579	-	3,896	17,683	4,095
90,183	70,183	-	16,175	54,008	17,056
101,427	-	101,427	22,897	78,530	17,832
-	2,152,510	61,200	-	2,213,710	-
<hr/>					
\$ 20,282,137	\$ 5,252,105	\$ 1,912,954	\$ 23,621,288	\$ 4,877,662	
<hr/>					
20,106	9,901	-	3,676	6,225	3,872
79,792	67,571	-	12,633	54,938	13,059
<hr/>					
\$ 77,472	\$ -	\$ 16,309	\$ 61,163	\$ 16,931	
<hr/>					

**NOTES TO FINANCIAL STATEMENTS**

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

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

**NOTES TO FINANCIAL STATEMENTS**

<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2019</u>
\$ 10,000	\$ 1,407	\$ -	\$ 520	\$ 887
1,825,200	663,500	-	102,500	561,000
333,000	207,875	-	8,799	199,076
323,000	217,329	-	6,329	211,000
1,402,082	814,802	-	39,538	775,264
32,000	18,133	-	1,066	17,067
2,770,900	2,386,491	-	44,176	2,342,315
365,700	314,962	-	5,832	309,130
80,000	35,120	-	8,245	26,875
4,200,000	3,822,305	-	56,970	3,765,335
1,228,250	1,164,065	-	17,465	1,146,600
427,118	404,794	-	6,074	398,720
2,525,900	2,383,292	-	38,480	2,344,812
30,000	13,900	-	3,154	10,746
267,100	220,500	-	11,289	209,211
101,467	40,100	-	13,000	27,100
100,000	73,726	-	8,630	65,096
327,411	171,875	-	13,162	158,713
	\$ 12,954,176	\$ -	\$ 385,229	\$ 12,568,947

**NOTES TO FINANCIAL STATEMENTS**

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

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

**Primary Government**

Years Ending June 30,	Principal	Interest	Total
2020	\$ 4,877,662	563,334	\$ 5,440,996
2021	2,065,403	477,076	2,542,479
2022	1,738,376	422,362	2,160,738
2023	1,758,934	374,556	2,133,490
2024	1,450,723	328,360	1,779,083
2025 - 2029	5,054,429	1,155,317	6,209,746
2030 - 2034	2,786,406	686,454	3,472,860
2035 - 2039	1,577,958	477,283	2,055,241
2040 - 2044	1,688,621	235,766	1,924,387
2045 - 2049	622,776	52,533	675,309
<hr/>			
Total governmental activities	<u>\$ 23,621,288</u>	<u>\$ 4,773,040</u>	<u>\$ 28,394,328</u>

Interest expense on all indebtedness totaled \$528,508 for the County.

**NOTES TO FINANCIAL STATEMENTS**

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

**Discretely Presented Component Units**

**Sanitary District**

Years Ending June 30,	Principal	Interest	Total
2020	\$ 400,252	\$ 494,767	\$ 895,019
2021	415,471	479,188	894,659
2022	416,618	462,873	879,491
2023	418,792	447,230	866,022
2024	434,867	429,066	863,933
2025 - 2029	1,713,539	1,934,156	3,647,695
2030 - 2034	1,880,059	1,559,948	3,440,007
2035 - 2039	1,763,311	1,189,386	2,952,697
2040 - 2044	2,049,405	823,610	2,873,015
2045 - 2049	2,370,686	389,980	2,760,666
2050 - 2054	705,947	45,679	751,626
Total Sanitary District	<u>\$ 12,568,947</u>	<u>\$ 8,255,883</u>	<u>\$ 20,824,830</u>

Interest expense on all indebtedness totaled \$509,874 for the Sanitary District.

**Note 7. Leases**

**Primary Government**

**Long-Term Debt**

The County has entered into nine long-term capital leases for the purpose of acquiring equipment and vehicles. Since these leases are financing arrangements which transfer ownership at the end of the term, the County has recorded these lease obligations and the related assets in the appropriate fund. The original cost of assets acquired under these capital leases is \$20,106, \$79,792, \$69,497, \$62,019, \$44,700, \$115,335, \$25,391, \$90,183 and \$101,427 with accumulated depreciation of \$8,210, \$31,917, \$45,504, \$28,056, \$23,946, \$43,937, \$4,867, \$23,619 and \$9,660.

**Liquor Control Board**

The Liquor Control Board has entered into a five year lease for their Crisfield location from January 1, 2017 to December 31, 2021 at \$650 per month.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Leases (continued)

#### LMB

In December 2015, the LMB entered into an agreement with the County for the use of office space. Under the terms of the agreement the LMB uses the premises, paying \$1 for the entire term. Lease expense for the year ended June 30, 2019 was \$0.

### Note 8. Net Position

#### Sanitary District

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

### Note 9. Retirement and Pension Plans

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

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

#### Maryland State Retirement and Pension System

#### **Organization**

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

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Retirement and Pension Plans (continued)

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

The employees participating in each plan are as follows:

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

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

#### **Basis of Accounting**

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

#### **Covered Members**

##### Teachers' Retirement and Pension Systems

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

##### Employees' Retirement and Pension Systems

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

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Retirement and Pension Plans (continued)

#### Summary of Significant Plan Provisions

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

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

In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments ("COLA") that is based on the increase in the Consumer Price Index ("CPI") and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation (currently 7.50%).

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

#### Service Retirement Allowances

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals  $1/55$  (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service.

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

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Retirement and Pension Plans (continued)

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

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

#### Vested Allowances

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

#### Early Service Retirement

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Retirement and Pension Plans (continued)

#### Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

#### Adjusted Retirement Allowances

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Retirement and Pension Plans (continued)

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2018 actuarial valuation, 2.60% general, 3.10% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2018 actuarial valuation, 3.10% to 9.10%. In the 2017 actuarial valuation, 3.15% to 9.15%.
Investment Rate of Return	In the 2018 actuarial valuation, 7.45%. In the 2017 actuarial valuation, 7.50%.
Discount Rate	7.45% in 2018; 7.5% in 2017
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014 (2-dimensional) mortality improvement scale.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Retirement and Pension Plans (continued)

#### Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	5.8%
Private Equity	13%	6.7%
Rate Sensitive	19%	1.1%
Credit Opportunity	9%	3.6%
Real Assets	14%	4.8%
Absolute Return	8%	3.2%
Total	<u>100%</u>	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2018.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 8.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Discount Rate

A single discount rate of 7.45% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.45%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Retirement and Pension Plans (continued)

#### Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.45%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

System	1% Decrease to 6.45%	Current Discount	1% Increase to 8.45%
County	\$ 10,640,980	\$ 7,387,809	\$ 4,687,911
Board of Education	3,084,083	2,141,214	1,358,701
Sanitary District	1,064,222	738,859	468,846

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

##### Employer Contributions:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board of Education is required to pay the 100% of the normal cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. As contractually required, for the fiscal year ending June 30, 2019, the BOE contributed \$1,020,976 to the Teachers' Retirement and Pension System. In addition, the State of Maryland contributed \$2,650,264 on behalf of the BOE. The BOE has recognized the State on-behalf payments as both a revenue and expense.

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

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

At June 30, 2019, the BOE reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the BOE. The amount recognized by the BOE as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the BOE were as follows:

BOE's proportionate share of the net pension liability (Employees' Systems)	\$ 2,141,214
State's proportionate share of the net pension liability (Teachers' Systems)	27,085,498
<b>Total</b>	<b>\$ 29,226,712</b>

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Retirement and Pension Plans (continued)

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOE's proportion of the net pension liability was calculated as follows by the System(s):

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Retirement and Pension Plans (continued)**

At June 30, 2019, the County reported the following related to pensions:

	<u>BOE</u>	<u>County</u>	<u>Sanitary</u>
Employer's proportion (percentage) of the collective net pension liability	0.0102052%	0.0352109%	0.0035215%
Employer's proportionate share of the collective net pension liability	\$ 2,141,214	\$ 7,387,809	\$ 738,859
Pension expense recognized by the employer for the year ended June 30, 2019	203,500	1,716,351	70,221
Deferred inflows of resources at June 30, 2018	227,255	913,214	96,521
Difference between expected and actual experience	78,104	195,014	19,503
Difference between projected and actual earnings	-	74,467	7,447
Amortization of items allowed by GASB 68	(77,810)	(346,782)	(35,822)
<u>Deferred inflows of resources at June 30, 2019</u>	<u>227,549</u>	<u>835,913</u>	<u>87,649</u>
Deferred outflows of resources at June 30, 2018	523,450	1,877,007	195,199
Year ended June 30, 2018 contributions	(656,924)	(702,132)	(70,221)
Difference between expected and actual experience	182,967	-	-
Change in assumptions	283,455	44,844	4,485
Amortization of items allowed by GASB 68	(94,771)	(459,853)	(49,078)
Year ended June 30, 2019 contributions	233,818	740,297	86,061
<u>Deferred outflows of resources at June 30, 2019</u>	<u>471,995</u>	<u>1,500,163</u>	<u>166,446</u>
Net pension liability June 30, 2018	1,782,031	6,711,297	718,154
Change in net pension liability factored for contributions	359,183	676,512	20,705
<u>Net pension liability June 30, 2019</u>	<u>2,141,214</u>	<u>7,387,809</u>	<u>738,859</u>

The \$233,818, \$740,297 and \$86,061 of deferred outflows of resources resulting from the BOE's, the County's and the Sanitary District's respective contributions to the System subsequent to the measurement date will be recognized as a reduction of net pension liability during the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources will be amortized over approximately a five-year period.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Retirement and Pension Plans (continued)

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

#### County

Year Ended June 30,	Deferred Outflows	Deferred Inflows
2020	447,801	(243,643)
2021	273,778	(239,570)
2022	16,488	(209,966)
2023	14,943	(112,916)
2024	6,856	(29,818)
<b>Total</b>	<b>\$ 759,866</b>	<b>\$ (835,913)</b>

#### Board of Education

Year Ended June 30,	Deferred Outflows	Deferred Inflows
2020	93,519	(64,891)
2021	93,519	(64,891)
2022	44,952	(57,691)
2023	4,199	(31,434)
2024	1,989	(8,641)
<b>Total</b>	<b>\$ 238,177</b>	<b>\$ (227,549)</b>

#### Sanitary District

Year Ended June 30,	Deferred Outflows	Deferred Inflows
2020	\$ 47,855	\$ (25,477)
2021	28,528	(25,023)
2022	1,660	(21,759)
2023	1,540	(11,907)
2024	802	(3,483)
<b>Total</b>	<b>\$ 80,385</b>	<b>\$ (87,649)</b>

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Retirement and Pension Plans (continued)

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

	Total Payroll	Covered Payroll	On-Behalf by State
County - MD Retirement and Pension System	\$ 10,264,573	\$ 8,225,518	\$ -
Board of Education	30,053,614	27,501,384	2,650,264
Library	522,696	450,415	66,607

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

The net pension liability of the Roads Board and Golf Course at June 30, 2019 has not been separately identified by the Maryland State Retirement and Pension System. However, this liability has been included in the net pension liability of \$7,387,809 for Governmental Activities on the County's Statement of Net Position at June 30, 2019.

### Note 10. Deferred Compensation Plan

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

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

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

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

A summary of the activity in the plan for the year ended June 30, 2019, is as follows:

Balance, beginning of year	\$ 2,771,620
Employee contributions	237,400
Earnings on investments	141,986
Distributions	<u>(72,329)</u>
Balance, end of year	<u>\$ 3,078,677</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Other Post-Employment Benefits

#### Plan Description and Benefits Provided

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

The County’s employees are eligible to participate in the Plan upon retirement at the appropriate ages and years of service. As of June 30, 2018, the date of the last actuarial valuation, approximately 59 retirees were receiving benefits and an estimated 155 active employees were potentially eligible to receive future benefits.

The Board of Education’s benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teacher’s pension system, which are 15 years of service up to age 55 or 10 years of service at age 60. As of June 30, 2018, the date of the last actuarial valuation, approximately 225 retirees were receiving benefits, and an estimated 444 active employees are potentially eligible to receive future benefits.

The Library’s employees are eligible to participate in the Plan upon retirement at the appropriate ages and years of service. As of June 30, 2018, the date of the last actuarial valuation, approximately 5 retirees were receiving benefits and an estimated 7 active employees were potentially eligible to receive future benefits.

The Sanitary District’s employees are eligible to participate in the Plan upon retirement at the appropriate ages and years of service. As of June 30, 2018, the date of the last actuarial valuation, approximately 1 retiree was receiving benefits and an estimated 15 active employees were potentially eligible to receive future benefits.

#### Funding Policy

The County and Library pay retiree healthcare premiums based on the plan selected. The County and Library pay 90% of the premium for individual plans and 75% of the premium for family plans. The retiree pays the remaining premium. For fiscal year 2019, the County and Library contributed \$331,798 and \$53,073 to the plans for 59 and 5 eligible retirees, respectively.

The Board of Education pays retiree healthcare premiums up to \$300 per month. For fiscal year 2019, the Board of Education contributed \$767,522 to the plan for 225 eligible retirees.

#### Net OPEB Liability

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

The total OPEB liability of \$20,589,462, \$20,698,239, \$1,128,390 and \$184,814 for the County, Board of Education, Library and Sanitary District, respectively, was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018. The Liquor Control Board is not included as the employees of this Component Unit pay 100% of their insurance costs.

**NOTES TO FINANCIAL STATEMENTS**

**Note 11. Other Post-Employment Benefits (continued)**

The total OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the County, Board of Education, Library and Sanitary District’s total OPEB liability as of June 30, 2019:

Total OPEB Liability	County	Board of Education	Library	Sanitary District
Balance at 6/30/2018	\$ 18,360,886	\$ 19,253,982	\$ 1,056,199	\$ 174,254
Changes for the year:				
Service cost	756,256	580,267	28,874	8,255
Interest cost	704,207	730,419	39,858	6,609
Differences between expected and actual experience	-	-	-	-
Changes of assumptions and other inputs	1,099,911	901,093	56,532	2,744
Contributions - employer	-	-	-	-
Contributions - employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments	(331,798)	(767,522)	(53,073)	(7,048)
Administrative expense	-	-	-	-
Other changes	-	-	-	-
Net changes	2,228,576	1,444,257	72,191	10,560
Balances at 6/30/2019	\$ 20,589,462	\$ 20,698,239	\$ 1,128,390	\$ 184,814

**Funding Status and Funding Progress**

As of June 30, 2018, the most recent actuarial valuation date, the Plan was zero percent funded. The actuarial accrued liability for benefits was \$20,589,462, \$20,698,239, \$1,128,390 and \$184,814 for the County, Board of Education, Library and Sanitary District, respectively, all of which was unfunded. The covered employee payroll was \$6,816,511, \$27,501,384, \$302,478 and \$786,190, for the County, Board of Education, Library and Sanitary District, respectively, and the ratio of the net OPEB liability to the covered employee payroll was 302.05%, 75.26%, 373.05% and 23.51% for the County, Board of Education, Library and Sanitary District, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 11. Other Post-Employment Benefits (continued)**

*Actuarial Assumptions and Discount Rate*

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: The discount rate used to measure the total OPEB liability is 3.50%. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2019. Prior valuations used 3.87%.

Salary increases: 3.00%

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

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

Utilization: 75%

Healthcare cost trend: Medical costs were assumed to increase by 8.0% for fiscal year 2019 decreasing linearly by 0.5% to an ultimate trend rate of 5.0%.

Marriage Assumption: 80% married with husbands assumed to be 3 years older than wives. For current retirees actual spousal information and coverage was used.

Mortality: RP-2014 Total Dataset Headcount-weighted Table with scale MP-2018. The prior valuation used improvement scale MP-2017. Pending review of the Pub-10 mortality tables released earlier this year, the most recent tables issued by the Society of Actuaries were used.

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

- *Measurement date* – The County selected a June 30, 2019 measurement date for fiscal year ended 2019. The measurement date can be any date between the last day of the prior fiscal year and the last day of the current fiscal year.
- *Cost method* – This valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.

**NOTES TO FINANCIAL STATEMENTS**

**Note 11. Other Post-Employment Benefits (continued)**

**Sensitivity of the Total OPEB Liability**

The following table presents the net OPEB liability of the County, Board of Education, Library and Sanitary District using the discount rate of 3.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Total OPEB Liability			
		County	Board of Education	Library	Sanitary District
1% decrease	2.50%	\$ 24,287,198	\$ 23,670,012	\$ 1,319,487	\$ 195,148
Current discount Rate	3.50%	\$ 20,589,462	\$ 20,698,239	\$ 1,128,390	\$ 184,814
1% increase	4.50%	\$ 17,705,990	\$ 18,290,799	\$ 980,016	\$ 175,568

The following table presents the net OPEB liability of the County, Board of Education, Library and Sanitary District using the health care trend rate of 8%, decreasing to 5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

	Health Care Cost Trend Rate	Total OPEB Liability			
		County	Board of Education	Library	Sanitary District
1% decrease	7% to 4%	\$ 17,567,199	\$ 18,084,339	\$ 982,088	\$ 172,015
Current discount Rate	8% to 5%	\$ 20,589,462	\$ 20,698,239	\$ 1,128,390	\$ 184,814
1% increase	9% to 6%	\$ 24,505,899	\$ 24,010,456	\$ 1,316,588	\$ 200,327

**OPEB Expense**

For fiscal year ended June 30, 2019, the County, Board of Education, Library and Sanitary District recognized OPEB expense on the government-wide statements of \$1,308,389, \$669,900, \$25,474 and \$8,232 respectively.

**NOTES TO FINANCIAL STATEMENTS**

**Note 11. Other Post-Employment Benefits (continued)**

**Deferred Inflows/Outflows of Resources related to OPEB**

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

**County**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	920,187	-
Total	\$ 920,187	-

**Board of Education**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	774,357	-
Total	\$ 774,357	-

**Library**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	46,717	-
Total	\$ 46,717	-

**Sanitary District**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	2,328	-
Total	\$ 2,328	-

**NOTES TO FINANCIAL STATEMENTS**

**Note 11. Other Post-Employment Benefits (continued)**

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

**County**

Year Ended June 30,	Outflows	Inflows
2020	\$ 179,724	\$ -
2021	179,724	-
2022	179,724	-
2023	179,724	-
2024	179,724	-
Thereafter	21,567	-
	\$ 920,187	\$ -

**Board of Education**

Year Ended June 30,	Outflows	Inflows
2020	\$ 126,736	\$ -
2021	126,736	-
2022	126,736	-
2023	126,736	-
2024	126,736	-
Thereafter	140,677	-
	\$ 774,357	\$ -

**Library**

Year Ended June 30,	Outflows	Inflows
2020	\$ 9,815	\$ -
2021	9,815	-
2022	9,815	-
2023	9,815	-
2024	7,457	-
	\$ 46,717	\$ -

**NOTES TO FINANCIAL STATEMENTS**

**Note 11. Other Post-Employment Benefits (continued)**

**Sanitary District**

Year Ended June 30,	Outflows	Inflows
2020	\$ 416	\$ -
2021	416	-
2022	416	-
2023	416	-
2024	416	-
Thereafter	248	-
	\$ 2,328	\$ -

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

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

**Note 13. Risk Management**

**Primary Government**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance.

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 13. Risk Management (continued)

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

#### Board of Education

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

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

The Board is a member of the Eastern Shore of Maryland Educational Consortium (ESMEC) Health Alliance Trust, a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that ESMEC be self-sustaining through member premiums. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 8% of total premiums. Currently, ESMEC keeps on hand 12% as recommended conservative reserve. As of January 9, 2019 the Board's funds held by ESMEC exceeded the recommended conservative reserve by \$1,062,396. All funds held by ESMEC are restricted to being used only for health care expenses.

### Note 14. On-Behalf Payments

#### Board of Education

The State of Maryland contributed \$2,650,264 into the State Retirement System on behalf of the Board's teachers during the year ended June 30, 2019, and the amount is reported as both revenues and expenditures on the statement of activities.

#### Library

The State of Maryland contributed \$66,607 into the State Retirement System on behalf of the Library's employees during the year ended June 30, 2019, and the amount is reported as both revenues and expenditures on the statement of activities.

## NOTES TO FINANCIAL STATEMENTS

### Note 14. On-Behalf Payments (continued)

#### Primary Government

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

### Note 15. Commitments and Contingencies

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

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

#### Sanitary District

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

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

#### Princess Anne Subdistrict

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 15. Commitments and Contingencies (continued)

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

The Maryland Department of the Environment has approved an \$800,000 grant for solar cells for the Princess Anne Waste Water Treatment Plan for fiscal year 2018. This could produce significant electrical savings for the plant. The project was in progress at the end of fiscal year 2019.

#### Fairmount Subdistrict

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

The Project has been awarded and is currently moving forward through grant funding with an expected completion in fiscal year 2020.

#### Smith Island

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

The Maryland Department of the Environment has approved a grant/loan funding for the upgrade and improvement projects at Smith Island and Deal Island. The project is in progress as of June 30, 2019. The project was broken into four parts, of which one part is complete. The second part, which includes the design phase, is in progress.

#### Office Location

The plans for a new office for the District are in the permitting stage and an expected completion and move in January 2020.

### Note 16. Landfill Closure and Post-Closure Care Costs

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

The County's Westover Landfill was at full capacity as of June 30, 1998 and capping and closure of that project was completed in 2005. The estimated post-closure care costs for a thirty year period of \$929,410 have been included in long-term debt at June 30, 2019. Post-closure care costs will be paid from General Fund revenues.

The Fairmount Road Landfill was opened in January 1998. Closure costs and post-closure care costs are estimated at \$1,080,894 and \$929,410, respectively. At June 30, 2019 approximately 64% of the landfill capacity had been used. Under the prescribed allocation method determined annually based on the landfill capacity used to date, \$1,284,300 has been included in long-term debt.

The County has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2018. The County expects to satisfy these requirements as of June 30, 2019 using the same criteria.

REQUIRED SUPPLEMENTARY INFORMATION

**SOMERSET COUNTY, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended June 30, 2019**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>REVENUE</b>			
Taxes	\$ 24,071,405	\$ 26,083,405	\$ 2,012,000
Licenses and permits	198,800	174,122	(24,678)
Intergovernmental	13,528,247	8,413,137	(5,115,110)
Charges for services	1,688,400	1,727,260	38,860
Miscellaneous	177,100	305,229	128,129
<b>Total revenue</b>	<b>39,663,952</b>	<b>36,703,153</b>	<b>(2,960,799)</b>
<b>EXPENDITURES</b>			
General government	7,189,682	7,125,940	63,742
Public safety	12,229,482	11,961,190	268,292
Public works	3,641,401	3,132,759	508,642
Health	1,027,125	987,540	39,585
Social services	71,400	70,390	1,010
Education	13,945,785	10,875,018	3,070,767
Recreation and culture	5,971,737	1,048,189	4,923,548
Conservation of natural resources	120,122	118,626	1,496
Intergovernmental	163,587	144,953	18,634
Debt service	2,455,721	2,442,585	13,136
<b>Total expenditures</b>	<b>46,816,042</b>	<b>37,907,190</b>	<b>8,908,852</b>
<b>Excess of revenue (under) over expenditures</b>	<b>(7,152,090)</b>	<b>(1,204,037)</b>	<b>5,948,053</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term financing	7,594,640	5,190,906	(2,403,734)
Operating transfers, net	(2,442,300)	(2,196,000)	246,300
Fund balance appropriated	1,999,750	-	(1,999,750)
<b>Total other financing sources (uses)</b>	<b>7,152,090</b>	<b>2,994,906</b>	<b>(4,157,184)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>1,790,869</b>	<b>\$ 1,790,869</b>
Fund balance - beginning		<u>12,774,213</u>	
Fund balance - ending		<u>\$ 14,565,082</u>	

**SOMERSET COUNTY, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND  
BUDGETARY BASIS  
ROADS BOARD  
Year Ended June 30, 2019**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
<b>REVENUE</b>			
Taxes	\$ 284,027	\$ 291,478	\$ 7,451
State of Maryland funding	605,239	605,239	-
Federal revenues	726,000	-	(726,000)
Charges for services	465,026	509,046	44,020
Interest	1,000	6,824	5,824
Miscellaneous	5,000	10,221	5,221
Total revenue	2,086,292	1,422,808	(663,484)
<b>EXPENDITURES</b>			
Current	3,384,420	2,931,060	453,360
Capital outlay	465,026	131,483	333,543
Total expenditures	3,849,446	3,062,543	786,903
(Deficiency) excess of revenue over expenditures	(1,763,154)	(1,639,735)	123,419
<b>OTHER FINANCING SOURCES</b>			
Operating transfers, net	1,763,154	1,500,000	(263,154)
Total other financing sources	1,763,154	1,500,000	(263,154)
Excess (deficiency) of revenue and other financing sources over expenditures	\$ -	\$ (139,735)	\$ (139,735)

**SOMERSET COUNTY, MARYLAND**

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

**June 30, 2019**

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

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

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

**SOMERSET COUNTY, MARYLAND**

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

**June 30, 2019**

**SCHEDULE OF CONTRIBUTIONS**

(as of fiscal year)

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

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

**SOMERSET COUNTY, MARYLAND**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS**

**June 30, 2019**

**ACTUARIAL ASSUMPTIONS - PENSION PLAN**

Inflation	In the 2018 actuarial valuation, 2.60% general, 3.10% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2018 actuarial valuation, 3.10% to 9.10%. In the 2017 actuarial valuation, 3.15% to 9.15%.
Investment Rate of Return	In the 2018 actuarial valuation, 7.45%. In the 2017 actuarial valuation, 7.50%.
Discount Rate	7.45% in 2018; 7.5% in 2017
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014 (2-dimensional) mortality improvement scale.

**THE SOMERSET COUNTY LIBRARY SYSTEM**

**REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2019**

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

<b>As of June 30,</b>	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2019</b>
<b>Total OPEB liability</b>		
Service cost	\$ 728,079	\$ 756,256
Interest	662,327	704,207
Change of assumptions and other inputs	-	1,099,911
Benefit payments	(285,129)	(331,798)
<b>Net change in OPEB liability</b>	<u>1,105,277</u>	<u>2,228,576</u>
<b>Total OPEB liability - beginning of year</b>	17,255,609	18,360,886
<b>Total OPEB liability - ending of year (a)</b>	<u><u>\$ 18,360,886</u></u>	<u><u>\$ 20,589,462</u></u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 285,129	\$ 331,798
Benefit payments	(285,129)	(331,798)
<b>Net change in plan fiduciary net position</b>	<u>-</u>	<u>-</u>
<b>Plan fiduciary net position - beginning of year</b>	-	-
<b>Plan fiduciary net position - ending of year (b)</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 <b>County's net OPEB liability - end of year (a) - (b)</b>	\$ 18,360,886	\$ 20,589,462
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0%	0%
 <b>Covered employee payroll</b>	\$ 6,455,255	\$ 6,816,511
<b>County's net OPEB liability as a percentage of covered employee payroll</b>	284.43%	302.05%

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Post-Employment Health Care Benefits**

**Changes in Benefit Terms**

There were no significant benefit changes during the year.

**Changes in Assumptions**

There were no significant adjustments to the assumptions during the year.

**Method and Assumptions used in Calculations of Actuarially Determined Contributions**

Measurement date: June 30, 2019

Actuarial valuation date: June 30, 2018

Actuarial cost method: Entry Age Normal

Discount Rate: The discount rate used to measure the total OPEB liability is 3.50%. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2019. Prior valuations used 3.87%

Mortality: RP-2014 Total Dataset Headcount-weighted Table with scale MP-2018. The prior valuation used improvement scale MP-2017. Pending review of the Pub-10 mortality tables released earlier this year, the most recent tables issued by the Society of Actuaries were used.

Turnover: T7 Standard Scale

Salary scale: 3.00%

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

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

Utilization: 75%

Valuation of assets: N/A

Per Capita Claims: Claims were developed by adjusting the underlying medical premiums for the ages of retirees compared to the underlying active populations. The adjustment was done using the morbidity adjustments in Chart 5 from the 2013 Society of Actuaries Study "Health Care Costs from Birth to Death". The retiree pre-65 premium was \$9,016 annually and \$4,920 post-65.

Trend: Medical costs were assumed to increase by 8.0% for FY2019 decreasing linearly by 0.5% to an ultimate trend rate of 5.0%.

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**SOMERSET COUNTY, MARYLAND**

**REVENUE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>TAXES</b>			
Property	\$ 15,966,486	\$ 17,191,315	\$ 1,224,829
Penalties and interest	290,000	343,588	53,588
	<hr/> 16,256,486	<hr/> 17,534,903	<hr/> 1,278,417
Income tax	7,223,419	7,974,502	751,083
Other			
Admissions and amusements	15,000	17,235	2,235
Recordation	500,000	457,931	(42,069)
Bay Restoration fund fee	15,500	16,247	747
Assessments - room tax	61,000	82,587	21,587
	<hr/> 591,500	<hr/> 574,000	<hr/> (17,500)
	<hr/> 24,071,405	<hr/> 26,083,405	<hr/> 2,012,000
<b>LICENSES AND PERMITS</b>			
Cable franchise fees	150,000	120,055	(29,945)
Alcoholic beverages	29,000	33,992	4,992
Traders	17,000	16,905	(95)
Other	2,800	3,170	370
	<hr/> 198,800	<hr/> 174,122	<hr/> (24,678)
<b>INTERGOVERNMENTAL</b>			
Federal			
Transportation Program	200,000	200,000	-
Transportation Alternatives Program	4,151,696	-	(4,151,696)
Airport Program	383,439	972	(382,467)
BJAG-LMB	20,000	-	(20,000)
School Resource Officer Training	3,000	-	(3,000)
Civil defense/emergency services	151,000	224,154	73,154
Sheriff Non-Support	8,000	2,464	(5,536)
Substance Abuse & Synar - Sheriff	-	810	810
Highway Safety - DOT	6,600	3,000	(3,600)
State's Attorney	95,460	160,068	64,608
Soil conservation planner	52,211	53,067	856
CDBG Disaster Recovery Grant Admininstation fee	20,000	34,507	14,507
DHHS - Bike Trail Prevent Obesity	798,403	13,499	(784,904)
DNR-NOAA-Zoning Ordinance Update	-	28,494	28,494
DNR-Smith Island Drainage Study	-	5,074	5,074
BJAG Sherriff-Boat Grant	-	60,000	60,000
BJAG Sherriff-Training Simulator Grant	-	62,630	62,630
State of Maryland			
Fire, rescue and ambulance	308,790	281,638	(27,152)
Disparity Grant	5,558,432	5,558,432	-
Police protection	119,243	115,482	(3,761)
Waterways	468,144	302,898	(165,246)
Program Open Space	159,091	9,230	(149,861)

**SOMERSET COUNTY, MARYLAND**

**REVENUE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND**

**(Continued)**

**Year Ended June 30, 2019**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
<b>INTERGOVERNMENTAL (continued)</b>			
State of Maryland (continued)			
Technical and Community Services	\$ 40,000	\$ 47,000	\$ 7,000
Family Services	130,396	193,021	62,625
Airport	21,302	54	(21,248)
Tourism	33,030	21,632	(11,398)
Juror / Circuit Court Cost	30,000	145,379	115,379
Civil defense/emergency services	109,094	104,256	(4,838)
Sex Offender Program	15,500	7,951	(7,549)
City of Crisfield - airport grant	10,651	27	(10,624)
Health Department Cleaning grant	40,000	33,333	(6,667)
LMB-Sheriff Safeguarding	6,000	5,200	(800)
Forest and Wildlife Pilot	467,265	467,265	-
Pretrial Services Program	-	26,321	26,321
Adult Drug Court	-	67,008	67,008
LMB-Rec and Parks Field Day grant	-	2,388	2,388
Annie Lee Robers Dog Control	-	2,100	2,100
Local			
Payments in lieu of taxes	12,500	47,153	34,653
Crisfield Housing Authority	10,000	10,000	-
Somerset County Dispensary	99,000	116,630	17,630
	<hr/> 13,528,247	<hr/> 8,413,137	<hr/> (5,115,110)
<b>CHARGES FOR SERVICES</b>			
General Government	283,900	325,102	41,202
Mosquito control	44,000	42,875	(1,125)
Landfill tipping and permit fees	1,360,500	1,359,283	(1,217)
	<hr/> 1,688,400	<hr/> 1,727,260	<hr/> 38,860
<b>MISCELLANEOUS</b>			
Rents and concessions	68,000	67,277	(723)
Telephone concessions	21,000	35,998	14,998
Interest	20,000	122,213	102,213
Proceeds from sale of capital assets	25,000	18,713	(6,287)
Other	43,100	61,028	17,928
	<hr/> 177,100	<hr/> 305,229	<hr/> 128,129
<b>OTHER FINANCING SOURCES</b>			
Proceeds from debt financing	7,594,640	5,190,906	(2,403,734)
Fund balance appropriated	1,999,750	-	(1,999,750)
	<hr/> 9,594,390	<hr/> 5,190,906	<hr/> (4,403,484)
<b>TOTAL REVENUE AND OTHER FINANCING SOURCES</b>	<hr/> \$ 49,258,342	<hr/> \$ 41,894,059	<hr/> \$ (7,364,283)

**SOMERSET COUNTY, MARYLAND**

**EXPENDITURE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2019**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>GENERAL GOVERNMENT</b>			
<b>LEGISLATIVE</b>			
County Commissioners	\$ 67,696	\$ 64,785	\$ 2,911
Clerk to County Commissioners	230,945	228,846	2,099
	<hr/> 298,641	<hr/> 293,631	<hr/> 5,010
<b>JUDICIAL</b>			
Adult Drug Court	-	69,095	(69,095)
Circuit Court	148,163	190,947	(42,784)
Family Services	130,396	160,693	(30,297)
Orphans' Court	18,546	17,535	1,011
State's Attorney	1,060,946	1,021,287	39,659
Law Library	10,000	4,528	5,472
	<hr/> 1,368,051	<hr/> 1,464,085	<hr/> (96,034)
<b>ELECTION</b>			
Board of Supervision of Elections	16,344	15,657	687
Registration and election	561,845	460,023	101,822
	<hr/> 578,189	<hr/> 475,680	<hr/> 102,509
<b>FINANCIAL ADMINISTRATION</b>			
Finance and Accounting	352,797	348,770	4,027
Tax collection and disbursement of funds	360,045	359,429	616
Internal auditing	126,849	126,343	506
Auditing and accounting	49,000	49,890	(890)
Licensing	20,283	18,982	1,301
	<hr/> 908,974	<hr/> 903,414	<hr/> 5,560
<b>LEGAL</b>			
	126,816	136,472	(9,656)
<b>PERSONNEL</b>			
	220,580	210,632	9,948
<b>PLANNING AND ZONING</b>			
	872,978	860,849	12,129

Salaries and Other Operating <u>Expenses</u>	Capital <u>Outlay</u>
\$ 64,785	\$ -
228,846	-
<hr/>	
293,631	-
<hr/>	
69,095	-
156,787	34,160
160,693	-
17,535	-
1,021,287	-
4,528	-
<hr/>	
1,429,925	34,160
<hr/>	
15,657	-
377,176	82,847
<hr/>	
392,833	82,847
<hr/>	
348,770	-
359,429	-
126,343	-
49,890	-
18,982	-
<hr/>	
903,414	-
<hr/>	
136,472	-
<hr/>	
210,632	-
<hr/>	
860,849	-
<hr/>	

**SOMERSET COUNTY, MARYLAND**

**EXPENDITURE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND**

**(Continued)**

**Year Ended June 30, 2019**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive ( <u>Negative</u> )
<b>GENERAL SERVICES</b>			
County building	\$ 1,486,954	\$ 1,343,922	\$ 143,032
Tourism	310,156	269,775	40,381
	<hr/> 1,797,110	<hr/> 1,613,697	<hr/> 183,413
<b>MISCELLANEOUS</b>			
Information Technology	400,787	371,428	29,359
Financial ERP software	42,875	30,369	12,506
Community promotions	158,700	164,900	(6,200)
Public Officers Association	24,000	21,084	2,916
Health benefits retirees	245,448	266,587	(21,139)
Retirement and pension contributions	28,385	35,366	(6,981)
Uncollectible interest and personal property taxes	-	169,396	(169,396)
Other general government	118,148	108,350	9,798
	<hr/> 1,018,343	<hr/> 1,167,480	<hr/> (149,137)
<b>Total General Government</b>	<hr/> 7,189,682	<hr/> 7,125,940	<hr/> 63,742
<b>PUBLIC SAFETY</b>			
Sheriff	2,651,851	2,956,245	(304,394)
Ambulance and fire	1,183,237	1,147,793	35,444
Correction	2,904,987	2,851,339	53,648
Other protection			
911 communication	5,291,733	4,824,625	467,108
Animal protection	197,674	181,188	16,486
	<hr/> 12,229,482	<hr/> 11,961,190	<hr/> 268,292
<b>PUBLIC WORKS</b>			
Waste collection and disposal	2,035,907	2,089,658	(53,751)
Highway, streets and waterways	667,448	464,196	203,252
Transportation	938,046	578,905	359,141
	<hr/> 3,641,401	<hr/> 3,132,759	<hr/> 508,642
<b>HEALTH</b>	<hr/> 1,027,125	<hr/> 987,540	<hr/> 39,585
<b>SOCIAL SERVICES</b>	<hr/> 71,400	<hr/> 70,390	<hr/> 1,010
<b>EDUCATION</b>	<hr/> 13,945,785	<hr/> 10,875,018	<hr/> 3,070,767

Salaries and Other Operating <u>Expenses</u>	Capital <u>Outlay</u>
\$ 1,010,187	\$ 333,735
269,775	-
<hr/> 1,279,962	<hr/> 333,735
273,909	97,519
30,369	-
164,900	-
21,084	-
266,587	-
35,366	-
169,396	-
108,350	-
<hr/> 1,069,961	<hr/> 97,519
<hr/> 6,577,679	<hr/> 548,261
2,687,982	268,263
1,147,793	-
2,851,339	-
1,342,090	3,482,535
181,188	-
<hr/> 8,210,392	<hr/> 3,750,798
1,676,921	412,737
83,626	380,570
276,688	302,217
<hr/> 2,037,235	<hr/> 1,095,524
<hr/> 954,072	<hr/> 33,468
<hr/> 70,390	<hr/> -
<hr/> 10,168,645	<hr/> 706,373

**SOMERSET COUNTY, MARYLAND**

**EXPENDITURE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND  
(Continued)  
Year Ended June 30, 2019**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>RECREATION AND CULTURE</b>	\$ 5,971,737	\$ 1,048,189	\$ 4,923,548
<b>CONSERVATION OF NATURAL RESOURCES</b>	120,122	118,626	1,496
<b>INTERGOVERNMENTAL</b>	163,587	144,953	18,634
<b>DEBT SERVICE</b>	2,455,721	2,442,585	13,136
<b>OTHER FINANCING USES</b>			
Operating transfers			
County Roads Department	1,763,154	1,500,000	263,154
Economic Development Commission	186,000	186,000	-
Golf Course - transfers	493,146	510,000	(16,854)
	2,442,300	2,196,000	246,300
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	\$49,258,342	\$40,103,190	\$ 9,155,152

Salaries and Other Operating <u>Expenses</u>	Capital <u>Outlay</u>
\$ 978,920	\$ 69,269
<hr/> 118,626	-
<hr/> 144,953	-
<hr/> 2,442,585	-
 1,500,000	-
186,000	-
510,000	-
<hr/> 2,196,000	-
 <hr/> \$ 33,899,497	 <hr/> \$ 6,203,693

**SOMERSET COUNTY, MARYLAND**

**BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
June 30, 2019**

<b>ASSETS</b>	<u>CDBG Programs</u>	<u>Rental Allowance Program</u>	<u>Special Loan Program</u>	<u>Commission on Aging - SSTAP</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ -	\$ -	\$ 173,518	\$ -	\$ 173,518
Receivables					
Accounts Receivable	163,659	-	-	-	163,659
Due from other funds	31,149	-	-	-	31,149
Due from other governmental units	4,000	-	-	26,760	30,760
<b>Total assets</b>	<b>\$ 198,808</b>	<b>\$ -</b>	<b>\$ 173,518</b>	<b>\$ 26,760</b>	<b>\$ 399,086</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 22,137	\$ -	\$ -	\$ -	\$ 22,137
Due to other governmental units	-	-	-	26,760	26,760
Due to other funds	145,522	-	-	-	145,522
Unearned revenue	31,149	-	173,677	-	204,826
<b>Total liabilities</b>	<b>198,808</b>	<b>-</b>	<b>173,677</b>	<b>26,760</b>	<b>399,245</b>
<b>FUND BALANCE</b>					
Unassigned	-	-	(159)	-	(159)
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>(159)</b>	<b>-</b>	<b>(159)</b>
<b>Total liabilities and fund balance</b>	<b>\$ 198,808</b>	<b>\$ -</b>	<b>\$ 173,518</b>	<b>\$ 26,760</b>	<b>\$ 399,086</b>

**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
Year Ended June 30, 2019**

	<u>CDBG Programs</u>	<u>Rental Allowance Program</u>	<u>Special Loan Program</u>	<u>Commission on Aging - SSTAP</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUE</b>					
Intergovernmental					
Federal	\$ 289,769	\$ -	\$ -	\$ -	\$ 289,769
State	-	36,116	850,116	117,447	1,003,679
Local	-	-	-	68,722	68,722
Miscellaneous	-	-	-	3,501	3,501
<b>Total revenue</b>	<b>289,769</b>	<b>36,116</b>	<b>850,116</b>	<b>189,670</b>	<b>1,365,671</b>
<b>EXPENDITURES</b>					
Current					
Social services	-	37,316	-	189,670	226,986
Economic and community development	289,769	-	850,320	-	1,140,089
<b>Total expenditures</b>	<b>289,769</b>	<b>37,316</b>	<b>850,320</b>	<b>189,670</b>	<b>1,367,075</b>
Excess (deficiency) of revenue over expenditures	-	(1,200)	(204)	-	(1,404)
Fund balances, beginning	-	1,200	45	-	1,245
Fund balances, ending	\$ -	\$ -	\$ (159)	\$ -	\$ (159)

**SOMERSET COUNTY, MARYLAND**

**GENERAL FUND - TAXES RECEIVABLE**

**June 30, 2019**

**(Unaudited)**

	Tax Rate	Total Assessed Value of Taxable Property	Tax Levy	Collected		Balance June 30, 2019
				Amount	Percent	
<b>REAL AND PERSONAL PROPERTY TAXES</b>						
2006-2007 Levy	D	\$ 1,106,824,697	\$ 10,493,110	\$ 10,492,571	99.99	\$ 539
2007-2008 Levy	D	1,337,327,950	12,581,499	12,580,234	99.99	1,265
2008-2009 Levy	E	1,568,418,115	14,464,986	14,462,982	99.99	2,004
2009-2010 Levy	F	1,683,987,794	15,188,742	15,186,441	99.98	2,301
2010-2011 Levy	G	1,699,240,830	15,036,863	15,034,938	99.99	1,925
2011-2012 Levy	G	1,616,536,797	14,297,806	14,290,577	99.95	7,229
2012-2013 Levy	G	1,457,734,602	12,897,185	12,896,102	99.99	1,083
2013-2014 Levy	H	1,416,724,050	12,976,836	12,971,905	99.96	4,931
2014-2015 Levy	H	1,361,394,961	12,472,354	12,456,330	99.87	16,024
2015-2016 Levy	I	1,371,604,952	13,759,300	13,736,690	99.84	22,610
2016-2017 Levy	I	1,365,856,317	13,713,375	13,670,484	99.69	42,891
2017-2018 Levy	I	1,360,065,960	13,683,271	13,550,649	99.03	132,622
2018-2019 Levy	I	1,354,589,599	13,664,893	12,490,436	91.41	1,174,457
						1,409,881

**CORPORATE TAXES**

2000-2001 Levy	2.45	66,651,000	1,609,994	1,609,243	99.95	751
2001-2002 Levy	A	67,000,140	1,618,012	1,617,329	99.96	683
2002-2003 Levy	B	68,632,290	1,586,645	1,586,073	99.96	572
2003-2004 Levy	B	66,109,090	1,501,437	1,498,931	99.83	2,506
2004-2005 Levy	B	58,704,930	1,490,057	1,488,035	99.86	2,022
2005-2006 Levy	C	59,295,350	1,486,284	1,484,752	99.90	1,532
2006-2007 Levy	D	64,167,890	1,520,906	1,518,057	99.81	2,849
2007-2008 Levy	D	65,157,950	1,511,292	1,506,850	99.71	4,442
2008-2009 Levy	E	67,770,460	1,538,019	1,533,040	99.68	4,979
2009-2010 Levy	F	59,364,950	1,541,422	1,534,961	99.58	6,461
2010-2011 Levy	G	67,314,350	1,486,601	1,479,200	99.50	7,401
2011-2012 Levy	G	68,712,250	1,518,309	1,500,906	98.85	17,403
2012-2013 Levy	G	66,886,140	1,478,987	1,476,505	99.83	2,482
2013-2014 Levy	H	67,554,650	1,547,526	1,533,615	99.10	13,911
2014-2015 Levy	H	72,477,610	1,652,028	1,600,566	96.88	51,462
2015-2016 Levy	I	76,183,980	1,897,500	1,835,502	96.73	61,998
2016-2017 Levy	I	78,783,510	1,971,948	1,882,782	95.48	89,166
2017-2018 Levy	I	75,445,340	1,889,228	1,783,176	94.39	106,052
2018-2019 Levy	I	141,146,080	3,528,652	3,358,988	95.19	169,664
						546,336
						1,956,217
Less: Allowance for doubtful accounts						(315,461)
						\$ 1,640,756

A Real property-tax rate \$.98      E Real property-tax rate \$.92      I Real property-tax rate \$1.00  
 Personal property-tax rate \$2.45      Personal property-tax rate \$2.30      Personal property-tax rate \$2.50

B Real property-tax rate \$1.010      F Real property-tax rate \$.90  
 Personal property-tax rate \$2.525      Personal property-tax rate \$2.25

C Real property-tax rate \$.99      G Real property-tax rate \$.8837  
 Personal property-tax rate \$2.475      Personal property-tax rate \$2.20925

D Real property-tax rate \$.94      H Real property-tax rate \$.9150  
 Personal property-tax rate \$2.35      Personal property-tax rate \$2.28750

**SOMERSET COUNTY, MARYLAND**

**GENERAL FUND - PROPERTY TAX LEVIES AND COLLECTIONS**  
**Years Ended June 30, 2019**  
**(Unaudited)**

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

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

**SOMERSET COUNTY, MARYLAND**

**GENERAL FUND - PROPERTY ASSESSED VALUES**

**June 30, 2019**

**(Unaudited)**

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

**SOMERSET COUNTY, MARYLAND**

**GOVERNMENTAL FUND TYPES (REPORTING ENTITY)**

**EXPENDITURES BY FUNCTION**

**Ten Years Ended June 30, 2019**

**(Unaudited)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General government	\$ 7,125,940	\$ 6,736,354	\$ 6,329,780	\$ 6,035,270	\$ 6,538,792
Public safety	11,961,190	8,209,251	7,620,741	7,469,144	7,213,198
Public works	6,195,302	5,244,929	5,259,924	5,226,400	6,127,456
Health	987,540	958,975	904,358	871,610	886,985
Social services	297,376	353,222	266,993	245,110	252,823
Education	64,687,722	50,138,362	37,698,097	36,808,025	35,129,242
Recreation and culture	1,855,487	1,847,813	1,903,212	4,372,667	3,603,710
Conservation of natural resources	118,626	111,992	102,045	112,980	109,575
Economic and community development	1,751,832	3,623,751	7,830,421	5,682,392	3,445,175
Intergovernmental	144,953	169,542	165,875	172,444	152,212
Debt service	2,442,585	2,650,210	5,583,235	2,476,675	2,436,591
Miscellaneous	-	-	-	-	-
	<u>\$ 97,568,553</u>	<u>\$ 80,044,401</u>	<u>\$ 73,664,681</u>	<u>\$ 69,472,717</u>	<u>\$ 65,895,759</u>

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 6,757,059	\$ 6,224,871	\$ 6,196,467	\$ 7,703,494	\$ 7,254,288
7,520,291	7,180,372	7,345,080	6,860,081	6,450,898
6,395,927	5,679,510	5,884,871	6,787,158	5,506,532
828,186	856,234	936,925	787,669	867,709
243,418	247,748	262,132	263,668	266,251
32,460,744	30,610,825	34,765,635	38,224,555	38,775,560
1,593,380	1,455,405	1,712,502	1,213,025	1,414,972
98,730	101,609	103,822	92,616	98,986
1,550,771	1,009,956	605,428	1,111,777	613,964
154,783	260,444	261,513	16,425	16,425
10,179,576	2,000,765	1,996,979	2,030,275	3,402,683
-	-	-	-	-
<u>\$ 67,782,865</u>	<u>\$ 55,627,739</u>	<u>\$ 60,071,354</u>	<u>\$ 65,090,743</u>	<u>\$ 64,668,268</u>

**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF REVENUE AND EXPENSES  
 PROPRIETARY FUND TYPE  
 Years Ended June 30, 2019 and 2018**

	Primary Government	
	Enterprise Fund Golf Course	
	2019	2018
<b>OPERATING REVENUE</b>		
Charges for services:		
Green fees	\$ 132,158	\$ 92,249
Cart fees	134,003	131,751
Driving range	5,360	7,406
Membership dues	80,740	73,308
Concessions	73,396	70,510
Miscellaneous	4,092	2,335
Total operating revenue	429,749	377,559
<b>OPERATING EXPENSES</b>		
Salaries and related taxes	506,114	480,759
Repairs and maintenance	55,667	71,911
Supplies	119,117	127,474
Utilities	36,749	46,372
Insurance	48,304	60,822
Depreciation and amortization	136,335	138,914
Other operating	133,101	99,597
Total operating expenses	1,035,387	1,025,849
Net operating loss	(605,638)	(648,290)
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Financial expense, net	(2,583)	(1,279)
Operating transfers, net	510,000	590,000
Net non-operating revenue	507,417	588,721
Net loss	\$ (98,221)	\$ (59,569)

THE UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL INFORMATION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Somerset County, Maryland as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Somerset County, Maryland's basic financial statements and have issued our report thereon dated December 20, 2019. Our report was modified to include a reference to other auditors who audited the financial statements of the Somerset County Sanitary District and the Liquor Control Board of Somerset County, as described in our report on Somerset County, Maryland's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

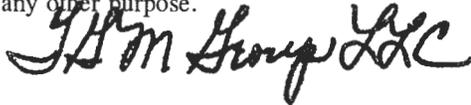
Our consideration of internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "JAM Group LLC". The signature is written in a cursive, stylized font.

Salisbury, Maryland  
December 20, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited Somerset County, Maryland's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Somerset County, Maryland's major federal programs for the year ended June 30, 2019. Somerset County, Maryland's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Somerset County, Maryland, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

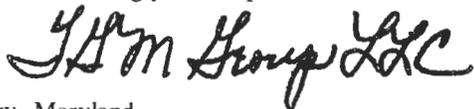
## Report on Internal Control Over Compliance

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

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

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

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



Salisbury, Maryland  
December 20, 2019

**SOMERSET COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2019**

<u>Description</u>	<u>Catalog of Federal Domestic Assistance Numbers</u>	<u>Passthrough Grantor's Numbers</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
<b><u>Department of Housing and Urban Development</u></b>				
Passed through Maryland Department of Housing and Community Development:				
Housing Rehabilitation	14.218	MD-19-CD-26	\$ 116,110	\$ -
Homeless Initiative - Catholic Charities	14.228	MD-18-HI-5	65,694	
Homeless Initiative - Lower Shore Shelter	14.228	MD-18-HI-6	107,965	
Hurricane Sandy 14	14.269	MD-14-DR	148,976	-
Hurricane Sandy 15	14.269	MD-15-DR-1	190,432	-
			629,177	-
<b><u>Department of Homeland Security</u></b>				
Passed through State of Maryland Department of Emergency Management:				
Emergency Services - Homeland Security Grant	97.067	16 SHSP 857	154,467	-
Emergency Management Performance Grant	97.042	18 EMPG 857	69,687	-
			224,154	-
<b><u>Department of Justice</u></b>				
Passed through the State of Maryland Governor's Office of Crime Control and Prevention:				
BJAG - Sheriff Patrol Boat Grant	16.738	2017-MS-0107	60,000	-
BJAG - Sheriff Training Simulator	16.738	BJAG-2017-0009	62,630	
			122,630	-
<b><u>Department of Health and Human Services</u></b>				
Passed through State of Maryland Department of Human Resources:				
Sheriff Substance Abuse & Synar Grant	93.959		810	-
States Attorney Child Support	93.563	CSEA/CRA-19-023	160,068	-
Non Support Grant - Sheriff	93.563	CSEA/CRA-18-039	2,464	
Bike Trail-Prevent Obesity grant - Recreation	93.757	1422	13,499	-
			176,841	-
<b><u>Department of Agriculture, Natural Resources</u></b>				
Passed through the Maryland Department of Agriculture:				
NOAA Zoning Ordinance Update	11.419	14-18-2361 CZM 153	28,494	
Soil Conservation Planner Grant	10.917	MDA-1821H	53,067	-
Deal Island Pen. Open Ditch Drainage Assessment	11.419	14-19-2525 CZM 145	5,074	
			86,635	-

**SOMERSET COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2019**

(continued)

<u>Description</u>	<u>Catalog of Federal Domestic Assistance Numbers</u>	<u>Passthrough Grantor's Numbers</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
<b><u>Department of Transportation</u></b>				
Federal Aviation Administration (AIP)	20.11	3-24-0012-012	972	
Passed through the State Highway Administration:				
State and Community Highway Safety	20.616	LE 19-068	3,000	-
			3,000	-
Passed through the Maryland Department of Human Resources:				
Federal Transit - Formula Grants	20.507		200,000	-
			200,000	
			203,972	-
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,443,409</b>	<b>\$ -</b>

SOMERSET COUNTY, MARYLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

**Note 1. Basis of Accounting**

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

**Note 2. Summary of Significant Accounting Policies**

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

SOMERSET COUNTY, MARYLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

**A. Summary of Auditors' Results**

1. The auditors' report expresses an unmodified opinion on the financial statements of Somerset County, Maryland.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Somerset County, Maryland, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Somerset County, Maryland expresses an unmodified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for Somerset County, Maryland were disclosed during the audit.
7. The program tested as major programs include:  
  
Hurricane Sandy – CFDA #14.269
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Somerset County, Maryland qualified as a low-risk auditee.

**B. Findings - Financial Statement Audit**

None

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

None