

SOMERSET COUNTY, MARYLAND

FINANCIAL REPORT

June 30, 2021

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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, 2021, 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 on 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, 2021, 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.

## ***Emphasis of Matter***

As discussed in Note 18 to the financial statements, during the year ended June 30, 2021, the County adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities". Our opinion is not modified with respect to this matter.

## **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 Changes in the County's Total OPEB Liability and Related Ratios, 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 February 28, 2022, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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.

UHY LLP

Salisbury, Maryland  
February 28, 2022



## Management's Discussion and Analysis

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Somerset County's Financial Report for fiscal year ended June 30, 2021 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 2021 by \$22.5 million. A net pension liability of \$8.3 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 \$23.9 million is reflected as a liability in accordance with GASB 75.

The total net position of the County increased approximately \$1.2 million during fiscal year 2021. There are several factors that enter into this increase, but the primary reason for the change is the increase in property and income tax revenues.

The County's total governmental funds show a fund balance of \$21.3 million as of the end of the fiscal year. Of this total, \$12.2 million is either committed or assigned for capital projects, debt service, other post-employment benefits, future budget purposes, or other fund purposes. Approximately \$8.8 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 in a custodial capacity. These funds include the State Tax Fund, the Dental Fund, the Retirees Health Fund, State's Attorney Funds which include the State's Attorneys Drug Bust Fund and State's Attorneys County Property Forfeiture Fund, and the Detention Center Funds which include 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 \$26,978,334 for the Primary Government at June 30, 2021, with \$20,274,516 in cash and cash equivalents including restricted cash. Capital assets amount to \$56,521,398, net of accumulated depreciation.

Total liabilities amount to \$62,386,003, which includes \$10,025,509 for Board of Education projects, \$7,527,486 for Landfill and Solid Waste projects and obligations and \$8,310,296 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 \$23,924,209 for all governmental and business type entities.

Total net position amounted to \$22,532,373 of which \$34,059,763 is invested in capital assets net of related debt and \$11,718,506 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, 2021 and 2020

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Current and other assets	\$ 26,790,382	\$ 28,537,468	\$ (3,164)	\$ (19,613)
Restricted	191,116	203,804	-	-
Capital assets	55,498,564	55,931,843	1,022,834	1,152,274
Total assets	\$ 82,480,062	\$ 84,673,115	\$ 1,019,670	\$ 1,132,661
Deferred outflows of resources	4,447,762	6,021,067	-	-
Current and other liabilities	6,957,772	11,704,464	95,494	89,737
Long-term liabilities	55,275,450	54,814,648	57,287	83,588
Total liabilities	\$ 62,233,222	\$ 66,519,112	\$ 152,781	\$ 173,325
Deferred inflows of resources	3,029,118	3,807,342	-	-
Net position:				
Invested in capital assets				
net of related debt	33,094,216	33,081,040	965,547	1,068,686
Restricted	191,116	203,804	-	-
Unrestricted	(11,619,848)	(12,917,116)	(98,658)	(109,350)
Total net position	\$ 21,665,484	\$ 20,367,728	\$ 866,889	\$ 959,336



Total		Component Units	
<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
\$ 26,787,218	\$ 28,517,855	\$ 11,618,557	\$ 9,576,554
191,116	203,804	1,823,830	1,401,063
56,521,398	57,084,117	120,380,613	118,984,608
<u>\$ 83,499,732</u>	<u>\$ 85,805,776</u>	<u>\$ 133,823,000</u>	<u>\$ 129,962,225</u>
4,447,762	6,021,067	8,639,933	9,794,217
7,053,266	11,794,201	6,959,868	7,119,089
55,332,737	54,898,236	39,788,144	51,780,521
<u>\$ 62,386,003</u>	<u>\$ 66,692,437</u>	<u>\$ 46,748,012</u>	<u>\$ 58,899,610</u>
3,029,118	3,807,342	1,357,825	1,100,351
34,059,763	34,149,726	108,606,885	107,016,513
191,116	203,804	385,521	434,377
(11,718,506)	(13,026,466)	(14,635,310)	(27,694,409)
<u>\$ 22,532,373</u>	<u>\$ 21,327,064</u>	<u>\$ 94,357,096</u>	<u>\$ 79,756,481</u>



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

Governmental activities had revenues that exceeded expenses and transfers by \$1,205,309 for the year ended June 30, 2021. This increase in net position is due to several factors, but the most significant is the increase in property and income tax revenues.

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 \$6,331,782. 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, 2021 and 2020

	Governmental Activities		Business-type Activities	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Program Revenues</b>				
Charges for services	\$ 2,452,004	\$ 2,774,730	\$ 600,576	\$ 487,441
Operating Grants and contributions	8,014,330	7,567,590	-	-
Capital grants and contributions	330,836	6,470,975	-	-
	<u>10,797,170</u>	<u>16,813,295</u>	<u>600,576</u>	<u>487,441</u>
<b>General Revenues:</b>				
Property taxes	18,425,407	17,589,368	-	-
Income taxes	8,925,870	8,098,231	-	-
Other taxes	990,970	813,695	-	-
State of Maryland - Disparity Grant	6,331,782	5,811,182	-	-
Other	469,701	22,482	1,565	1,345
	<u>35,143,730</u>	<u>32,334,958</u>	<u>1,565</u>	<u>1,345</u>
<b>Total revenues</b>	<u>45,940,900</u>	<u>49,148,253</u>	<u>602,141</u>	<u>488,786</u>
<b>Expenses</b>				
General Government	10,404,288	8,257,540	-	-
Public safety	9,973,818	9,764,426	-	-
Public works	6,753,902	7,069,438	-	-
Health	951,998	914,146	-	-
Social services	262,520	261,005	-	-
Education	11,445,491	14,120,949	-	-
Recreation & culture	1,491,023	1,034,849	-	-
Conservation of natural resources	63,714	75,491	-	-
Economic and community development	2,128,857	4,186,319	-	-
Intergovernmental	148,717	175,157	-	-
Interest on long-term debt	628,816	604,629	-	-
Golf-course	-	-	1,084,588	1,086,615
Component units	-	-	-	-
<b>Total expenses</b>	<u>44,253,144</u>	<u>46,463,949</u>	<u>1,084,588</u>	<u>1,086,615</u>
<b>Transfers</b>	<u>(390,000)</u>	<u>(460,000)</u>	<u>390,000</u>	<u>460,000</u>
<b>Change in net position</b>	<u>1,297,756</u>	<u>2,224,304</u>	<u>(92,447)</u>	<u>(137,829)</u>
<b>Net position beginning of year</b>	<u>20,367,728</u>	<u>18,143,424</u>	<u>959,336</u>	<u>1,097,165</u>
<b>Net position end of year</b>	<u>\$ 21,665,484</u>	<u>\$ 20,367,728</u>	<u>\$ 866,889</u>	<u>\$ 959,336</u>



Total		Component Units	
2021	2020	2021	2020
\$ 3,052,580	\$ 3,262,171	\$ 6,413,258	\$ 5,259,195
8,014,330	7,567,590	63,184,134	58,389,177
330,836	6,470,975	4,543,331	12,214,936
11,397,746	17,300,736	74,140,723	75,863,308
18,425,407	17,589,368	-	-
8,925,870	8,098,231	-	-
990,970	813,695	-	-
6,331,782	5,811,182	-	-
471,266	23,827	(72,569)	124,231
35,145,295	32,336,303	(72,569)	124,231
46,543,041	49,637,039	74,068,154	75,987,539
10,404,288	8,257,540	-	-
9,973,818	9,764,426	-	-
6,753,902	7,069,438	-	-
951,998	914,146	-	-
262,520	261,005	-	-
11,445,491	14,120,949	-	-
1,491,023	1,034,849	-	-
63,714	75,491	-	-
2,128,857	4,186,319	-	-
148,717	175,157	-	-
628,816	604,629	-	-
1,084,588	1,086,615	-	-
-	-	59,806,023	74,909,333
45,337,732	47,550,564	59,806,023	74,909,333
-	-	-	150,000
1,205,309	2,086,475	14,262,131	1,228,206
21,327,064	19,240,589	80,094,965	78,528,275
\$ 22,532,373	\$ 21,327,064	\$ 94,357,096	\$ 79,756,481



## Governmental funds

Total governmental fund balances at the end of the fiscal year amounted to \$21,289,076 of which \$44,639 is non-spendable, \$191,116 is restricted, \$9,300,000 is committed, \$2,941,458 is assigned and \$8,811,863 is unassigned.

The general fund constitutes the main operating fund of the Somerset County Government and reports a fiscal year ending fund balance of \$19,008,878. The general fund balance increased by \$3,415,202 during fiscal year 2021. This result is significantly better than the budgeted decrease of \$497,965.

## Budgetary Variations

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

Property taxes were \$1,187,761 greater than what was budgeted for fiscal year 2021. This increase was primarily due to the final phase of a local solar project as well as new construction of homes during the fiscal year.

Income tax revenues exceeded budgeted estimates by \$1,725,870. When the budget was prepared in the spring of 2020, the County was very concerned how COVID would impact and reduce income tax revenues, especially when considering business shut-downs and closings. In actuality, income tax revenues surprisingly turned out to be a record high, far surpassing internal estimates.

Recordation tax income exceeded budget by \$173,761, primarily due to the significant increase in the price of homes during the spring of 2021, which was reflected in home sales and also due to an increase in sales activity.

Airport grant revenues was less than budget by \$314,060. The County airport projects are completed over multiple years, and in fiscal year 2021, the projects have not yet reached full completion to receive full grant funding.

The CARES Act revenue of \$2,173,658 and the CDBG COVID rental and food assistance program totaling \$171,140 were both new COVID related grants in fiscal year 2021 and were therefore unbudgeted revenues. Likewise, the BJAG NIBRS Compliant RMS program was a new sheriff's office grant in fiscal year 2021 and this revenue of \$172,821 was also unbudgeted.

Waterways projects and Program Open Space recreation projects progressed much slower than anticipated, resulting in the unfavorable revenue variances of \$542,510 and \$690,167, respectively.

The Burgess Museum grant of \$236,800 is related to the new tourism Rural Living Center building. The project was budgeted in the prior year but completed in fiscal year 2021, when the grant revenue was received.

The COVID 19 Restaurant Relief Fund grant of \$275,162 was a new COVID relief program that was unanticipated in fiscal year 2021. The Detention Center received a private unbudgeted corporate grant totaling \$216,445 that was specifically designated for equipment purchases.

Proceeds from debt financing were \$475,490 more than budget because the Tawes Technology and Career Center Project was completed; and the interim financing was turned into long-term financing with USDA.



Likewise, on the expenditure side for Education, the County experienced a similar negative variance of \$406,138 due to the same situation.

There was a favorable revenue variance in Landfill tipping and permit fees of \$311,559 primarily due to the second year of change in how the County bills for trash stickers, and due to a volume increase of trash tonnage received during the fiscal year.

On the expenditure side, the County expended \$2,131,145 of unbudgeted Coronavirus Relief Funds, under grants created under the CARES Act.

Waterways projects progressed slower than anticipated during FY 2021. The County budgeted for but did not complete certain projects during fiscal year 2021, thereby accounting for the positive expenditure variance of \$636,714.

The unfavorable expenditure variance of \$185,887 in Waste Collection and Disposal is due primarily to the purchase of a new landfill compactor, which was required after the old equipment was no longer operational.

Transportation expenditures lagged behind budget by \$745,740, due to two reasons. First, airport capital projects lagged far behind amounts budgeted for these projects. Likewise, Tri-County Council budgeted capital expenditures were far greater than actual expenditures, as these projects take multiple years to be completed.

There was a large favorable expenditure variance in Recreation and Culture of \$423,782 that was due to capital projects budgeted under Program Open Space grants that have not been completed.

Operating transfers to County Roads were \$183,181 less than budgeted as County Roads managed their expenses well and did not require full funding during fiscal year 2021. Likewise, for the Great Hope Golf Course, transfers were \$124,268 less than budgeted primarily due to good management of expenses and because of a spike in revenue attributable to the success of the skipjack passes that are extremely popular with golfers.

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

The investment in capital assets for the County as of June 30, 2021 amounted to \$56,521,398 for both governmental and business-type activities. The schedule below summarizes the capital assets by category. Total additions for fiscal year 2021 amounted to \$2,699,695, net of transfers to construction in progress. The most significant addition during the year was the Bike/Walk Trail totaling \$700,318. Other significant additions included was the new tourism Rural Living Center of \$389,817, the landfill compactor equipment totaling \$488,649 and airport improvements of \$254,831.

School construction reimbursements to the Somerset Board of Education, which are not included in the County's investment in capital assets, totaled \$958,595 for the year.

The Roads Department investment in capital assets as of June 30, 2021, totaled \$8,126,276, net of depreciation. Major additions for the year included additional road work of \$126,643.



SOMERSET COUNTY MARYLAND  
Capital Assets  
(Net of Depreciation)  
For the Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Land (not depreciated)	\$ 4,469,361	\$ 4,469,361	\$ -	\$ -
Land improvements	-	-	345,471	430,602
Construction in Progress	1,672,984	4,851,140	-	-
Buildings, improvements	16,819,419	16,758,225	596,234	612,011
Improvements, non-buildings	24,904,336	22,148,092	-	-
Vehicles	548,468	737,159	-	-
Furniture, machinery, equipment	7,083,996	6,967,866	81,129	109,661
Total	\$ 55,498,564	\$ 55,931,843	\$ 1,022,834	\$ 1,152,274





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Total	
<u>2021</u>	<u>2020</u>
\$ 4,469,361	\$ 4,469,361
345,471	430,602
1,672,984	4,851,140
17,415,653	17,370,236
24,904,336	22,148,092
548,468	737,159
7,165,125	7,077,527
<hr/>	<hr/>
\$ 56,521,398	\$ 57,084,117



Long-term debt for governmental and business-type activities amounted to \$24,146,283 at the end of the fiscal year. Additions for fiscal year 2021 included \$975,490 of short-term and long-term borrowings on the J. M. Tawes School. Debt service for the fiscal year 2021 was \$2,892,180, which was 7.1% of the 2021 general fund actual expenditures.

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

The former Carvel Hall property is in the process of being sold by the City of Crisfield to Phoenix Real Estate Holdings, LLC. The plan is to redevelop the former cutlery manufacturing plant into an indoor green house to grow medical cannabis. The operation is expected to employ 35 to 40 people and average revenue of approximately \$28 million per year. The new business is to be called Phoenix Agriculture/Pioneer Hemp at Carvel Hall.

Chesapeake Utilities has received approval on a project to extend natural gas into Somerset County. The project made significant progress in 2021 and once completed, should bring with it a huge economic development impact to Somerset County, as well as the surrounding area.

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

Clean Bay Renewables is in the process of developing a renewable product by creating biogas, electricity and fertilizer from chicken manure on its property located South of Princes Anne, MD. The site plan for this project has been approved by the Somerset Count Planning and Zoning Commission.

Somerset County was a recipient of \$2,234,897 of Coronavirus Relief Funds, as created under the CARES Act for local fiscal relief. The County has fully expended all of this federal program by January 31, 2021.

Similarly, the County received a federal grant under the American Rescue Plan for Coranavirus local fiscal recovery totaling \$4,975,608. Of this total amount, \$2,487,804, or ½ of the total grant award, has been received by December 31, 2021. The County has until December 31, 2025, to fully disburse the grant. Cumulative expenditures under the grant through December 31, 2021 total \$765,659. The County Commissioners have received and studied all requests for use of the program funding and have developed and approved a complete preliminary plan for use of the funds.

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, 2021**

	<b>Primary Government</b>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,983,580	\$ 23,977	\$ 20,007,557
Investments	75,843	-	75,843
Receivables			
Property taxes	1,009,957	-	1,009,957
Accounts receivable	29,813	-	29,813
Grants receivable	-	-	-
Notes receivable	977	-	977
Due from other governmental units	4,998,921	-	4,998,921
Other	595,423	-	595,423
Internal balances	51,229	(51,229)	-
Inventories, at cost	44,639	24,088	68,727
Other	-	-	-
Restricted assets			
Cash and cash equivalents	191,116	-	191,116
Investments	-	-	-
Receivables, net of allowance of \$337,840	-	-	-
Capital assets, not being depreciated	6,142,345	-	6,142,345
Capital assets, being depreciated, net	49,356,219	1,022,834	50,379,053
<b>Total assets</b>	<b>\$ 82,480,062</b>	<b>\$ 1,019,670</b>	<b>\$ 83,499,732</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Other post-employment benefits (see Note 11)	3,780,527	-	3,780,527
Pensions (see Note 9)	667,235	-	667,235
Refunding debt	-	-	-
<b>Total deferred outflow of resources</b>	<b>4,447,762</b>	<b>-</b>	<b>4,447,762</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,766,428	44,379	2,810,807
Due to other governmental units	1,584,269	-	1,584,269
Unearned revenue	399,123	51,115	450,238
Due to fiduciary fund	7,958	-	7,958
Other	-	-	-
Long-term liabilities			
Due within one year			
Compensated absences	150,873	-	150,873
Bonds, notes and capital leases payable	2,049,121	25,180	2,074,301
Due in more than one year			
Compensated absences	1,001,070	-	1,001,070
Bonds, notes and capital leases payable	22,039,875	32,107	22,071,982
Other post-employment benefit obligation (see Note 11)	23,924,209	-	23,924,209
Net pension liability (See Note 9)	8,310,296	-	8,310,296
<b>Total liabilities</b>	<b>62,233,222</b>	<b>152,781</b>	<b>62,386,003</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Other post-employment benefits (see Note 11)	2,536,946	-	2,536,946
Pensions (see Note 9)	492,172	-	492,172
<b>Total deferred inflow of resources</b>	<b>3,029,118</b>	<b>-</b>	<b>3,029,118</b>
<b>NET POSITION</b>			
Net investment in capital assets	33,094,216	965,547	34,059,763
Restricted	191,116	-	191,116
Unrestricted	(11,619,848)	(98,658)	(11,718,506)
<b>Total net position</b>	<b>\$ 21,665,484</b>	<b>\$ 866,889</b>	<b>\$ 22,532,373</b>

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

**Component Units**

<u>Board of Education</u>	<u>Library</u>	<u>Sanitary District</u>	<u>Liquor Control Board</u>	<u>Local Management Board</u>
\$ 3,154,886	\$ 245,384	\$ 23,704	\$ 240,950	\$ 256,263
-	132,032	167,682	-	-
-	-	-	-	-
-	-	1,143,859	-	597,744
-	-	816,209	-	-
-	-	-	-	-
4,171,720	10,144	18,750	-	-
-	-	4,123	25,000	-
-	-	-	-	-
25,271	-	-	568,812	-
-	-	7,005	8,606	413
-	-	1,091,041	-	-
-	-	126,390	-	-
-	-	606,399	-	-
508,279	-	12,343,919	-	-
88,903,064	622,360	17,989,690	13,301	-
<b>\$ 96,763,220</b>	<b>\$ 1,009,920</b>	<b>\$ 34,338,771</b>	<b>\$ 856,669</b>	<b>\$ 854,420</b>
7,528,369	235,664	14,039	-	-
581,965	-	186,238	-	-
-	-	93,658	-	-
<b>8,110,334</b>	<b>235,664</b>	<b>293,935</b>	<b>-</b>	<b>-</b>
3,155,126	56,809	193,597	251,603	402,239
10,943	-	992,017	305,066	196,459
578,577	13,139	-	-	-
-	-	-	-	-
-	-	330,132	-	-
25,000	-	23,348	-	-
-	-	425,813	-	-
1,062,619	-	132,304	-	-
-	-	11,347,915	-	-
21,916,102	1,428,623	201,715	-	-
2,705,292	-	993,574	-	-
<b>29,453,659</b>	<b>1,498,571</b>	<b>14,640,415</b>	<b>556,669</b>	<b>598,698</b>
1,096,722	49,269	5,373	-	-
142,374	-	64,087	-	-
<b>1,239,096</b>	<b>49,269</b>	<b>69,460</b>	<b>-</b>	<b>-</b>
89,411,343	622,360	18,559,881	13,301	-
-	-	385,521	-	-
(15,230,544)	(924,616)	977,429	286,699	255,722
<b>\$ 74,180,799</b>	<b>\$ (302,256)</b>	<b>\$ 19,922,831</b>	<b>\$ 300,000</b>	<b>\$ 255,722</b>

**SOMERSET COUNTY, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2021**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 10,404,288	\$ 363,075	\$ 4,590,423	\$ -
Public safety	9,973,818	75,518	1,040,558	-
Public works	6,753,902	1,927,197	1,001,681	94,036
Health	951,998	43,465	30,000	-
Social services	262,520	-	187,676	-
Education	11,445,491	-	-	-
Recreation and culture	1,491,023	42,749	419,987	236,800
Conservation of natural resources	63,714	-	-	-
Economic and community development	2,128,857	-	744,005	-
Intergovernmental	148,717	-	-	-
Interest on long-term debt	628,816	-	-	-
<b>Total Governmental Activities</b>	<b>44,253,144</b>	<b>2,452,004</b>	<b>8,014,330</b>	<b>330,836</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Golf Course	1,084,588	600,576	-	-
<b>Total Business-Type Activities</b>	<b>1,084,588</b>	<b>600,576</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 45,337,732</b>	<b>\$ 3,052,580</b>	<b>\$ 8,014,330</b>	<b>\$ 330,836</b>
<b>COMPONENT UNITS</b>				
Board of Education	\$ 51,070,608	\$ 195,778	\$ 60,324,039	\$ 3,722,500
Library	1,141,018	2,006	1,057,231	-
Sanitary District	4,446,875	3,546,744	1,010,522	820,831
Liquor Control Board	2,369,293	2,668,730	-	-
Local Management Board	778,229	-	792,342	-
<b>Total Component Units</b>	<b>\$ 59,806,023</b>	<b>\$ 6,413,258</b>	<b>\$ 63,184,134</b>	<b>\$ 4,543,331</b>

**General Revenues**

Taxes:

Property

Income

Other

State of Maryland - Disparity Grant

Payments in lieu of taxes

Distributions from Somerset County Dispensary

Interest

Special item - gain (loss) on sale of assets

Other

Total General Revenues

Transfers

Total general revenues and transfers

Change in Net Position

Net Position Beginning of Year, as restated

Net Position End of Year

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

Net (Expense) Revenue and Changes in Net Position  
 Primary Government

Component Units

Governmental Activities	Business-Type Activities	Total	Board of Education	Library	Sanitary District	Liquor Control Board	Local Management Board
\$ (5,450,790)	\$ -	\$ (5,450,790)	\$ -	\$ -	\$ -	\$ -	\$ -
(8,857,742)	-	(8,857,742)	-	-	-	-	-
(3,730,988)	-	(3,730,988)	-	-	-	-	-
(878,533)	-	(878,533)	-	-	-	-	-
(74,844)	-	(74,844)	-	-	-	-	-
(11,445,491)	-	(11,445,491)	-	-	-	-	-
(791,487)	-	(791,487)	-	-	-	-	-
(63,714)	-	(63,714)	-	-	-	-	-
(1,384,852)	-	(1,384,852)	-	-	-	-	-
(148,717)	-	(148,717)	-	-	-	-	-
(628,816)	-	(628,816)	-	-	-	-	-
(33,455,974)	-	(33,455,974)	-	-	-	-	-
-	(484,012)	(484,012)	-	-	-	-	-
-	(484,012)	(484,012)	-	-	-	-	-
\$ (33,455,974)	\$ (484,012)	\$ (33,939,986)	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 13,171,709	\$ -	\$ -	\$ -	\$ -
-	-	-	-	(81,781)	-	-	-
-	-	-	-	-	931,222	-	-
-	-	-	-	-	-	299,437	-
-	-	-	-	-	-	-	14,113
\$ -	\$ -	\$ -	\$ 13,171,709	\$ (81,781)	\$ 931,222	\$ 299,437	\$ 14,113
18,425,407	-	18,425,407	-	-	-	-	-
8,925,870	-	8,925,870	-	-	-	-	-
990,970	-	990,970	-	-	-	-	-
6,331,782	-	6,331,782	-	-	-	-	-
1,098	-	1,098	-	-	-	-	-
216,445	-	216,445	-	-	-	(305,066)	-
25,717	(3,018)	22,699	194,585	22,482	4,308	-	20
-	-	-	-	-	-	-	-
226,441	4,583	231,024	-	5,473	-	5,629	-
35,143,730	1,565	35,145,295	194,585	27,955	4,308	(299,437)	20
(390,000)	390,000	-	-	-	-	-	-
34,753,730	391,565	35,145,295	194,585	27,955	4,308	(299,437)	20
1,297,756	(92,447)	1,205,309	13,366,294	(53,826)	935,530	-	14,133
20,367,728	959,336	21,327,064	60,814,505	(248,430)	18,987,301	300,000	241,589
\$ 21,665,484	\$ 866,889	\$ 22,532,373	\$ 74,180,799	\$ (302,256)	\$ 19,922,831	\$ 300,000	\$ 255,722

**SOMERSET COUNTY, MARYLAND**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2021**

	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	\$ 17,592,882	\$ 923,520	\$ 755,017	\$ 612,661	\$ 99,500	\$ 19,983,580
Investments	75,843	-	-	-	-	75,843
Receivables:						
Property taxes	1,009,957	-	-	-	-	1,009,957
Accounts receivable	-	29,813	-	-	-	29,813
Notes receivable	-	-	977	-	-	977
Due from other governmental units	2,960,618	233,807	-	1,697,992	106,504	4,998,921
Other	595,423	-	-	-	-	595,423
Due from other funds	1,100,573	98,320	45,295	-	27,823	1,272,011
Inventories, at cost	-	44,639	-	-	-	44,639
Restricted Assets						
Cash and cash equivalents	191,116	-	-	-	-	191,116
<b>Total assets</b>	<b>\$ 23,526,412</b>	<b>\$ 1,330,099</b>	<b>\$ 801,289</b>	<b>\$ 2,310,653</b>	<b>\$ 233,827</b>	<b>\$ 28,202,280</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 1,905,208	\$ 55,081	\$ 4,309	\$ 739,925	\$ 61,905	\$ 2,766,428
Due to other funds	151,573	56,498	-	970,669	50,000	1,228,740
Due to other governmental units	1,526,109	-	2,097	-	56,063	1,584,269
Unearned revenue	934,644	-	-	333,309	65,814	1,333,767
<b>Total liabilities</b>	<b>4,517,534</b>	<b>111,579</b>	<b>6,406</b>	<b>2,043,903</b>	<b>233,782</b>	<b>6,913,204</b>
<b>FUND BALANCES</b>						
Nonspendable	-	44,639	-	-	-	44,639
Restricted for:						
Future expenditures	191,116	-	-	-	-	191,116
Committed for:						
Capital projects	5,800,000	-	-	-	-	5,800,000
Debt Service	2,300,000	-	-	-	-	2,300,000
OPEB	1,200,000	-	-	-	-	1,200,000
Assigned for:						
Future budget	705,899	-	-	-	-	705,899
Fund purpose	-	1,173,881	794,883	266,750	45	2,235,559
Unassigned	8,811,863	-	-	-	-	8,811,863
<b>Total fund balances</b>	<b>19,008,878</b>	<b>1,218,520</b>	<b>794,883</b>	<b>266,750</b>	<b>45</b>	<b>21,289,076</b>
<b>Total liabilities and fund balances</b>	<b>\$ 23,526,412</b>	<b>\$ 1,330,099</b>	<b>\$ 801,289</b>	<b>\$ 2,310,653</b>	<b>\$ 233,827</b>	<b>\$ 28,202,280</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, 2021**

Total fund balances, governmental funds		\$ 21,289,076
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		55,498,564
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.		934,644
Deferred outflows of resources - pensions		667,235
Deferred outflows of resources - OPEB		3,780,527
Deferred inflows of resources - pensions		(492,172)
Deferred inflows of resources - OPEB		(2,536,946)
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	(23,924,209)	
Bonds, notes and capital leases payable	(24,088,996)	
Compensated absences	(1,151,943)	
Net pension liability (see Note 9)	(8,310,296)	
Total long-term liabilities		<u>(57,475,444)</u>
Net position of governmental activities in the Statement of Net Position		<u>\$ 21,665,484</u>



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

**Year Ended June 30, 2021**

	Special Revenue Funds					Total Governmental Funds
	General Fund	Roads Board	Economic Development Commission	Hurricane Sandy	Other Governmental Funds	
<b>REVENUE</b>						
Taxes						
Local - property	\$ 18,955,870	\$ -	\$ -	\$ -	\$ -	\$ 18,955,870
Local - income	8,925,870	-	-	-	-	8,925,870
Local - other	990,970	-	-	-	-	990,970
State shared	-	624,921	-	-	-	624,921
Licenses and permits	161,311	-	-	-	-	161,311
Intergovernmental						
Federal	3,237,665	-	-	1,677,815	132,597	5,048,077
State	8,643,853	-	-	-	215,859	8,859,712
Local	232,543	-	-	-	68,953	301,496
Charges for services	1,988,554	302,138	-	-	-	2,290,692
Miscellaneous	252,160	20,891	38,118	-	1,276	312,445
<b>Total revenue</b>	<b>43,388,796</b>	<b>947,950</b>	<b>38,118</b>	<b>1,677,815</b>	<b>418,685</b>	<b>46,471,364</b>
<b>EXPENDITURES</b>						
Current						
General government	8,905,580	-	-	-	-	8,905,580
Public safety	8,056,896	-	-	-	-	8,056,896
Public works	2,295,415	2,475,243	-	-	-	4,770,658
Health	933,320	-	-	-	-	933,320
Social services	74,844	-	-	-	187,676	262,520
Education	10,486,896	-	-	-	-	10,486,896
Recreation and culture	1,132,951	-	-	-	-	1,132,951
Conservation of natural resources	63,714	-	-	-	-	63,714
Economic and community development	-	-	220,885	1,676,963	231,009	2,128,857
Intergovernmental	148,717	-	-	-	-	148,717
Debt service						
Principal retirement	2,263,574	-	-	-	-	2,263,574
Interest and fiscal charges	628,816	-	-	-	-	628,816
Capital outlay	3,807,347	126,643	-	-	-	3,933,990
<b>Total expenditures</b>	<b>38,798,070</b>	<b>2,601,886</b>	<b>220,885</b>	<b>1,676,963</b>	<b>418,685</b>	<b>43,716,489</b>
Excess (deficiency) of revenues over expenditures	4,590,726	(1,653,936)	(182,767)	852	-	2,754,875
<b>OTHER FINANCING (USES) SOURCES</b>						
Proceeds from debt financing	975,490	-	-	-	-	975,490
Operating transfers, net	(2,151,014)	1,580,514	180,500	-	-	(390,000)
<b>Total other financing (uses) sources</b>	<b>(1,175,524)</b>	<b>1,580,514</b>	<b>180,500</b>	<b>-</b>	<b>-</b>	<b>585,490</b>
Net change in fund balances	3,415,202	(73,422)	(2,267)	852	-	3,340,365
Fund balances, beginning	15,593,676	1,291,942	797,150	265,898	45	17,948,711
<b>Fund balances, ending</b>	<b>\$ 19,008,878</b>	<b>\$ 1,218,520</b>	<b>\$ 794,883</b>	<b>\$ 266,750</b>	<b>\$ 45</b>	<b>\$ 21,289,076</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, 2021**

Net change in fund balances, governmental funds \$ 3,340,365

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	2,684,938	
Depreciation expense	<u>(3,118,217)</u>	(433,279)

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. (975,490)

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. (530,463)

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. 2,263,574

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. (72,300)

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

Change in other post-employment benefits	(1,587,028)	
Change in compensated absences	(54,335)	
Change in pension expense	<u>(653,288)</u>	<u>(2,294,651)</u>

Change in net position of governmental activities \$ 1,297,756

**SOMERSET COUNTY, MARYLAND**  
**STATEMENT OF FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITIES**  
**June 30, 2021**

	<b>Enterprise Fund</b>
	<b>Golf</b>
	<b>Course</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 23,977
Inventory	24,088
Total current assets	48,065
Noncurrent assets	
Capital assets at cost	5,221,789
Less accumulated depreciation	(4,198,955)
Total noncurrent assets	1,022,834
Total assets	1,070,899
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued expenses	44,379
Due to other funds	51,229
Unearned revenue	51,115
Current maturities of long-term debt	25,180
Total current liabilities	171,903
Noncurrent liabilities	
Noncurrent portion of long-term debt	32,107
Total liabilities	204,010
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	965,547
Unrestricted deficit	(98,658)
Total net position	\$ 866,889

*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, 2021**

		<u>Enterprise Fund</u> Golf <u>Course</u>
<b>OPERATING REVENUE</b>		
Charges for services	\$	600,576
Other operating		4,583
<hr/>		
Total operating revenue		605,159
<hr/>		
<b>OPERATING EXPENSES</b>		
Salaries and related taxes		506,220
Repairs and maintenance		67,259
Supplies		123,282
Utilities		29,133
Insurance		62,229
Depreciation and amortization		144,197
Other operating		152,268
<hr/>		
Total operating expenses		1,084,588
<hr/>		
Net operating loss		(479,429)
<hr/>		
<b>NON-OPERATING (EXPENSES) REVENUE</b>		
Financial expense, net		(3,018)
<hr/>		
Total non-operating expenses		(3,018)
<hr/>		
Loss before contributions, distributions and transfers		(482,447)
<hr/>		
Operating transfers, net		390,000
<hr/>		
Change in net position		(92,447)
<hr/>		
Total net position, beginning		959,336
<hr/>		
Total net position, ending	\$	866,889
<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, 2021**

	<u>Enterprise Fund</u>
	Golf Course
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 602,454
Payments to suppliers	(227,680)
Payments to employees	(522,482)
Other payments	(219,063)
<hr/>	
Net cash used by operating activities	(366,771)
<hr/>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating transfers	390,000
<hr/>	
Net cash provided by noncapital financing activities	390,000
<hr/>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on long-term debt	(26,301)
Interest paid on long-term debt	(3,018)
Additions of capital assets	(14,757)
<hr/>	
Net cash used by capital and related financing activities	(44,076)
<hr/>	
<b>Net change in cash and cash equivalents</b>	<b>(20,847)</b>
<b>Cash and cash equivalents, beginning</b>	<b>44,824</b>
<hr/>	
<b>Cash and cash equivalents, ending</b>	<b>\$ 23,977</b>
<hr/>	

**SOMERSET COUNTY, MARYLAND**

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

**(Continued)**

**Year Ended June 30, 2021**

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

Operating loss	\$ (479,429)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization expense	144,197
Changes in assets and liabilities:	
Accounts and other payables	3,879
Inventories	7,344
Unearned revenue	1,878
Due to other funds	(44,640)
<b>Net cash used by operating activities</b>	<b>\$ (366,771)</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, 2021**

	Custodial Funds
<b>ASSETS</b>	
Cash	\$ 275,691
Property taxes receivable	81,782
Due from other funds	7,958
<hr/>	
Total assets	\$ 365,431
<hr/>	
<b>LIABILITIES</b>	
Due to other governmental units	\$ 89,740
<hr/>	
Total liabilities	89,740
<hr/>	
<b>NET POSITION</b>	
Restricted	\$ 275,691
<hr/>	

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

**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
Year Ended June 30, 2021**

	Custodial Funds
<b>ADDITIONS:</b>	
Contributions	\$ 507,388
Collections for other governments	1,589,786
<hr/>	
Total additions	2,097,174
<hr/>	
<b>DEDUCTIONS:</b>	
Claims paid	260,961
Advisor payments	12,210
Administrative fees	85,133
Payments to other governments	1,589,786
Other	110,515
<hr/>	
Total deductions	2,058,605
<hr/>	
Change in net assets	38,569
Net position, beginning	237,122
<hr/>	
Net position, ending	\$ 275,691
<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, 2021.

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.

### 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### C. Fund Accounting (continued)

##### 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 custodial capacity. Custodial funds report fiduciary activities that are not required to be reported as another fiduciary fund type.

Trust and Custodial Funds – Trust and Custodial 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, State's Attorney Funds which include the State's Attorneys Drug Bust Fund and the State's Attorneys County Property Federal Forfeiture Fund, and the Detention Center Funds which include the Somerset County Detention Center Commissary Fund and the 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.

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.

## NOTES TO FINANCIAL STATEMENTS

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

#### E. Basis of Accounting

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

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

#### F. Budgetary Process

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### G. Cash Equivalents

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

#### H. Property Tax

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

#### I. Inventories

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

#### J. Capital Assets

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

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

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

	<u>Discretely Presented Component Units</u>				
	Governmental Activities	Business-Type Activities	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, 2021, the Primary Government had deposits with various commercial banks of \$21,649,827 (carrying value \$20,198,673). 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, 2021 the deposits were fully insured or collateralized. Petty cash totaled \$1,090 as of June 30, 2021.

##### Board of Education

At June 30, 2021, the Board's demand deposits, savings deposits and certificates of deposit were covered by FDIC insurance in the amount of \$250,000 and \$3,783,710 (carrying value \$3,154,886) 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, 2021 the Library had deposits with various commercial banks totaling \$249,958 (carrying value \$245,384), which were either fully insured or collateralized with securities held in the name of the Library.

##### Sanitary District

At June 30, 2021, the Sanitary District had deposits with various commercial banks totaling \$1,419,316 (carrying value \$1,114,745). All deposits were fully collateralized as of June 30, 2021.

##### Liquor Control Board

At April 30, 2021, the Liquor Control Board had deposits with various commercial banks totaling \$230,740 (carrying value \$240,950), which were either fully insured or collateralized with securities held in the name of the Liquor Control Board.

##### LMB

At June 30, 2021, the LMB had deposits with various commercial banks totaling \$256,263 (carrying value \$256,263). All deposits were fully insured as of June 30, 2021.

## 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, 2021, the County and the Library had investments in MLGIP of \$75,843 and \$39,031, 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, 2021, the Library had investments in the Community Foundation of the Eastern Shore totaling \$82,132 (carrying value \$82,132).

At June 30, 2021, the Sanitary District had certificates of deposit of \$294,072 reported separately as they represent a certificate with an original due date of more than 90 days. The certificates have a maturity of twelve months with interest rates ranging from .25% to .35%.

### 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, 2021, appropriate due from/to other funds have been established.

Due from/to other funds balances as of June 30, 2021 were as follows:

	Due from Other Funds	Due to Other Funds
Governmental activities	\$ 1,272,011	\$ 1,228,740
Business-type activities	-	51,229
Fiduciary fund	7,958	-
	\$ 1,279,969	\$ 1,279,969

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Transfers and Reductions	Balance June 30, 2021
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,469,361	\$ -	\$ -	\$ 4,469,361
Construction in progress	4,851,140	257,199	(3,435,355)	1,672,984
Total capital assets, not being depreciated	9,320,501	257,199	(3,435,355)	6,142,345
Capital assets, being depreciated:				
Buildings and improvements	24,172,722	472,230	141,922	24,786,874
Improvements, non-buildings	65,330,716	813,449	3,293,433	69,437,598
Vehicles	5,095,224	39,870	-	5,135,094
Furniture, machinery and equipment	15,971,974	1,102,190	-	17,074,164
Total capital assets, being depreciated	110,570,636	2,427,739	3,435,355	116,433,730
Less accumulated depreciation:				
Buildings and improvements	7,414,497	552,958	-	7,967,455
Improvements, non-buildings	43,182,624	1,350,638	-	44,533,262
Vehicles	4,358,065	228,561	-	4,586,626
Furniture, machinery and equipment	9,004,108	986,060	-	9,990,168
Total accumulated depreciation	63,959,294	3,118,217	-	67,077,511
Total capital assets, being depreciated, net	46,611,342	(690,478)	3,435,355	49,356,219
Governmental activities capital assets, net	\$ 55,931,843	\$ (433,279)	\$ -	\$ 55,498,564
<b>Business-Type Activities:</b>				
<b>Great Hope Golf Course</b>				
Capital assets, being depreciated:				
Land improvements	\$ 3,104,215	\$ -	\$ -	\$ 3,104,215
Buildings and improvements	1,365,623	6,527	-	1,372,150
Furniture, machinery and equipment	737,194	8,230	-	745,424
Total capital assets, being depreciated	5,207,032	14,757	-	5,221,789
Less accumulated depreciation:				
Land improvements	2,673,613	85,131	-	2,758,744
Buildings and improvements	753,612	22,304	-	775,916
Furniture, machinery and equipment	627,533	36,762	-	664,295
Total accumulated depreciation	4,054,758	144,197	-	4,198,955
Total capital assets, being depreciated, net	1,152,274	(129,440)	-	1,022,834
Business-type activities capital assets, net	\$ 1,152,274	\$ (129,440)	\$ -	\$ 1,022,834

**NOTES TO FINANCIAL STATEMENTS**

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

	Balance June 30, 2020	Additions	Transfers and Reductions	Balance June 30, 2021
<b>Board of Education</b>				
Capital assets, not being depreciated:				
Land	\$ 493,252	\$ -	\$ -	\$ 493,252
Construction in progress	17,500	15,027	(17,500)	15,027
Total capital assets, not being depreciated	510,752	15,027	(17,500)	508,279
Capital assets, being depreciated:				
Land improvements	3,613,577	-	-	3,613,577
Buildings and improvements	117,688,675	3,526,199	-	121,214,874
Vehicles	292,173	58,399	-	350,572
Furniture, machinery and equipment	4,743,825	189,607	17,500	4,950,932
Total capital assets, being depreciated	126,338,250	3,774,205	17,500	130,129,955
Less accumulated depreciation:				
Land improvements	3,043,622	51,045	-	3,094,667
Buildings and improvements	31,792,995	2,764,839	-	34,557,834
Vehicles	175,676	38,689	-	214,365
Furniture, machinery and equipment	3,164,644	195,381	-	3,360,025
Total accumulated depreciation	38,176,937	3,049,954	-	41,226,891
Total capital assets, being depreciated, net	88,161,313	724,251	17,500	88,903,064
Total Board of Education capital assets, net	\$ 88,672,065	\$ 739,278	\$ -	\$ 89,411,343
<b>Library</b>				
Capital assets, being depreciated:				
Books and media	\$ 772,660	\$ 79,197	\$ (75,200)	\$ 776,657
Furniture, machinery and equipment	809,429	26,915	-	836,344
Vehicles	7,959	-	-	7,959
Total capital assets, being depreciated	1,590,048	106,112	(75,200)	1,620,960
Less accumulated depreciation:				
Books and media	374,439	77,466	(75,200)	376,705
Furniture, machinery and equipment	535,511	81,741	-	617,252
Buildings	3,051	1,592	-	4,643
Total accumulated depreciation	913,001	160,799	(75,200)	998,600
Total Library capital assets, net	\$ 677,047	\$ (54,687)	\$ -	\$ 622,360

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets (continued)

	June 30, 2020	Additions	Reductions	June 30, 2021																																						
<b>Sanitary District</b>																																										
Capital assets, not being depreciated:																																										
Land	\$ 17,512	\$ -	\$ -	\$ 17,512																																						
Construction in progress	11,039,966	1,968,543	(682,102)	12,326,407																																						
Total capital assets, not being depreciated	11,057,478	1,968,543	(682,102)	12,343,919																																						
Capital assets, being depreciated:																																										
Sewage treatment plants and lines	39,545,436	11,583	-	39,557,019																																						
Water plants and lines	12,060,512	289,434	-	12,349,946																																						
Equipment and vehicles	3,394,450	411,033	-	3,805,483																																						
Total capital assets, being depreciated	55,000,398	712,050	-	55,712,448																																						
Less accumulated depreciation:																																										
Sewage treatment plants and lines	25,869,634	905,361	-	26,774,995																																						
Water plants and lines	7,660,809	262,863	-	7,923,672																																						
Equipment and vehicles	2,908,194	115,897	-	3,024,091																																						
Total accumulated depreciation	36,438,637	1,284,121	-	37,722,758																																						
Total capital assets, being depreciated, net	18,561,761	(572,071)	-	17,989,690																																						
Total Sanitary District capital assets, net	\$ 29,619,239	\$ 1,396,472	\$ (682,102)	\$ 30,333,609																																						
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="text-align: right;">Balance</th> <th style="text-align: right;">Transfers and</th> <th style="text-align: right;">Balance</th> </tr> <tr> <th></th> <th style="text-align: right;">June 30, 2020</th> <th style="text-align: right;">Additions</th> <th style="text-align: right;">Reductions</th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>Liquor Control Board</b></td> </tr> <tr> <td colspan="5">Capital assets, being depreciated:</td> </tr> <tr> <td style="padding-left: 20px;">Furniture, machinery and equipment</td> <td style="text-align: right;">\$ 20,691</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ 20,691</td> </tr> <tr> <td colspan="5">Less accumulated depreciation:</td> </tr> <tr> <td style="padding-left: 20px;">Furniture, machinery and equipment</td> <td style="text-align: right;">4,434</td> <td style="text-align: right;">2,956</td> <td style="text-align: right;">-</td> <td style="text-align: right;">7,390</td> </tr> <tr> <td>Total Liquor Control Board capital assets, net</td> <td style="text-align: right; border-top: 1px solid black;">\$ 16,257</td> <td style="text-align: right; border-top: 1px solid black;">\$ (2,956)</td> <td style="text-align: right; border-top: 1px solid black;">\$ -</td> <td style="text-align: right; border-top: 1px solid black;">\$ 13,301</td> </tr> </tbody> </table>						Balance	Transfers and	Balance		June 30, 2020	Additions	Reductions	<b>Liquor Control Board</b>					Capital assets, being depreciated:					Furniture, machinery and equipment	\$ 20,691	\$ -	\$ -	\$ 20,691	Less accumulated depreciation:					Furniture, machinery and equipment	4,434	2,956	-	7,390	Total Liquor Control Board capital assets, net	\$ 16,257	\$ (2,956)	\$ -	\$ 13,301
	Balance	Transfers and	Balance																																							
	June 30, 2020	Additions	Reductions																																							
<b>Liquor Control Board</b>																																										
Capital assets, being depreciated:																																										
Furniture, machinery and equipment	\$ 20,691	\$ -	\$ -	\$ 20,691																																						
Less accumulated depreciation:																																										
Furniture, machinery and equipment	4,434	2,956	-	7,390																																						
Total Liquor Control Board capital assets, net	\$ 16,257	\$ (2,956)	\$ -	\$ 13,301																																						

Depreciation expense was charged to governmental functions as follows:

General government	\$ 334,212
Public safety	863,974
Public works	1,610,490
Recreation and culture	290,863
Health	18,678
Total depreciation expense	\$ 3,118,217

## NOTES TO FINANCIAL STATEMENTS

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

Notes payable and long-term debt at June 30, 2021 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
USDA RDA - Smith Island Incinerator	4.25	2006	2021
M&T Bank - Board of Education - Phase I	4.19	2006	2021
Bank of America - Board of Education Capital 2009	3.89	2008	2025
USDA - Cell 3 Loan 1	4.25	2009	2049
MEA - County Complex HVAC	0.00	2010	2021
SunTrust - Board of Education Capital 2010	2.13	2014	2024
USDA - Cell 4	2.13	2014	2043
Hebron Savings Bank - Board of Education/Library/Tax Collection	1.75	2017	2026
Hebron Savings Bank - Vehicle Loans	4.50	2017	2022
Bank of America-911 Equipmt Ln	2.77	2019	2029
BB&T-Bulldozer Loan	2.83	2019	2025
USDA - J. M. Tawes School Phase 1	2.75	2020	2040
USDA - J. M. Tawes School Phase 2	2.13	2021	2041
 <b><u>Other</u></b>			
County Commissioners - capital lease obligation	4.97	2017	2021
County Commissioners - capital lease obligation	5.00	2018	2024
County Commissioners - capital lease obligation	5.45	2018	2022
County Commissioners - capital lease obligation	6.45	2019	2023
County Commissioners - capital lease obligation	6.70	2020	2024
County Commissioners - capital lease obligation	6.70	2020	2024
County Commissioners - capital lease obligation	6.45	2020	2024
County Commissioners - landfill closure/post-closure care costs	-	-	-
Total Governmental Activities			
 <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
County Commissioners - capital lease obligation	4.95	2020	2023
County Commissioners - capital lease obligation	4.80	2020	2025
Total Business - type Activities			

**NOTES TO FINANCIAL STATEMENTS**

<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2021</u>	<u>Amount Due in One Year</u>
\$ 3,300,000	\$ 1,403,615	\$ -	\$ 117,215	\$ 1,286,400	\$ 122,633
2,151,215	134,455	-	134,455	-	-
1,765,000	1,385,365	-	33,651	1,351,714	34,922
100,000	4,589	-	4,589	-	-
2,000,000	175,668	-	175,668	-	-
2,300,000	836,007	-	173,369	662,638	179,984
2,200,000	1,888,795	-	34,967	1,853,828	36,477
300,000	30,000	-	30,000	-	-
4,075,000	1,442,302	-	420,292	1,022,010	435,868
3,799,000	3,141,334	-	105,817	3,035,517	107,905
3,000,000	2,080,379	-	293,150	1,787,229	298,342
55,585	19,010	-	11,822	7,188	7,188
4,000,000	3,558,184	-	364,579	3,193,605	374,769
400,000	337,944	-	63,832	274,112	65,657
4,000,000	3,971,266	-	153,153	3,818,113	157,672
3,400,000	2,424,510	975,490	68,743	3,331,257	139,484
115,335	24,157	-	24,157	-	-
25,391	13,588	-	4,305	9,283	4,525
90,183	36,952	-	17,986	18,966	18,966
101,427	60,698	-	18,982	41,716	20,206
26,372	20,392	-	4,614	15,778	4,922
13,030	10,076	-	2,395	7,681	2,397
33,345	25,784	-	5,833	19,951	6,224
-	2,279,710	72,300	-	2,352,010	30,980
	<u>\$ 25,304,780</u>	<u>\$ 1,047,790</u>	<u>\$ 2,263,574</u>	<u>\$ 24,088,996</u>	<u>\$ 2,049,121</u>
20,106	2,354	-	2,354	-	-
79,792	41,878	-	13,499	28,379	13,955
8,965	6,339	-	2,961	3,378	3,363
39,727	33,017	-	7,487	25,530	7,862
	<u>\$ 83,588</u>	<u>\$ -</u>	<u>\$ 26,301</u>	<u>\$ 57,287</u>	<u>\$ 25,180</u>



**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	2021
Infrastructure Bond	2.00-4.63	1994	2024
Fairmount-Rumbley-Frenchtown District	3.70	1994	2035
Crisfield Peripheral Sewer Project	4.00	1996	2035
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
Jacksonville Subdistrict	2.00	2014	2021
PASE Overrun Loan	3.50	2017	2026
Princess Anne Subdistrict	4.13	2021	2025
Princess Anne Subdistrict	4.05	2021	2042
Princess Anne Subdistrict	4.15	2021	2049
All subdistricts	4.75	2021	2026
All subdistricts	3.81	2021	2026
All subdistricts	3.81	2021	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</u> <u>Original Issue</u>	<u>Outstanding</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding</u> <u>June 30, 2021</u>
\$ 10,000	\$ 342	\$ -	\$ 342	\$ -
1,825,200	455,500	-	109,000	346,500
333,000	189,874	-	32,874	157,000
323,000	201,500	-	10,000	191,500
1,402,082	733,947	-	733,947	-
32,000	16,000	-	1,067	14,933
2,770,900	2,296,316	-	47,896	2,248,420
365,700	303,060	-	303,060	-
80,000	18,311	-	8,908	9,403
4,200,000	3,705,872	-	3,705,872	-
1,228,250	1,128,525	-	18,710	1,109,815
427,118	392,434	-	6,507	385,927
2,525,900	2,305,129	-	40,922	2,264,207
30,000	7,452	-	3,429	4,023
101,467	13,700	-	13,700	-
100,000	55,346	-	10,089	45,257
222,732	-	222,732	157,719	65,013
578,000	-	578,000	-	578,000
3,276,000	-	3,276,000	-	3,276,000
21,000	-	21,000	2,349	18,651
22,618	-	22,618	1,708	20,910
170,000	-	170,000	12,837	157,163
327,411	144,787	-	14,734	130,053
	<u>\$ 11,968,095</u>	<u>\$ 4,290,350</u>	<u>\$ 5,235,670</u>	<u>\$ 11,022,775</u>

## NOTES TO FINANCIAL STATEMENTS

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

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

#### Primary Government

Years Ending June 30,	Principal	Interest	Total
2022	\$ 2,049,121	\$ 598,082	\$ 2,647,203
2023	2,077,909	542,000	2,619,909
2024	1,792,612	487,456	2,280,068
2025	1,581,276	445,816	2,027,092
2026	1,446,033	400,228	1,846,261
2027 - 2031	5,097,659	1,485,355	6,583,014
2032 - 2036	4,868,253	959,428	5,827,681
2037 - 2041	3,498,675	481,350	3,980,025
2042 - 2046	1,254,605	143,560	1,398,165
2047 - 2051	422,853	20,237	443,090
Total governmental activities	\$ 24,088,996	\$ 5,563,512	\$ 29,652,508
2022	\$ 25,180	\$ 1,904	\$ 27,084
2023	22,696	944	23,640
2024	8,670	268	8,938
2025	741	4	745
2026	-	-	-
Total business-type activities	\$ 57,287	\$ 3,120	\$ 60,407

Interest expense on all indebtedness totaled \$628,816 for governmental activities and \$3,018 for business-type activities.

**NOTES TO FINANCIAL STATEMENTS**

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

**Discretely Presented Component Units**

**Sanitary District**

Years Ending June 30,	Principal	Interest	Total
2022	\$ 425,813	\$ 420,152	\$ 845,965
2023	430,181	404,579	834,760
2024	447,286	388,605	835,891
2025	338,754	371,544	710,298
2026	402,932	358,322	761,254
2027 - 2031	1,455,921	1,618,330	3,074,251
2032 - 2036	1,635,635	1,310,974	2,946,609
2037 - 2041	1,903,873	961,852	2,865,725
2042 - 2046	2,126,866	572,011	2,698,877
2047 - 2051	1,491,613	178,407	1,670,020
2051 - 2055	363,901	11,250	375,151
Total Sanitary District	<u>\$ 11,022,775</u>	<u>\$ 6,596,026</u>	<u>\$ 17,618,801</u>

**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.

During the year ended June 30, 2021, the Sanitary District refinanced three Community Development Infrastructure Bonds. As a result, \$97,294 of issuance costs and \$780,163 in bond premiums were incurred. Amortization of the debt issuance costs, and debt bond premiums are reported as interest expense. Unamortized bond premiums totaled \$750,953 at June 30, 2021 and are included in bonds, notes and capital leases payable due in more than one year on the statement of net assets.

Interest expense on all indebtedness totaled \$491,572 for the Sanitary District.

**Liquor Control Board**

The Liquor Control Board has a \$350,000 line of credit at 5.0% interest with Hebron Savings Bank, used to purchase inventory. At April 30, 2021, the outstanding balance was \$0.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Leases

#### Primary Government

#### Long-Term Debt

The County has entered into eleven 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, \$115,335, \$25,391, \$90,183, \$101,427, \$8,965, \$39,727, \$26,372, \$13,030 and \$33,345 with accumulated depreciation of \$12,231, \$63,034, \$76,890, \$9,945, \$49,386, \$38,639, \$3,437, \$10,878, \$5,383, \$2,783 and \$7,155.

#### Liquor Control Board

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

#### LMB

In November 2019, the LMB entered into an agreement with the County for the use of office space. Under the terms of the agreement the LMB uses the premises, paying \$1 for the entire term. Lease expense for the year ended June 30, 2021 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:

#### Employees

Board of Education

Library

Somerset County:

County employees and appointed officers

Economic Development Commission

#### Plan

Maryland State Retirement and Pension System

Maryland State Retirement and Pension System

Maryland State Retirement and Pension System

Maryland State Retirement and Pension System

## NOTES TO FINANCIAL STATEMENTS

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

#### 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).

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.

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

#### **Summary of Significant Plan Provisions**

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

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

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

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

#### Service Retirement Allowances

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

#### Vested Allowances

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

#### Early Service Retirement

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

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



## NOTES TO FINANCIAL STATEMENTS

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

#### Disability and Death Benefits

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

#### Adjusted Retirement Allowances

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

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

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

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2020 actuarial valuation, 2.60% general, 3.10% wage. In the 2019 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2020 actuarial valuation, 3.10% to 11.60%. In the 2019 actuarial valuation, 3.10% to 11.60%.
Investment Rate of Return	In the 2020 actuarial valuation, 7.40%. In the 2019 actuarial valuation, 7.40%.
Discount Rate	7.40% in 2020; 7.40% in 2019
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational mortality projections using MP-2018 (2-dimensional) mortality

## 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%	5.2%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.3%
Credit Opportunity	9%	2.8%
Real Assets	14%	4.3%
Absolute Return	8%	1.8%
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, 2020.

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 3.50%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Discount Rate

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

## NOTES TO FINANCIAL STATEMENTS

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

#### Sensitivity of the Net Pension Liability

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

System	1% Decrease to 6.40%	Current Discount	1% Increase to 8.40%
County	\$ 11,831,056	\$ 8,310,296	\$ 5,377,839
Board of Education	3,851,422	2,705,292	1,750,674
Sanitary District	1,414,520	993,574	642,974

#### 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, 2021, the BOE contributed \$1,090,484 to the Teachers' Retirement and Pension System. In addition, the State of Maryland contributed \$2,769,536 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, 2021, the BOE reported a liability for its proportionate share of the net pension liability. The amount recognized by the BOE as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the BOE were as follows:

BOE's proportionate share of the net pension liability (Employees' Systems)	\$ 2,705,292
State's proportionate share of the net pension liability (Teachers' Systems)	29,916,101
Total	\$ 32,621,393

## 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, 2021, 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, 2021, 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	0.0119696%	0.0367691%	0.0043961%
Employer's proportionate share of the collective net pension liability	\$ 2,705,292	\$ 8,310,296	\$ 993,574
Pension expense recognized by the employer for the year ended June 30, 2021	440,550	653,288	110,768
Deferred inflows of resources at June 30, 2020	198,393	885,139	94,385
Difference between expected and actual experience	4,370	13,422	1,605
Change in assumptions	-	-	-
Amortization of items allowed by GASB 68	(60,389)	(406,389)	(31,903)
<u>Deferred inflows of resources at June 30, 2021</u>	<u>142,374</u>	<u>492,172</u>	<u>64,087</u>
Deferred outflows of resources at June 30, 2020	397,790	1,261,983	144,557
Year ended June 30, 2020 contributions	(256,634)	(788,351)	(94,255)
Difference between projected and actual earnings	199,241	612,040	73,175
Change in assumptions	-	-	-
Amortization of items allowed by GASB 68	(82,398)	(1,273,998)	(32,971)
Year ended June 30, 2021 contributions	323,966	855,561	95,732
<u>Deferred outflows of resources at June 30, 2021</u>	<u>581,965</u>	<u>667,235</u>	<u>186,238</u>
Net pension liability June 30, 2020	2,348,518	7,858,789	864,398
Change in net pension liability factored for contributions	356,774	451,507	129,176
<u>Net pension liability June 30, 2021</u>	<u>2,705,292</u>	<u>8,310,296</u>	<u>993,574</u>

The \$323,966, \$855,561 and \$95,732 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, 2022. 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

<u>Year Ended June 30,</u>	<u>Net Deferred (Inflows) Outflows</u>
2022	\$ (65,607)
2023	29,897
2024	104,908
2025	107,370
<u>2026</u>	<u>(1,506)</u>
<u>Total</u>	<u>\$ 175,062</u>

#### Board of Education

<u>Year Ended June 30,</u>	<u>Net Deferred (Inflows) Outflows</u>
2022	\$ 29,479
2023	14,983
2024	35,565
2025	36,091
<u>2026</u>	<u>490</u>
<u>Total</u>	<u>\$ 116,608</u>

#### Sanitary District

<u>Year Ended June 30,</u>	<u>Net Deferred (Inflows) Outflows</u>
2022	\$ (4,599)
2023	5,133
2024	12,817
2025	13,250
<u>2026</u>	<u>(182)</u>
<u>Total</u>	<u>\$ 26,419</u>

## 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	\$ 10,370,095	\$ 8,363,852	\$ -
Board of Education	31,592,834	28,816,529	2,769,536
Library	527,182	464,219	71,401

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, 2021 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 \$8,310,296 for Governmental Activities on the County's Statement of Net Position at June 30, 2021.

### 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, 2021, is as follows:

Balance, beginning of year	\$ 3,305,854
Employee contributions	216,695
Earnings on investments	678,305
Distributions	(371,261)
Balance, end of year	\$ 3,829,593

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Other Post-Employment Benefits

#### Plan Description and Benefits Provided

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

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

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

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

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

#### Funding Policy

The County and Library pay retiree healthcare premiums based on the plan selected. The County and Library pay 90% of the premium for individual plans and 75% of the premium for family plans. The retiree pays the remaining premium. For fiscal year 2021, the County and Library contributed \$356,665 and \$49,580 to the plans for 61 and 6 eligible retirees, respectively.

The Board of Education will pay for 50% not to exceed \$300 per month of the individual premium for the life of the retiree. Eligible dependents may be covered with the retiree paying 100% of the premium. If the retiree decides to opt out and find insurance elsewhere, the Board will provide a stipend of \$1,500 annually towards the cost of insurance. Also, spouses of employees that retire after 7/1/2018 will not be covered under the plan. The spouse must find coverage elsewhere. Spouses of employees that retired prior to 7/1/2018 are grandfathered into the plan. For fiscal year 2021, the Board of Education contributed \$504,746 to the plan for 235 eligible retirees.

#### Net OPEB Liability

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



## NOTES TO FINANCIAL STATEMENTS

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

The total OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the County, Board of Education, Library and Sanitary District's total OPEB liability as of June 30, 2021:

Total OPEB Liability	<u>County</u>	<u>Board of Education</u>	<u>Library</u>	<u>Sanitary District</u>
Balance at 6/30/2020	\$ 22,930,481	\$ 34,256,549	\$ 1,415,161	\$ 197,385
Changes for the year:				
Service cost	1,082,153	1,964,988	48,323	12,845
Interest cost	502,844	751,523	30,730	4,212
Differences between expected and actual experience	-	-	-	-
Changes of assumptions and other inputs	(234,604)	(511,905)	(16,011)	912
Contributions - employer	-	-	-	-
Contributions - employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments	(356,665)	(504,746)	(49,580)	(13,639)
Administrative expense	-	-	-	-
Other changes	-	(14,040,307)	-	-
Net changes	<u>993,728</u>	<u>(12,340,447)</u>	<u>13,462</u>	<u>4,330</u>
Balances at 6/30/2021	<u>\$ 23,924,209</u>	<u>\$ 21,916,102</u>	<u>\$ 1,428,623</u>	<u>\$ 201,715</u>

### Funding Status and Funding Progress

As of June 30, 2020, the most recent actuarial valuation date, the Plan was zero percent funded. The actuarial accrued liability for benefits was \$23,924,209, \$21,916,102, \$1,428,623 and \$201,715 for the County, Board of Education, Library and Sanitary District, respectively, all of which was unfunded. The Liquor Control Board is not included as the employees of this Component Unit pay 100% of their insurance costs. The covered employee payroll was \$6,526,615, \$24,451,244, \$299,437 and \$779,686, 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 366.56%, 89.63%, 477.10% and 22.16% for the County, Board of Education, Library and Sanitary District, respectively.

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

## NOTES TO FINANCIAL STATEMENTS

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

#### *Actuarial Assumptions and Discount Rate*

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

Measurement date:	June 30, 2021
Actuarial valuation date:	June 30, 2020
Actuarial cost method:	Entry Age Normal
Discount Rate:	The discount rate used to measure the total OPEB liability is 2.16%. 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, 2021.
Mortality:	Pub -2010 General Headcount-weighted with fully generational scale MP-2020. This mortality table represents the most recent table for governmental employees released by the Society of Actuaries.
Turnover:	T7 Standard Table. Based on professional judgement of the actuary
Salary scale:	3.00%

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

- *Measurement date* – The County selected a June 30, 2021 measurement date for fiscal year ended 2021. The measurement date can be any date between the last day of the prior fiscal year and the last day of the current fiscal year.
- *Cost method* – This valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.

#### **Sensitivity of the Total OPEB Liability**

The following table presents the net OPEB liability of the County, Board of Education, Library and Sanitary District using the discount rate of 2.16%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Total OPEB Liability			
		County	Board of Education	Library	Sanitary District
1% decrease	1.16%	\$ 28,703,684	\$ 25,423,391	\$ 1,737,969	\$ 218,400
Current discount Rate	2.16%	\$ 23,924,209	\$ 21,916,102	\$ 1,428,623	\$ 201,715
1% increase	3.16%	\$ 20,212,037	\$ 19,089,091	\$ 1,194,905	\$ 187,293

## NOTES TO FINANCIAL STATEMENTS

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

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

	Health Care Cost Trend Rate	Total OPEB Liability			
		County	Board of Education	Library	Sanitary District
1% decrease	6% to 3.5%	\$ 19,829,486	\$ 21,037,462	\$ 1,175,897	\$ 181,499
Current discount Rate	7% to 4.5%	\$ 23,924,209	\$ 21,916,102	\$ 1,428,623	\$ 201,715
1% increase	8% to 5.5%	\$ 29,313,225	\$ 23,003,578	\$ 1,772,787	\$ 228,182

#### OPEB Expense

For fiscal year ended June 30, 2021, the County, Board of Education, Library and Sanitary District recognized an OPEB expense (benefit) on the government-wide statements of \$1,587,028, (\$10,602,620), \$92,473 and (\$4,336) respectively.

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

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

##### County

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (2,341,248)
Changes of assumptions	3,780,527	(195,698)
Total	<u>\$ 3,780,527</u>	<u>\$ (2,536,946)</u>

##### Board of Education

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (653,621)
Changes of assumptions	7,528,369	(443,101)
Total	<u>\$ 7,528,369</u>	<u>\$ (1,096,722)</u>

**NOTES TO FINANCIAL STATEMENTS**

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

**Library**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (35,760)
Changes of assumptions	235,664	(13,509)
Total	\$ 235,664	\$ (49,269)

**Sanitary District**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (5,373)
Changes of assumptions	14,039	-
Total	\$ 14,039	\$ (5,373)

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

**County**

Year Ended June 30,	Netted Outflows/ (Inflows)
2022	\$ 358,696
2023	358,696
2024	358,696
2025	201,011
2026	(32,350)
Thereafter	(1,168)
	\$ 1,243,581

**Board of Education**

Year Ended June 30,	Netted Outflows/ (Inflows)
2022	\$ 1,225,922
2023	1,225,922
2024	1,225,922
2025	1,225,922
2026	1,113,127
Thereafter	414,832
	\$ 6,431,647

## NOTES TO FINANCIAL STATEMENTS

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

#### Library

Year Ended June 30,	Netted Outflows/ (Inflows)
2022	\$ 46,589
2023	46,589
2024	44,231
2025	36,774
2026	13,211
Thereafter	(999)
	\$ 186,395

#### Sanitary District

Year Ended June 30,	Netted Outflows/ (Inflows)
2022	\$ 1,663
2023	1,663
2024	1,663
2025	1,495
2026	1,247
Thereafter	935
	\$ 8,666

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

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

### Note 13. Risk Management

#### Primary Government

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

## NOTES TO FINANCIAL STATEMENTS

### **Note 13. Risk Management (continued)**

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

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

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

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

### **Board of Education**

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

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

The Board is a member of the Eastern Shore of Maryland Educational Consortium (ESMEC) Health Alliance Trust, a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that ESMEC be self-sustaining through member premiums. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 8% of total premiums. Currently, ESMEC keeps on hand 12% as recommended conservative reserve. As of December 31, 2020 the Board's funds held by ESMEC exceeded the recommended conservative reserve by \$1,036,505. All funds held by ESMEC are restricted to being used only for health care expenses.

## NOTES TO FINANCIAL STATEMENTS

### **Note 14. On-Behalf Payments**

#### **Board of Education**

The State of Maryland contributed \$2,769,536 into the State Retirement System on behalf of the Board's teachers during the year ended June 30, 2021, and the amount is reported as both revenues and expenditures on the statement of activities.

#### **Library**

The State of Maryland contributed \$71,401 into the State Retirement System on behalf of the Library's employees during the year ended June 30, 2021, and the amount is reported as both revenues and expenditures on the statement of activities.

#### **Primary Government**

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

### **Note 15. Commitments and Contingencies**

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

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

#### **Sanitary District**

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

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

#### **Princess Anne Subdistrict**

The Princess Anne area is experiencing significant growth due to a new development. Further growth is expected as more property sales 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.

## NOTES TO FINANCIAL STATEMENTS

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

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

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

The Maryland Department of the Environment has approved an \$800,000 grant for solar cells for the Princess Anne Waste Water Treatment Plan for fiscal year 2018. This could produce significant electrical savings for the plant. The project was completed on April 14, 2021 and the Commission approved it in May 2021.

#### Smith Island

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

The Maryland Department of the Environment has approved a grant/loan funding for the upgrade and improvement projects at Smith Island and Deal Island. The project is in progress as of June 30, 2021.

#### Fairmount Subdistrict

The Maryland Department of the Environment reviewed and approved the study proposing the decommissioning of the Fairmount plant.

The project is completed as of June 30, 2021. The District is awaiting inspection by the Maryland Department of the Environment before the project is closed. The service of this subdistrict will run through the Princess Anne subdistrict.



## NOTES TO FINANCIAL STATEMENTS

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

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

The County's Westover Landfill was at full capacity as of June 30, 1998 and capping and closure of that project was completed in 2005. The estimated post-closure care costs for a thirty year period of \$929,410 have been included in long-term debt at June 30, 2021. 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, 2021 approximately 71% of the landfill capacity had been used. Under the prescribed allocation method determined annually based on the landfill capacity used to date, \$1,422,600 has been included in long-term debt.

The County has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2019. The County expects to satisfy these requirements as of June 30, 2021 using the same criteria.

### Note 17. Prior Period Restatement

During fiscal year 2021, it was noted that operating grants included in the June 30, 2020 statement of activities were overstated. To correct this overstatement, June 30, 2020 net position was restated.

The following table is a summary of the effects of these changes on net position as of July 1, 2020.

	Statement of Activities
Net position, as previously reported at July 1, 2020	\$ 23,500,723
Restatement	(2,173,659)
Net position, as restated, at July 1, 2020	<u>\$ 21,327,064</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 18. GASB Statement No. 84 Fiduciary Activities Implementation

Government Accounting Standards Board's Statement No. 84, Fiduciary Activities was implemented on July 1, 2020. The statement's objective is to improve the identification of fiduciary activities and how those activities are reported.

#### Primary Government

Due to the implementation of GASB Statement No. 84, the County will be reporting on custodial funds (previously agency funds) and will be including a Statement of Changes in Fiduciary Net Position.

#### Board of Education

Due to the implementation of GASB Statement No. 84, the Board of Education now reports School Activity Funds as a major governmental fund rather than as an agency fund. The Board has restated beginning net position at July 1, 2020 to reflect this change as follows:

	Statement of
	Activities
Net position, as previously reported at July 1, 2020	<u>\$ 60,476,021</u>
Restatement	338,484
<u>Net position, as restated, at July 1, 2020</u>	<u>\$ 60,814,505</u>

REQUIRED SUPPLEMENTARY INFORMATION

**SOMERSET COUNTY, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended June 30, 2021**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>REVENUE</b>			
Taxes	\$ 25,676,625	\$ 28,872,710	\$ 3,196,085
Licenses and permits	169,800	161,311	(8,489)
Intergovernmental	10,786,646	12,114,061	1,327,415
Charges for services	1,732,721	1,988,554	255,833
Miscellaneous	268,841	252,160	(16,681)
<b>Total revenue</b>	<b>38,634,633</b>	<b>43,388,796</b>	<b>4,754,163</b>
<b>EXPENDITURES</b>			
General government	7,420,615	9,683,268	(2,262,653)
Public safety	8,429,716	8,215,555	214,161
Public works	4,314,252	3,117,685	1,196,567
Health	1,011,165	933,320	77,845
Social services	76,464	74,844	1,620
Education	11,039,353	11,445,491	(406,138)
Recreation and culture	1,799,304	2,223,086	(423,782)
Conservation of natural resources	68,264	63,714	4,550
Intergovernmental	173,587	148,717	24,870
Debt service	2,921,929	2,892,390	29,539
<b>Total expenditures</b>	<b>37,254,649</b>	<b>38,798,070</b>	<b>(1,543,421)</b>
<b>Excess of revenue (under) over expenditures</b>	<b>1,379,984</b>	<b>4,590,726</b>	<b>3,210,742</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term financing	500,000	975,490	475,490
Operating transfers, net	(2,377,949)	(2,151,014)	226,935
Fund balance appropriated	497,965	-	(497,965)
<b>Total other financing sources (uses)</b>	<b>(1,379,984)</b>	<b>(1,175,524)</b>	<b>204,460</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>3,415,202</b>	<b>\$ 3,415,202</b>
Fund balance - beginning		<u>15,593,676</u>	
Fund balance - ending		<u>\$ 19,008,878</u>	

**SOMERSET COUNTY, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND  
BUDGETARY BASIS  
ROADS BOARD  
Year Ended June 30, 2021**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUE</b>			
Taxes	\$ 636,156	\$ 624,921	\$ (11,235)
Charges for services	492,026	302,138	(189,888)
Interest	2,000	2,675	675
Miscellaneous	5,000	18,216	13,216
<b>Total revenue</b>	<b>1,135,182</b>	<b>947,950</b>	<b>(187,232)</b>
<b>EXPENDITURES</b>			
Current	2,773,363	2,475,243	298,120
Capital outlay	45,000	126,643	(81,643)
<b>Total expenditures</b>	<b>2,818,363</b>	<b>2,601,886</b>	<b>216,477</b>
<b>(Deficiency) excess of revenue over expenditures</b>	<b>(1,683,181)</b>	<b>(1,653,936)</b>	<b>29,245</b>
<b>OTHER FINANCING SOURCES</b>			
Operating transfers, net	1,683,181	1,580,514	(102,667)
<b>Total other financing sources</b>	<b>1,683,181</b>	<b>1,580,514</b>	<b>(102,667)</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ (73,422)</b>	<b>\$ (73,422)</b>

**SOMERSET COUNTY, MARYLAND**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2021**

**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, 2020	0.0367690%	\$ 8,310,296	\$ 8,404,595	98.88%	\$ 54,586,037	\$ 77,187,397	70.72%
June 30, 2019	0.0381021%	\$ 7,858,789	\$ 8,225,518	95.54%	\$ 53,943,420	\$ 74,569,030	72.34%
June 30, 2018	0.0352109%	\$ 7,387,809	\$ 8,217,384	89.90%	\$ 51,827,233	\$ 72,808,833	71.18%
June 30, 2017	0.0310368%	\$ 6,711,297	\$ 7,752,541	86.57%	\$ 48,987,184	\$ 70,610,885	69.38%
June 30, 2016	0.0325863%	\$ 7,688,418	\$ 7,468,424	102.95%	\$ 45,365,927	\$ 68,959,954	65.79%
June 30, 2015	0.0358530%	\$ 7,450,863	\$ 7,859,269	94.80%	\$ 45,789,840	\$ 66,571,552	68.78%
June 30, 2014	0.0335765%	\$ 5,958,734	\$ 7,816,818	76.23%	\$ 45,339,988	\$ 63,086,719	71.87%

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

**SOMERSET COUNTY, MARYLAND**

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

**June 30, 2021**

**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)
2021	\$ 855,561	\$ 855,561	\$ -	\$ 8,363,852	10.23%
2020	788,351	788,351	-	8,404,595	9.38%
2019	740,297	740,297	-	8,225,518	9.00%
2018	702,132	702,132	-	8,217,384	8.54%
2017	631,704	631,704	-	7,752,541	8.15%
2016	634,808	634,808	-	7,468,424	8.50%
2015	755,684	755,684	-	7,859,269	9.62%

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

**SOMERSET COUNTY, MARYLAND**

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

**June 30, 2021**

**ACTUARIAL ASSUMPTIONS - PENSION PLAN**

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25-year closed amortization period ending June 30, 2039; 19 years remaining.
Asset Valuation Method	Five-year smoothed market (max. 120% and min 80% of the market value)
Inflation	In the 2020 actuarial valuation, 2.60% general, 3.10% wage. In the 2019 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2020 actuarial valuation, 3.10% to 11.60%. In the 2019 actuarial valuation, 3.10% to 11.6%.
Investment Rate of Return	In the 2020 actuarial valuation, 7.40%. In the 2019 actuarial valuation, 7.40%.
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational mortality projections using MP-2018 (2-dimensional) mortality improvement scale.



**SOMERSET COUNTY, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2021**

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

<b>As of June 30,</b>	<b>Fiscal Year</b>			
	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>
<b>Total OPEB liability</b>				
Service cost	\$ 720,750	\$ 748,001	\$ 818,901	\$ 1,082,153
Interest	655,991	697,598	708,633	502,844
Differences between expected and actual experience	-	-	(3,503,158)	-
Change of assumptions and other inputs	-	1,097,167	4,820,198	(234,604)
Benefit payments	(278,931)	(324,750)	(318,741)	(356,665)
<b>Net change in OPEB liability</b>	<u>1,097,810</u>	<u>2,218,016</u>	<u>2,525,833</u>	<u>993,728</u>
<b>Total OPEB liability - beginning of year</b>	17,088,822	18,186,632	20,404,648	22,930,481
<b>Total OPEB liability - ending of year (a)</b>	<u><u>\$ 18,186,632</u></u>	<u><u>\$ 20,404,648</u></u>	<u><u>\$ 22,930,481</u></u>	<u><u>\$ 23,924,209</u></u>
 <b>Plan fiduciary net position</b>				
Contributions - employer	\$ 285,129	\$ 331,798	\$ 318,741	\$ 356,665
Benefit payments	(285,129)	(331,798)	(318,741)	(356,665)
<b>Net change in plan fiduciary net position</b>	<u>-</u>	<u>-</u>	<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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 <b>County's net OPEB liability - end of year (a) - (b)</b>	\$ 18,186,632	\$ 20,404,648	\$ 22,930,481	\$ 23,924,209
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0%	0%	0%	0%
 <b>Covered employee payroll</b>	\$ 6,455,255	\$ 6,816,511	\$ 6,685,468	\$ 6,526,615
<b>County's net OPEB liability as a percentage of covered employee payroll</b>	281.73%	299.34%	342.99%	366.56%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

**Changes in Benefit Terms**

There were no significant benefit changes during the year.

**Changes in Assumptions**

1. The discount rate was changed from 2.21% at June 30, 2020 to 2.16% at June 30, 2021.
2. The mortality improvement scale was updated from MP-2019 to MP-2020.

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

Discount Rate:	The discount rate used to measure the total OPEB liability is 2.16%. 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, 2021.						
Mortality:	Pub -2010 General Headcount-weighted with fully generational scale MP-2020. This mortality table represents the most recent table for governmental employees released by the Society of Actuaries.						
Turnover:	T7 Standard Table. Based on professional judgement of the actuary						
Salary scale:	3.00%						
Retirement age:	Retirement rates are set based on the professional judgment of the actuary according to the following table:						
	<table border="1"><thead><tr><th colspan="2">Probability of Retirement</th></tr></thead><tbody><tr><td>Age 60-64 &amp; 10+ years of service</td><td style="text-align: right;">20%</td></tr><tr><td>Age 65</td><td style="text-align: right;">100%</td></tr></tbody></table>	Probability of Retirement		Age 60-64 & 10+ years of service	20%	Age 65	100%
Probability of Retirement							
Age 60-64 & 10+ years of service	20%						
Age 65	100%						
Utilization:	75%, based on plan experience and input from the plan sponsor						

**Note 2: Actual Expenditures over Budget**

Expenditures in the General Fund exceeded the budget primarily due to the County expending approximately \$2.1 million in unbudgeted Coronavirus Relief Funds, under grants created under the CARES Act.

ADDITIONAL SUPPLEMENTARY INFORMATION

**SOMERSET COUNTY, MARYLAND**

**REVENUE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2021**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>TAXES</b>			
Property	\$ 17,485,625	\$ 18,673,386	\$ 1,187,761
Penalties and interest	200,000	282,484	82,484
	<hr/> 17,685,625	<hr/> 18,955,870	<hr/> 1,270,245
Income tax	7,200,000	8,925,870	1,725,870
Other			
Admissions and amusements	15,000	18,870	3,870
Recordation	700,000	873,761	173,761
Bay Restoration fund fee	16,000	16,360	360
Assessments - room tax	60,000	81,979	21,979
	<hr/> 791,000	<hr/> 990,970	<hr/> 199,970
	<hr/> 25,676,625	<hr/> 28,872,710	<hr/> 3,196,085
<b>LICENSES AND PERMITS</b>			
Cable franchise fees	120,000	111,249	(8,751)
Alcoholic beverages	30,000	28,201	(1,799)
Traders	17,000	18,971	1,971
Other	2,800	2,890	90
	<hr/> 169,800	<hr/> 161,311	<hr/> (8,489)
<b>INTERGOVERNMENTAL</b>			
Federal			
Transportation Program	200,000	200,000	-
Airport Program	383,439	69,379	(314,060)
CARES Act	-	2,173,658	2,173,658
CDBG COVID rental and food assistance	-	171,140	171,140
Civil defense/emergency services	180,482	220,067	39,585
Sheriff Non-Support	2,999	4,754	1,755
Highway Safety - DOT	1,500	1,500	-
State's Attorney	158,000	173,969	15,969
FEMA Hazard mitigation	-	20,400	20,400
CDBG Disaster Recovery Grant Administration fee	30,000	29,977	(23)
BJAG NIBRS Compliant RMS	-	172,821	172,821
State of Maryland			
Fire, rescue and ambulance	313,590	314,200	610
Disparity Grant	6,331,782	6,331,782	-
Police protection	109,631	104,241	(5,390)
Waterways	629,000	86,490	(542,510)
DNR Deal Island Shoreline project	-	19,800	19,800
2020 Census	-	1,989	1,989
Program Open Space	690,167	-	(690,167)
Burgess Museum Grant	-	236,800	236,800
Technical and Community Services	42,000	12,000	(30,000)
Family Services	162,397	131,539	(30,858)
Airport	321,302	89,491	(231,811)

**SOMERSET COUNTY, MARYLAND**

**REVENUE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND  
(Continued)  
Year Ended June 30, 2021**

	Original/ Final		Variance Positive
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
<b>INTERGOVERNMENTAL (continued)</b>			
State of Maryland (continued)			
Tourism	\$ 22,390	\$ 29,377	\$ 6,987
Juror / Circuit Court Cost	30,000	21,450	(8,550)
Civil defense/emergency services	245,590	123,516	(122,074)
Sex Offender Program	16,951	10,990	(5,961)
City of Crisfield - airport grant	10,651	4,545	(6,106)
Health Department Cleaning grant	30,000	30,000	-
Safeguarding Children	5,200	-	(5,200)
Forest and Wildlife Pilot	466,936	419,987	(46,949)
Forest & Parks	50,000	-	(50,000)
Pretrial Services Program	112,254	-	(112,254)
Adult Drug Court	199,885	147,709	(52,176)
Sheriff School Resource Officer	-	63,069	63,069
COVID 19 Restaurant Relief fund	-	275,162	275,162
COVID 19 Hotel Motel Relief fund	-	76,252	76,252
COVID 19 Hometown Tourism	-	26,609	26,609
COVID 19 Online sales and telework relief	-	2,113	2,113
Recovery Now	-	84,742	84,742
Local			
Payments in lieu of taxes	30,500	1,098	(29,402)
Crisfield Housing Authority	10,000	10,000	-
Salisbury University Opioid	-	5,000	5,000
Somerset County Dispensaries	-	216,445	216,445
	<hr/> 10,786,646	<hr/> 12,114,061	<hr/> 1,327,415
<b>CHARGES FOR SERVICES</b>			
General Government	375,221	320,030	(55,191)
Mosquito control	44,000	43,465	(535)
Landfill tipping and permit fees	1,313,500	1,625,059	311,559
	<hr/> 1,732,721	<hr/> 1,988,554	<hr/> 255,833
<b>MISCELLANEOUS</b>			
Rents and concessions	88,000	107,656	19,656
Telephone concessions	30,000	45,564	15,564
Interest	70,000	25,717	(44,283)
Proceeds from sale of capital assets	25,000	43,823	18,823
Other	55,841	29,400	(26,441)
	<hr/> 268,841	<hr/> 252,160	<hr/> (16,681)
<b>OTHER FINANCING SOURCES</b>			
Proceeds from debt financing	500,000	975,490	475,490
Fund balance appropriated	497,965	-	(497,965)
	<hr/> 997,965	<hr/> 975,490	<hr/> (22,475)
<b>TOTAL REVENUE AND OTHER FINANCING SOURCES</b>			
	\$ 39,632,598	\$ 44,364,286	\$ 4,731,688

**SOMERSET COUNTY, MARYLAND**

**EXPENDITURE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2021**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>GENERAL GOVERNMENT</b>			
LEGISLATIVE			
County Commissioners	\$ 75,959	\$ 71,514	\$ 4,445
Clerk to County Commissioners	238,722	237,460	1,262
	314,681	308,974	5,707
JUDICIAL			
Adult Drug Court	199,885	144,416	55,469
Circuit Court	158,120	170,932	(12,812)
Family Service:	162,397	129,352	33,045
Orphans' Court	18,761	16,338	2,423
State's Attorney	1,106,396	1,054,684	51,712
Law Library	10,000	4,835	5,165
	1,655,559	1,520,557	135,002
ELECTION			
Board of Supervision of Election:	18,837	16,354	2,483
Registration and electior	672,672	580,076	92,596
	691,509	596,430	95,079
FINANCIAL ADMINISTRATION			
Finance and Accounting	365,874	349,021	16,853
Tax collection and disbursement of fund:	368,410	340,642	27,768
Internal auditing	131,070	131,670	(600)
Auditing and accounting	51,000	51,075	(75)
Licensing	22,931	21,290	1,641
	939,285	893,698	45,587
LEGAL			
	97,526	96,688	838
PERSONNEL			
	234,178	227,420	6,758
PLANNING AND ZONING			
	1,077,949	1,125,105	(47,156)
GENERAL SERVICES			
County building	1,139,501	1,113,912	25,589
Tourism	322,641	303,806	18,835
	1,462,142	1,417,718	44,424

Salaries and Other Operating <u>Expenses</u>	Capital <u>Outlay</u>
\$ 71,514	\$ -
237,460	-
<hr/>	
308,974	-
<hr/>	
144,416	-
170,932	-
129,352	-
16,338	-
1,054,684	-
4,835	-
<hr/>	
1,520,557	-
<hr/>	
16,354	-
366,041	214,035
<hr/>	
382,395	214,035
<hr/>	
349,021	-
340,642	-
131,670	-
51,075	-
21,290	-
<hr/>	
893,698	-
<hr/>	
96,688	-
<hr/>	
227,420	-
<hr/>	
1,125,105	-
<hr/>	
1,048,460	65,452
291,726	12,080
<hr/>	
1,340,186	77,532
<hr/>	

**SOMERSET COUNTY, MARYLAND**

**EXPENDITURE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND  
(Continued)  
Year Ended June 30, 2021**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>MISCELLANEOUS</b>			
Information Technology	\$ 278,431	\$ 273,120	\$ 5,311
Financial ERP software	32,000	31,300	700
Community promotions	165,168	157,908	7,260
Public Officers Association	26,475	14,993	11,482
Health benefits retirees	294,175	316,089	(21,914)
Retirement and pension contribution:	31,807	27,115	4,692
Coronavirus Aid, Relief, and Economic Security Act			
Economic Development business relief:	-	378,207	(378,207)
Town of Princess Anne	-	215,436	(215,436)
City of Crisfield	-	214,823	(214,823)
Information technology	-	136,210	(136,210)
Board of Education	-	402,938	(402,938)
Payroll and overtime	-	16,389	(16,389)
Local Food Bank	-	89,396	(89,396)
Local Fire and EMS	-	148,543	(148,543)
Commission on Aging	-	30,729	(30,729)
Election mailing and other operations	-	23,693	(23,693)
Economic Development	-	2,931	(2,931)
Local homeless shelter	-	100,000	(100,000)
General operations	-	160,692	(160,692)
Circuit Court	-	16,209	(16,209)
Security and Information Technology	-	150,310	(150,310)
Recreation, Parks, and Golf	-	38,603	(38,603)
Sanitary District	-	5,653	(5,653)
County Roads	-	383	(383)
State of Maryland COVID Relief Grant			
Restaurants	-	275,164	(275,164)
Hotel and Motel	-	76,252	(76,252)
Online sales and teleworking	-	2,113	(2,113)
Maryland Recovery Now Grant	-	84,516	(84,516)
Other general government	119,728	106,963	12,765
	947,784	3,496,678	(2,548,894)
<b>Total General Government</b>	<b>7,420,615</b>	<b>9,683,268</b>	<b>(2,262,655)</b>
<b>PUBLIC SAFETY</b>			
Sheriff	2,708,507	2,697,912	10,595
Ambulance and fire	1,201,423	1,196,734	4,689
Correction	2,928,694	2,881,628	47,066
Other protection			
911 communication	1,396,286	1,283,229	113,057
Animal protection	194,806	156,052	38,754
	8,429,716	8,215,555	214,161
<b>PUBLIC WORKS</b>			
Waste collection and disposal	2,172,244	2,358,131	(185,887)
Highway, streets and waterway	781,900	145,186	636,714
Transportation	1,360,108	614,368	745,740
	4,314,252	3,117,685	1,196,567



	<u>Salaries and Other Operating Expenses</u>	<u>Capital Outlay</u>
\$	265,035	\$ 8,085
	31,300	-
	157,908	-
	14,993	-
	316,089	-
	27,115	-
	378,207	-
	215,436	-
	214,823	-
	-	136,210
	402,938	-
	16,389	-
	89,396	-
	148,543	-
	30,729	-
	23,693	-
	-	2,931
	100,000	-
	1,040	159,652
	16,209	-
	4,086	146,224
	5,584	33,019
	5,653	-
	383	-
	275,164	-
	76,252	-
	2,113	-
	84,516	-
	106,963	-
	<hr/>	
	3,010,557	486,121
	<hr/>	
	8,905,580	777,688
	<hr/>	
	2,572,841	125,071
	1,196,734	-
	2,881,628	-
	1,249,641	33,588
	156,052	-
	<hr/>	
	8,056,896	158,659
	<hr/>	
	1,869,482	488,649
	145,186	-
	280,747	333,621
	<hr/>	
	2,295,415	822,270
	<hr/>	

**SOMERSET COUNTY, MARYLAND**

**EXPENDITURE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND**

**(Continued)**

**Year Ended June 30, 2021**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>HEALTH</b>	\$ 1,011,165	\$ 933,320	\$ 77,845
<b>SOCIAL SERVICES</b>	76,464	74,844	1,620
<b>EDUCATION</b>	11,039,353	11,445,491	(406,138)
<b>RECREATION AND CULTURE</b>	1,799,304	2,223,086	(423,782)
<b>CONSERVATION OF NATURAL RESOURCES</b>	68,264	63,714	4,550
<b>INTERGOVERNMENTAL</b>	173,587	148,717	24,870
<b>DEBT SERVICE</b>	2,921,929	2,892,390	29,539
<b>OTHER FINANCING USES</b>			
Operating transfers			
County Roads Department	1,683,181	1,580,514	102,667
Economic Development Commission	180,500	180,500	-
Golf Course - transfer:	514,268	390,000	124,268
	2,377,949	2,151,014	226,935
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 39,632,598</b>	<b>\$ 40,949,084</b>	<b>\$ (1,316,488)</b>

Salaries and Other Operating <u>Expenses</u>	Capital <u>Outlay</u>
\$ 933,320	\$ -
<u>74,844</u>	<u>-</u>
10,486,896	958,595
<u>1,132,951</u>	<u>1,090,135</u>
<u>63,714</u>	<u>-</u>
<u>148,717</u>	<u>-</u>
<u>2,892,390</u>	<u>-</u>
1,580,514	-
180,500	-
<u>390,000</u>	<u>-</u>
<u>2,151,014</u>	<u>-</u>
<u>\$ 37,141,737</u>	<u>\$ 3,807,347</u>

**SOMERSET COUNTY, MARYLAND**

**BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
June 30, 2021**

	<u>CDBG Programs</u>	<u>Special Loan Program</u>	<u>Commission on Aging - SSTAP</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 99,500	\$ -	\$ 99,500
Receivables				
Due from other funds	27,823	-	-	27,823
Due from other governmental units	67,375	-	39,129	106,504
<b>Total assets</b>	<b>\$ 95,198</b>	<b>\$ 99,500</b>	<b>\$ 39,129</b>	<b>\$ 233,827</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 441	\$ 61,464	\$ -	\$ 61,905
Due to other funds	50,000	-	-	50,000
Due to other governmental units	16,934	-	39,129	56,063
Unearned revenue	27,823	37,991	-	65,814
<b>Total liabilities</b>	<b>95,198</b>	<b>99,455</b>	<b>39,129</b>	<b>233,782</b>
<b>FUND BALANCE</b>				
Assigned for fund purpose	-	45	-	45
<b>Total fund balance</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>45</b>
<b>Total liabilities and fund balance</b>	<b>\$ 95,198</b>	<b>\$ 99,500</b>	<b>\$ 39,129</b>	<b>\$ 233,827</b>

**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
Year Ended June 30, 2021**

	<u>CDBG Programs</u>	<u>Special Loan Program</u>	<u>Commission on Aging - SSTAP</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUE</b>				
Intergovernmental				
Federal	\$ 132,597	\$ -	\$ -	\$ 132,597
State	-	98,412	117,447	215,859
Local	-	-	68,953	68,953
Miscellaneous	-	-	1,276	1,276
<b>Total revenue</b>	<b>132,597</b>	<b>98,412</b>	<b>187,676</b>	<b>418,685</b>
<b>EXPENDITURES</b>				
Current				
Social services	-	-	187,676	187,676
Economic and community development	132,597	98,412	-	231,009
<b>Total expenditures</b>	<b>132,597</b>	<b>98,412</b>	<b>187,676</b>	<b>418,685</b>
Excess of revenue over expenditures	-	-	-	-
Fund balances, beginning	-	45	-	45
Fund balances, ending	\$ -	\$ 45	\$ -	\$ 45

**SOMERSET COUNTY, MARYLAND**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS**

**June 30, 2021**

	State Tax Fund	State's Attorney Funds	Detention Center Funds	Dental Fund	Retirees Health Fund	Total
<b>ASSETS</b>						
Cash	\$ -	\$ 15,000	\$ 17,906	\$ 26,462	\$ 216,323	\$ 275,691
Property taxes receivable	81,782	-	-	-	-	81,782
Due from other funds	7,958	-	-	-	-	7,958
<b>Total assets</b>	<b>\$ 89,740</b>	<b>\$ 15,000</b>	<b>\$ 17,906</b>	<b>\$ 26,462</b>	<b>\$ 216,323</b>	<b>\$ 365,431</b>
<b>LIABILITIES</b>						
Due to other governmental units	\$ 89,740	\$ -	\$ -	\$ -	\$ -	\$ 89,740
<b>Total liabilities</b>	<b>89,740</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,740</b>
<b>NET POSITION</b>						
Restricted	\$ -	\$ 15,000	\$ 17,906	\$ 26,462	\$ 216,323	\$ 275,691

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

**SOMERSET COUNTY, MARYLAND**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
Year Ended June 30, 2021**

	State Tax Fund	State's Attorney Funds	Detention Center Funds	Dental Fund	Retirees Health Fund	Total
<b>ADDITIONS:</b>						
Contributions	\$ -	\$ 33,270	\$ 89,067	\$ 85,563	\$ 299,488	\$ 507,388
Collections for other governments	1,589,786	-	-	-	-	1,589,786
<b>Total additions</b>	<b>1,589,786</b>	<b>33,270</b>	<b>89,067</b>	<b>85,563</b>	<b>299,488</b>	<b>2,097,174</b>
<b>DEDUCTIONS:</b>						
Claims paid	-	-	-	56,035	204,926	260,961
Advisor payments	-	-	-	-	12,210	12,210
Administrative fees	-	-	-	34,130	51,003	85,133
Payments to other governments	1,589,786	-	-	-	-	1,589,786
Other	-	28,295	82,220	-	-	110,515
<b>Total deductions</b>	<b>1,589,786</b>	<b>28,295</b>	<b>82,220</b>	<b>90,165</b>	<b>268,139</b>	<b>2,058,605</b>
Change in net assets	-	4,975	6,847	(4,602)	31,349	38,569
Net position, beginning	-	10,025	11,059	31,064	184,974	237,122
Net position, ending	\$ -	\$ 15,000	\$ 17,906	\$ 26,462	\$ 216,323	\$ 275,691

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

**SOMERSET COUNTY, MARYLAND**

**GENERAL FUND - TAXES RECEIVABLE**

**June 30, 2021**

**(Unaudited)**

	Tax Rate	Total Assessed Value of Taxable Property	Tax Levy	Collected		Balance June 30, 2021
				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	12,580,960	100.00	539
2008-2009 Levy	E	1,568,418,115	14,464,986	14,464,404	100.00	582
2009-2010 Levy	F	1,683,987,794	15,188,742	15,187,840	99.99	902
2010-2011 Levy	G	1,699,240,830	15,036,863	15,036,531	100.00	332
2011-2012 Levy	G	1,616,536,797	14,297,806	14,297,220	100.00	586
2012-2013 Levy	G	1,457,734,602	12,897,185	12,897,809	100.00	(624)
2013-2014 Levy	H	1,416,724,050	12,976,836	12,980,590	100.03	(3,754)
2014-2015 Levy	H	1,361,394,961	12,472,354	12,469,663	99.98	2,691
2015-2016 Levy	I	1,371,604,952	13,759,300	13,754,934	99.97	4,366
2016-2017 Levy	I	1,365,856,317	13,711,958	13,696,707	99.89	15,251
2017-2018 Levy	I	1,360,065,960	13,678,468	13,657,011	99.84	21,457
2018-2019 Levy	I	1,354,589,599	13,639,083	13,610,497	99.79	28,586
2019-2020 Levy	I	1,379,191,280	13,827,136	13,775,349	99.63	51,787
2020-2021 Levy	I	1,381,675,594	13,863,510	13,228,513	95.42	634,997
						758,237

**CORPORATE TAXES**

2000-2001 Levy	2.45	66,651,000	1,609,994	1,609,244	99.95	750
2001-2002 Levy	A	67,000,140	1,618,012	1,617,329	99.96	683
2002-2003 Levy	B	68,632,290	1,586,645	1,586,073	99.96	572
2003-2004 Levy	B	66,109,090	1,501,437	1,500,599	99.94	838
2004-2005 Levy	B	58,704,930	1,490,057	1,488,794	99.92	1,263
2005-2006 Levy	C	59,295,350	1,486,284	1,485,325	99.94	959
2006-2007 Levy	D	64,167,890	1,520,906	1,519,951	99.94	955
2007-2008 Levy	D	65,157,950	1,511,292	1,510,332	99.94	960
2008-2009 Levy	E	67,770,460	1,538,019	1,536,662	99.91	1,357
2009-2010 Levy	F	59,364,950	1,541,422	1,540,541	99.94	881
2010-2011 Levy	G	67,314,350	1,486,601	1,485,099	99.90	1,502
2011-2012 Levy	G	68,712,250	1,518,309	1,513,719	99.70	4,590
2012-2013 Levy	G	66,886,140	1,478,987	1,478,653	99.98	334
2013-2014 Levy	H	67,554,650	1,547,526	1,543,896	99.77	3,630
2014-2015 Levy	H	72,477,610	1,652,028	1,645,726	99.62	6,302
2015-2016 Levy	I	76,183,980	1,897,500	1,890,479	99.63	7,021
2016-2017 Levy	I	78,783,510	1,970,352	1,959,422	99.45	10,930
2017-2018 Levy	I	75,445,340	1,883,027	1,869,589	99.29	13,438
2018-2019 Levy	I	141,146,080	3,539,598	3,521,893	99.50	17,705
2019-2020 Levy	I	140,910,710	3,576,429	3,549,424	99.24	27,005
2020-2021 Levy	I	160,950,390	4,023,760	3,873,715	96.27	150,045

251,720

1,009,957

Less: Allowance for doubtful accounts

-

\$ 1,009,957

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



**SOMERSET COUNTY, MARYLAND**

**GENERAL FUND - PROPERTY TAX LEVIES AND COLLECTIONS**  
**Years Ended June 30, 2021**  
**(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>
2021	I	\$ 1,542,625,984	\$ 17,887,270	\$ 17,102,228	95.61	\$ 841,721
2020	I	1,520,101,990	17,358,956	16,298,051	93.89	1,039,955
2019	I	1,495,735,679	17,173,545	15,849,424	92.29	1,318,015
2018	I	1,435,511,300	15,489,323	14,123,160	91.18	1,412,335
2017	I	1,444,639,827	15,687,444	14,304,667	91.19	1,353,166
2016	I	1,447,788,932	15,675,025	14,291,127	91.17	1,354,589
2015	H	1,433,872,571	14,149,738	12,795,819	90.43	1,339,380
2014	H	1,484,278,700	14,547,130	13,078,987	89.91	1,405,754
2013	G	1,527,554,512	14,424,497	12,945,537	89.75	1,470,348
2012	G	1,685,249,047	15,843,761	14,008,327	88.42	781,885
2011	G	1,766,555,180	16,543,705	14,755,506	89.19	1,956,859
2010	F	1,743,352,744	16,533,458	14,463,621	87.48	1,672,784
D Real property - tax rate \$.94		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>
\$ 17,943,949	100.32	\$ 1,009,957	5.65
17,338,006	99.88	1,633,162	9.41
17,167,439	99.96	1,956,217	11.39
15,535,495	100.30	1,879,388	12.13
15,657,833	99.81	1,932,294	12.32
15,645,716	99.81	1,906,233	12.16
14,135,199	99.90	1,834,072	12.96
14,484,741	99.57	1,909,253	13.12
14,415,885	99.94	1,897,512	13.15
14,790,212	93.35	2,243,129	14.16
16,712,365	101.02	2,046,377	12.37
16,136,405	97.60	2,308,088	13.96

**SOMERSET COUNTY, MARYLAND**

**GENERAL FUND - PROPERTY ASSESSED VALUES  
June 30, 2021  
(Unaudited)**

Fiscal Year Ended June 30,	Assessed Values					
	Real Property		Personal Property			
	Full Year	Partial Year	Locally Assessed	Ordinary Business Corporations	Railroads & Public Utilities	Total
2021	\$ 1,376,379,584	\$ 2,179,100	\$ 3,116,910	\$ 113,184,960	\$ 47,765,430	\$ 1,542,625,984
2020	1,360,786,900	15,452,660	2,951,720	96,221,370	44,689,340	1,520,101,990
2019	1,349,932,949	1,541,100	3,115,550	98,775,040	42,371,040	1,495,735,679
2018	1,350,945,420	5,467,700	3,652,840	37,156,350	38,288,990	1,435,511,300
2017	1,358,564,567	3,338,850	3,952,900	34,590,320	44,193,190	1,444,639,827
2016	1,365,432,377	2,547,495	3,625,080	33,396,010	42,787,970	1,447,788,932
2015	1,356,452,671	2,388,610	2,553,680	31,130,030	41,347,580	1,433,872,571
2014	1,411,596,700	2,300,950	2,826,400	29,509,350	38,045,300	1,484,278,700
2013	1,452,719,887	5,014,715	2,933,770	29,600,550	37,285,590	1,527,554,512
2012	1,611,332,127	2,156,870	3,047,800	32,754,490	35,957,760	1,685,249,047
2011	1,690,889,068	5,306,102	3,045,660	32,693,140	34,621,210	1,766,555,180
2010	1,678,787,893	2,099,401	3,100,500	32,393,030	26,971,920	1,743,352,744

**SOMERSET COUNTY, MARYLAND**

**GOVERNMENTAL FUND TYPES (REPORTING ENTITY)**

**EXPENDITURES BY FUNCTION**

**Ten Years Ended June 30, 2021**

**(Unaudited)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General government	\$ 9,683,268	\$ 7,379,201	\$ 7,125,940	\$ 6,736,354	\$ 6,329,780
Public safety	8,215,555	9,134,834	11,961,190	8,209,251	7,620,741
Public works	5,719,571	8,423,291	6,195,302	5,244,929	5,259,924
Health	933,320	895,468	987,540	958,975	904,358
Social services	262,520	261,005	297,376	353,222	266,993
Education	61,059,336	62,263,051	64,687,722	50,138,362	37,698,097
Recreation and culture	2,674,766	5,017,854	1,855,487	1,847,813	1,903,212
Conservation of natural resources	63,714	75,491	118,626	111,992	102,045
Economic and community development	2,128,857	4,186,319	1,751,832	3,623,751	7,830,421
Intergovernmental	148,717	175,157	144,953	169,542	165,875
Debt service	2,892,390	6,721,569	2,442,585	2,650,210	5,583,235
Miscellaneous	-	-	-	-	-
	<u>\$ 93,782,014</u>	<u>\$ 104,533,240</u>	<u>\$ 97,568,553</u>	<u>\$ 80,044,401</u>	<u>\$ 73,664,681</u>

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 6,035,270	\$ 6,538,792	\$ 6,757,059	\$ 6,224,871	\$ 6,196,467
7,469,144	7,213,198	7,520,291	7,180,372	7,345,080
5,226,400	6,127,456	6,395,927	5,679,510	5,884,871
871,610	886,985	828,186	856,234	936,925
245,110	252,823	243,418	247,748	262,132
36,808,025	35,129,242	32,460,744	30,610,825	34,765,635
4,372,667	3,603,710	1,593,380	1,455,405	1,712,502
112,980	109,575	98,730	101,609	103,822
5,682,392	3,445,175	1,550,771	1,009,956	605,428
172,444	152,212	154,783	260,444	261,513
2,476,675	2,436,591	10,179,576	2,000,765	1,996,979
-	-	-	-	-
<u>\$ 69,472,717</u>	<u>\$ 65,895,759</u>	<u>\$ 67,782,865</u>	<u>\$ 55,627,739</u>	<u>\$ 60,071,354</u>

**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF REVENUE AND EXPENSES  
 PROPRIETARY FUND TYPE  
 Years Ended June 30, 2021 and 2020**

	Primary Government Enterprise Fund Golf Course	
	2021	2020
<b>OPERATING REVENUE</b>		
Charges for services:		
Green fees	\$ 266,858	\$ 170,474
Cart fees	154,423	143,011
Driving range	8,827	6,514
Membership dues	101,946	96,934
Concessions	68,522	70,508
Miscellaneous	4,583	5,071
<hr/>		
Total operating revenue	605,159	492,512
<hr/>		
<b>OPERATING EXPENSES</b>		
Salaries and related taxes	506,220	508,565
Repairs and maintenance	67,259	49,365
Supplies	123,282	145,759
Utilities	29,133	31,937
Insurance	62,229	79,079
Depreciation and amortization	144,197	144,333
Other operating	152,268	127,577
<hr/>		
Total operating expenses	1,084,588	1,086,615
<hr/>		
Net operating loss	(479,429)	(594,103)
<hr/>		
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Financial expense, net	(3,018)	(3,726)
Operating transfers, net	390,000	460,000
<hr/>		
Net non-operating revenue	386,982	456,274
<hr/>		
Net loss	\$ (92,447)	\$ (137,829)
<hr/>		

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, 2021, 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 February 28, 2022. Our report included a reference to other auditors who audited the financial statements of the Somerset County Sanitary District and the Liquor Control Board of Somerset County, as described in our report on Somerset County, Maryland's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Somerset County, Maryland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 the results of that 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.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are written in a cursive, slightly slanted style.

Salisbury, Maryland  
February 28, 2022

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, 2021. Somerset County, Maryland's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, 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, 2021.

## 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 the 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.

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are stylized and cursive, with the "U" and "H" being particularly prominent.

Salisbury, Maryland  
February 28, 2022

**SOMERSET COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2021**

<u>Description</u>	<u>Federal Assistance Listing Numbers</u>	<u>Passthrough Grantor's Numbers</u>	<u>Expenditures</u>	<u>to Subrecipients</u>
<b><u>Department of Housing and Urban Development</u></b>				
Passed through Maryland Department of Housing and Community Development:				
CDBG - Entitlement Grants Cluster:				
Housing Rehabilitation	14.218	MD-19-CD-26	\$ 61,942	\$ -
Sub-Total CDBG - Entitlement Grant Cluster			61,942	-
CDBG - Disaster Recovery Grants Cluster:				
Hurricane Sandy 14	14.269	MD-14-DR	50,000	-
Hurricane Sandy 15	14.269	MD-15-DR-1	1,657,792	-
Sub-Total CDBG - Disaster Recover Grants Cluster			1,707,792	-
COVID-19 Rental and Food Assistance	14.228	CV-1-10	171,140	-
Homeless Initiative - Lower Shore Shelter	14.228	MD-18-HI-6	53,280	-
Blight Removal	14.228	MD-20-CD-25	17,375	-
Sub-Total			241,795	-
Total Department of Housing and Urban Development			2,011,529	-
<b><u>Department of Homeland Security</u></b>				
Passed through State of Maryland Department of Emergency Management:				
Hazard Mitigation Grant - 911	97.029	FMA-PL-03-MD-2018-001	20,400	-
Emergency Services - Homeland Security Grant	97.067	19SHSP857	130,796	-
Emergency Management Performance Grant	97.042	19EMPG857	89,271	-
Total Department of Homeland Security			240,467	-
<b><u>Department of Treasury</u></b>				
Direct Award				
Coronavirus Aid, Relief, and Economic Security Act	21.019	N/A	2,173,658	-
Total Department of Treasury			2,173,658	-
<b><u>Department of Justice</u></b>				
Passed through Governor's Office of Crime and Prevention				
BJAG Sheriff - NIBRS Complaint RMS	16.738	BJAG-2018-0023	172,821	-
Total Department of Treasury			172,821	-
<b><u>Department of Health and Human Services</u></b>				
Passed through State of Maryland Department of Human Resources:				
States Attorney Child Support	93.563	CSEA/CRA-20-023	173,969	-
Non Support Grant - Sheriff	93.563	CSEA/CRA-18-039	4,754	-
Total Department of Health and Human Services			178,723	-
<b><u>Department of Transportation</u></b>				
Federal Aviation Administration (AIP)	20.106	3-24-0012-015	69,379	-
Sub-Total			69,379	-
Passed through the State Highway Administration:				
State and Community Highway Safety	20.616	LE 20-024	1,500	-
Sub-Total Highway Safety Cluster			1,500	-
Passed through the Maryland Department of Human Resources:				
Federal Transit - Formula Grants	20.507	N/A	200,000	-
Sub-Total Federal Transit Cluster			200,000	-
Total Department of Transportation			270,879	-
Total Expenditures of Federal Awards			\$ 5,048,077	\$ -

SOMERSET COUNTY, MARYLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021

**Note 1. Basis of Accounting**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Somerset County, Maryland under programs of the federal government for the year ended June 30, 2021. 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 modified 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, 2021

**A. Summary of Auditors' Results**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Somerset County, Maryland were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses in internal control related 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 or material weaknesses relating to the amount of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Somerset County, Maryland expresses an unmodified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported on this schedule.
7. The programs tested as major programs include:  
  
    Coronavirus Relief Fund – CFDA #21.019
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Somerset County, Maryland was determined to be a low-risk auditee for the year ended June 30, 2021.

**B. Findings - Financial Statement Audit**

None

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

None