

# **SOMERSET COUNTY, MARYLAND**

## FINANCIAL REPORT

June 30, 2022

# SOMERSET COUNTY, MARYLAND

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinions**

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

In our opinion, based on our audit and the report 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 unit, each major fund, and the aggregate remaining fund information of The County Commissioners of Somerset County, Maryland, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Somerset County Sanitary District, Inc. or the Somerset County Liquor Control Board, which represent 26 percent, 23 percent, and 11 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Somerset County Sanitary District, Inc. and Somerset County Liquor Control Board are based solely on the report of the other auditors.

### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The County Commissioners of Somerset County, Maryland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, during the year ended June 30, 2022, the County adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 87, "Leases". Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

## **Auditors' Responsibility for the audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 is the responsibility of management and, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The County Commissioners of Somerset County, Maryland's basic financial statements. The accompanying additional supplementary information as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 as listed in the table of contents, 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 January 30, 2023 on our consideration of The County Commissioners of Somerset County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Commissioners of Somerset County, Maryland'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 Commissioners of Somerset County, Maryland's internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten font, followed by 'LLP' in a smaller, simpler font.

Salisbury, Maryland  
January 30, 2023



## Management's Discussion and Analysis

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Somerset County's Financial Report for fiscal year ended June 30, 2022 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 2022 by \$28.4 million. A net pension liability of \$5.8 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 \$19.4 million is reflected as a liability in accordance with GASB 75.

The total net position of the County increased approximately \$6 million during fiscal year 2022. There are several factors that enter into this increase, but the primary reason for the change is the increase in property, income and recordation tax revenues, along with favorable variances in certain unspent capital line items.

The County's total governmental funds show a fund balance of \$25.2 million as of the end of the fiscal year. Of this total, \$11.9 million is either committed or assigned for capital projects, debt service, other post-employment benefits, future budget purposes, or other fund purposes. Approximately \$13.1 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 \$31,854,197 for the Primary Government at June 30, 2022, with \$24,728,450 in cash and cash equivalents including restricted cash. Capital assets amount to \$55,709,781, net of accumulated depreciation.

Total liabilities amount to \$54,508,433, which includes \$8,869,713 for Board of Education projects, \$7,225,171 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 \$28,397,195 of which \$34,656,928 is invested in capital assets net of related debt and \$6,453,782 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, 2022 and 2021

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Current and other assets	\$ 31,666,696	\$ 26,790,382	\$ (13,043)	\$ (3,164)
Restricted	194,049	191,116	-	-
Capital assets	54,820,984	55,498,564	888,797	1,022,834
Total assets	\$ 86,681,729	\$ 82,480,062	\$ 875,754	\$ 1,019,670
Deferred outflows of resources	5,222,301	4,447,762	-	-
Current and other liabilities	8,067,595	6,957,772	138,018	95,494
Long-term liabilities	46,264,232	55,275,450	32,093	57,287
Total liabilities	\$ 54,331,827	\$ 62,233,222	\$ 170,111	\$ 152,781
Deferred inflows of resources	9,880,651	3,029,118	-	-
Net position:				
Invested in capital assets				
net of related debt	33,800,224	33,094,216	856,704	965,547
Restricted	194,049	191,116	-	-
Unrestricted	(6,302,721)	(11,619,848)	(151,061)	(98,658)
Total net position	\$ 27,691,552	\$ 21,665,484	\$ 705,643	\$ 866,889



Total		Component Units	
2022	2021	2022	2021
\$ 31,653,653	\$ 26,787,218	\$ 12,659,271	\$ 11,618,557
194,049	191,116	1,743,499	1,823,830
55,709,781	56,521,398	117,043,454	120,380,613
<u>\$ 87,557,483</u>	<u>\$ 83,499,732</u>	<u>\$ 131,446,224</u>	<u>\$ 133,823,000</u>
5,222,301	4,447,762	8,316,960	8,639,933
8,205,613	7,053,266	6,707,882	6,904,064
46,296,325	55,332,737	36,029,376	39,788,144
<u>\$ 54,501,938</u>	<u>\$ 62,386,003</u>	<u>\$ 42,737,258</u>	<u>\$ 46,692,208</u>
9,880,651	3,029,118	5,990,090	1,357,825
34,656,928	34,059,763	105,517,467	108,606,885
194,049	191,116	385,521	385,521
(6,453,782)	(11,718,506)	(14,867,152)	(14,579,506)
<u>\$ 28,397,195</u>	<u>\$ 22,532,373</u>	<u>\$ 91,035,836</u>	<u>\$ 94,412,900</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 \$6,026,068 for the year ended June 30, 2022. This increase in net position is due to several factors, but the most significant is the increase in property, income and recordation tax revenues, along with favorable variances in certain unspent capital line items.

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 \$7,139,319. 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, 2022 and 2021

	Governmental Activities		Business-type Activities	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Program Revenues				
Charges for services	\$ 2,751,174	\$ 2,452,004	\$ 671,733	\$ 600,576
Operating Grants and contributions	7,888,355	8,014,330	-	-
Capital grants and contributions	1,059,026	330,836	-	-
	<u>11,698,555</u>	<u>10,797,170</u>	<u>671,733</u>	<u>600,576</u>
General Revenues:				
Property taxes	18,752,314	18,425,407	-	-
Income taxes	9,456,678	8,925,870	-	-
Other taxes	1,239,485	990,970	-	-
State of Maryland - Disparity Grant	7,139,319	6,331,782	-	-
Other	556,141	469,701	(315)	1,565
	<u>37,143,937</u>	<u>35,143,730</u>	<u>(315)</u>	<u>1,565</u>
Total revenues	<u>48,842,492</u>	<u>45,940,900</u>	<u>671,418</u>	<u>602,141</u>
Expenses				
General Government	10,285,318	10,404,288	-	-
Public safety	9,310,402	9,973,818	-	-
Public works	7,608,417	6,753,902	-	-
Health	910,377	951,998	-	-
Social services	233,226	262,520	-	-
Education	10,697,089	11,445,491	-	-
Recreation & culture	1,414,269	1,491,023	-	-
Conservation of natural resources	69,462	63,714	-	-
Economic and community development	1,173,219	2,128,857	-	-
Intergovernmental	173,456	148,717	-	-
Interest on long-term debt	616,188	628,816	-	-
Golf-course	-	-	1,157,664	1,084,588
Component units	-	-	-	-
Total expenses	<u>42,491,424</u>	<u>44,253,144</u>	<u>1,157,664</u>	<u>1,084,588</u>
Transfers	(325,000)	(390,000)	325,000	390,000
Change in net position	6,026,068	1,297,756	(161,246)	(92,447)
Net position beginning of year	21,665,484	20,367,728	866,889	959,336
Net position end of year	<u>\$27,691,552</u>	<u>\$21,665,484</u>	<u>\$ 705,643</u>	<u>\$ 866,889</u>



Total		Component Units	
<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
\$ 3,422,907	\$ 3,052,580	\$ 6,553,906	\$ 6,413,258
7,888,355	8,014,330	65,822,007	63,184,134
1,059,026	330,836	1,271,075	4,543,331
<u>12,370,288</u>	<u>11,397,746</u>	<u>73,646,988</u>	<u>74,140,723</u>
18,752,314	18,425,407	-	-
9,456,678	8,925,870	-	-
1,239,485	990,970	-	-
7,139,319	6,331,782	-	-
555,826	471,266	(3,227)	(72,569)
<u>37,143,622</u>	<u>35,145,295</u>	<u>(3,227)</u>	<u>(72,569)</u>
<u>49,513,910</u>	<u>46,543,041</u>	<u>73,643,761</u>	<u>74,068,154</u>
10,285,318	10,404,288	-	-
9,310,402	9,973,818	-	-
7,608,417	6,753,902	-	-
910,377	951,998	-	-
233,226	262,520	-	-
10,697,089	11,445,491	-	-
1,414,269	1,491,023	-	-
69,462	63,714	-	-
1,173,219	2,128,857	-	-
173,456	148,717	-	-
616,188	628,816	-	-
1,157,664	1,084,588	-	-
-	-	77,020,825	59,806,023
<u>43,649,088</u>	<u>45,337,732</u>	<u>77,020,825</u>	<u>59,806,023</u>
-	-	-	-
5,864,822	1,205,309	(3,377,064)	14,262,131
22,532,373	21,327,064	94,412,900	80,150,769
<u>\$28,397,195</u>	<u>\$22,532,373</u>	<u>\$91,035,836</u>	<u>\$94,412,900</u>



## Governmental funds

Total governmental fund balances at the end of the fiscal year amounted to \$25,237,137 of which \$62,481 is non-spendable, \$194,049 is restricted, \$9,300,000 is committed, \$2,585,357 is assigned and \$13,095,250 is unassigned.

The general fund constitutes the main operating fund of the Somerset County Government and reports a fiscal year ending fund balance of \$23,295,198. The general fund balance increased by \$4,286,320 during fiscal year 2022. This result is significantly better than the budgeted decrease of \$1,547,516.

## 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 \$686,597 greater than what was budgeted for fiscal year 2022. This increase was primarily due to half year billings on new construction of homes during the fiscal year, and new commercial construction.

Income tax revenues exceeded budgeted estimates by \$1,656,678. When the budget was prepared in the spring of 2021, the County did not yet know that it would have a banner year in FY 2021. Therefore, management was cautious in their estimates. As it turns out, FY 2022 was similar to the year we had in 2021. Actual income tax revenues during the pandemic year 2021 as well as for the year 2022 far exceeded our expectations with annual revenues reaching a record high, surpassing internal estimates.

Recordation tax income exceeded budget by \$393,387, primarily due to the significant increase in the price of homes that started in the spring of 2021, which continued in to FY 2022. There was also an increase in sales activity over 2022.

The CDBG COVID rental and food assistance federal and state programs totaling \$1,049,524 and \$709,917 are both relatively new COVID related grants in fiscal year 2022 and were therefore unbudgeted revenues. Likewise, the SLFRF American Rescue Plan federal program was a new grant in fiscal year 2022 and this revenue of \$1,539,804 was also unbudgeted. Likewise, the DNR Deal Island Shoreline Construction grant of \$439,374 was not budgeted because we did not realize in time that we would be successful in receiving this grant revenue.

Waterways projects at St. Peters Creek and also at Dames Quarter, were delayed and carried over into FY 2023. This resulted in the unfavorable revenue variance of \$386,620.

The Burgess Museum grant is related to the new tourism Rural Living Center building. The project was budgeted in the prior year 2021 but the remaining grant revenue of \$263,200 was received in FY 2022.

No income was budgeted for Somerset County Dispensary because the County granted them an inventory loan and it was projected that it would take 2 years for them to pay it back. However, the Somerset County Dispensary's profits exceeded expectations and we received the unplanned distribution of \$210,861 in FY 2022.

Landfill tipping and permit fees exceeded budget by \$202,885 because the tonnage of trash received was much higher than expected. Also, we increased the tipping fee by \$2 from \$68 per ton to \$70 per ton.



On the expenditure side, there was an unfavorable variance of \$172,564 in County Commissioners due to an unplanned capital purchase of a storage building with some land on Sam Barnes Rd, to be used by Recreation and Parks in future years.

Registration and elections shows a favorable balance of \$333,958 and that is due to two reasons. First, there was a retirement, in which the salary was not replaced for eight months. Second, the elections board budgeted for certain E Poll Books equipment that was not required, as it turned out.

There were various factors that resulted in Planning & Zoning expenditures exceeding budget by \$2,199,573. The largest factors were unbudgeted projects that were offset by unbudgeted grants for the Deal Island Shoreline project, (\$1,034,362), as well as the Crisfield Elevation project (\$259,100).

In addition, there were relatively new unbudgeted rental assistance programs with expenditures that were offset by unbudgeted grants that the County received.

The County expended \$1,539,804 of unbudgeted SLFRF American Rescue Plan funds, under newly created grants.

Waterways projects progressed slower than anticipated during FY 2022. The County budgeted for but did not complete certain projects at St. Peters Creek and Dames Quarter during the year, thereby accounting for the positive expenditure variance of \$433,811.

The favorable expenditure variance of \$489,659 in Waste Collection and Disposal is due primarily to planned fixed asset acquisitions that the County was unable to complete due to unavailable equipment or other reasons.

There was a large favorable expenditure variance in Recreation and Culture of \$556,671. This was due to capital projects budgeted under the Bike Trail grants, that were primarily completed in the prior year..

Operating transfers to County Roads were \$508,226 less than budgeted as County Roads managed their expenses well and did not require full funding during fiscal year 2022. In addition, there was some planned purchases for road equipment and asphalt surface treatment that was carried forward into FY 2023.

Likewise, for the Great Hope Golf Course, transfers were \$223,729 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, 2022 amounted to \$55,709,781 for both governmental and business-type activities. The schedule below summarizes the capital assets by category. Total additions for fiscal year 2022 amounted to \$2,713,996, net of transfers to construction in progress. The most significant additions during the year included the Rumbley dock replacement of \$217,890, Burgess Museum improvements of \$84,253, Circuit Court security upgrades of \$155,930, and the acquisition of 2 acres of land and a storage building on Sam Barnes Road in Westover for \$205,930. Other improvements included SLFRF American Rescue Plan grant purchases of software, technology and security upgrades totaling \$540,821.

The Roads Department investment in capital assets as of June 30, 2022, totaled \$8,185,869, net of depreciation. Major additions for the year included vehicle purchases totaling \$274,650 and equipment purchases totaling \$166,415.





SOMERSET COUNTY MARYLAND  
Capital Assets  
(Net of Depreciation)  
For the Fiscal Years Ended June 30, 2022 and 2021

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Land (not depreciated)	\$ 4,469,361	\$ 4,469,361	\$ -	\$ -
Land improvements	-	-	269,017	345,471
Construction in Progress	1,987,063	1,672,984	-	-
Buildings, improvements	16,644,580	16,819,419	573,604	596,234
Improvements, non-buildings	24,063,856	24,904,336	-	-
Vehicles	828,797	548,468	-	-
Furniture, machinery, equipment	6,827,327	7,083,996	46,176	81,129
Total	\$ 54,820,984	\$ 55,498,564	\$ 888,797	\$ 1,022,834



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Total	
<u>2022</u>	<u>2021</u>
\$ 4,469,361	\$ 4,469,361
269,017	345,471
1,987,063	1,672,984
17,218,184	17,415,653
24,063,856	24,904,336
828,797	548,468
6,873,503	7,165,125
<hr/>	<hr/>
\$ 55,709,781	\$ 56,521,398



Long-term debt for governmental and business-type activities amounted to \$22,126,010 at the end of the fiscal year. There were no additions for fiscal year 2022 other than the change in landfill closure/post-closure costs. Debt service for the fiscal year 2022 was \$2,681,167, which was 6.3% of the 2022 general fund actual expenditures.

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

The former Carvel Hall property was 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 2022 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 recently opened a new store in January 2023.

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 County Planning and Zoning Commission.

The County received a federal grant under the American Rescue Plan for Coronavirus local fiscal recovery totaling \$4,975,608. The entire amount of this grant has been received by December, 2022. The County has until December 31, 2025, to fully disburse the grant. Cumulative expenditures under the grant through June 30, 2022 total \$1,539,804. 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.

The Rural Maryland Economic Development Fund has allocated \$3.3 million, via Tri County Council to Somerset County for a new industrial park. The grant funding was received November, 2022. The County has secured and purchased land for the new park for \$1.6 million, during December, 2022. An additional \$2 million is planned for site preparation and extension of services. Likely tenants are expected to employ approximately 250 workers in a facility up to 450,000 square feet. The total investment in the property would be between \$10 and \$50 million.

Process Integration has recently completed new construction totaling 20,000 square feet at the Industrial Park in Princess Anne. The Company produces system development software driven equipment which includes robotics, industrial computers, printers and scanners. This multi-million-dollar investment project should bring 10 new jobs to the County.

There is a feasibility study underway for a new passenger ferry in Somerset County. The project would involve teaming up with other counties and cities in Maryland as well as private companies to operate the ferry. The project could result in future opportunities for recreation and tourism industries as well as support existing businesses in Somerset County.

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, 2022**

	<b>Primary Government</b>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 24,413,291	\$ 45,176	\$ 24,458,467
Investments	75,934	-	75,934
Receivables			
Property taxes	895,133	-	895,133
Accounts receivable	41,217	-	41,217
Grants receivable	-	-	-
Notes receivable	977	-	977
Due from other governmental units	5,196,219	-	5,196,219
Other	794,758	-	794,758
Due from fiduciary fund	81,222	-	81,222
Internal balances	101,004	(101,004)	-
Inventories, at cost	66,941	42,785	109,726
Other	-	-	-
Restricted assets			
Cash and cash equivalents	194,049	-	194,049
Investments	-	-	-
Receivables, net of allowance of \$358,402	-	-	-
Capital assets, not being depreciated	6,456,424	-	6,456,424
Capital assets, being depreciated, net	48,364,560	888,797	49,253,357
<b>Total assets</b>	<b>\$ 86,681,729</b>	<b>\$ 875,754</b>	<b>\$ 87,557,483</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Other post-employment benefits (see Note 11)	2,801,970	-	2,801,970
Pensions (see Note 9)	2,420,331	-	2,420,331
Refunding debt	-	-	-
<b>Total deferred outflow of resources</b>	<b>5,222,301</b>	<b>-</b>	<b>5,222,301</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,819,031	80,940	2,899,971
Due to other governmental units	1,598,122	-	1,598,122
Unearned revenue	1,417,255	57,078	1,474,333
Other	-	-	-
Long-term liabilities			
Due within one year			
Compensated absences	155,278	-	155,278
Bonds, notes, financed purchases and intangible right-to-use lease payable	2,077,909	22,681	2,100,590
Due in more than one year			
Compensated absences	980,742	-	980,742
Bonds, notes, financed purchases and intangible right-to-use lease payable	20,016,008	9,412	20,025,420
Other post-employment benefit obligation (see Note 11)	19,442,552	-	19,442,552
Net pension liability (See Note 9)	5,824,930	-	5,824,930
<b>Total liabilities</b>	<b>54,331,827</b>	<b>170,111</b>	<b>54,501,938</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Other post-employment benefits (see Note 11)	6,649,219	-	6,649,219
Pensions (see Note 9)	3,231,432	-	3,231,432
<b>Total deferred inflow of resources</b>	<b>9,880,651</b>	<b>-</b>	<b>9,880,651</b>
<b>NET POSITION</b>			
Net investment in capital assets	33,800,224	856,704	34,656,928
Restricted	194,049	-	194,049
Unrestricted	(6,302,721)	(151,061)	(6,453,782)
<b>Total net position</b>	<b>\$ 27,691,552</b>	<b>\$ 705,643</b>	<b>\$ 28,397,195</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>
\$ 4,198,167	\$ 276,302	\$ 953,847	\$ 156,311	\$ 469,169
-	121,994	168,116	-	-
-	-	-	-	-
-	-	1,005,728	-	79,744
-	-	78,469	-	-
-	-	-	-	-
4,544,838	12,926	18,750	-	-
-	-	29,022	-	-
-	-	-	-	-
-	-	-	-	-
20,195	-	-	512,607	-
-	-	4,655	7,782	649
-	-	1,304,938	-	-
-	-	126,738	-	-
-	-	311,823	-	-
705,967	39,000	7,353,381	-	-
85,898,793	599,020	22,412,552	29,891	4,850
<u>\$ 95,367,960</u>	<u>\$ 1,049,242</u>	<u>\$ 33,768,019</u>	<u>\$ 706,591</u>	<u>\$ 554,412</u>
6,416,528	178,445	11,425	-	-
1,316,700	-	303,841	-	-
-	-	90,021	-	-
<u>7,733,228</u>	<u>178,445</u>	<u>405,287</u>	<u>-</u>	<u>-</u>
3,888,070	73,175	192,644	150,962	201,817
10,943	-	235,899	255,629	43,859
867,437	12,478	-	-	-
-	-	290,292	-	-
25,000	-	24,139	-	-
-	-	434,386	-	1,152
1,248,609	-	136,787	-	-
-	-	11,086,636	-	3,813
19,549,286	1,015,951	130,861	-	-
2,205,659	-	651,774	-	-
<u>27,795,004</u>	<u>1,101,604</u>	<u>13,183,418</u>	<u>406,591</u>	<u>250,641</u>
3,837,796	424,279	69,829	-	-
1,223,613	-	434,573	-	-
<u>5,061,409</u>	<u>424,279</u>	<u>504,402</u>	<u>-</u>	<u>-</u>
86,604,760	638,020	18,244,911	29,891	(115)
-	-	385,521	-	-
(16,359,985)	(936,216)	1,855,054	270,109	303,886
<u>\$ 70,244,775</u>	<u>\$ (298,196)</u>	<u>\$ 20,485,486</u>	<u>\$ 300,000</u>	<u>\$ 303,771</u>

**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2022**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 10,285,318	\$ 329,635	\$ 2,492,342	\$ -
Public safety	9,310,402	171,300	765,401	-
Public works	7,608,417	2,170,545	1,215,070	716,170
Health	910,377	43,072	30,000	-
Social services	233,226	-	160,231	-
Education	10,697,089	-	-	-
Recreation and culture	1,414,269	36,622	1,253,082	342,856
Conservation of natural resources	69,462	-	-	-
Economic and community development	1,173,219	-	432,425	-
Intergovernmental	173,456	-	1,539,804	-
Interest on long-term debt	616,188	-	-	-
<b>Total Governmental Activities</b>	<b>42,491,424</b>	<b>2,751,174</b>	<b>7,888,355</b>	<b>1,059,026</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Golf Course	1,157,664	671,733	-	-
<b>Total Business-Type Activities</b>	<b>1,157,664</b>	<b>671,733</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 43,649,088</b>	<b>\$ 3,422,907</b>	<b>\$ 7,888,355</b>	<b>\$ 1,059,026</b>
<b>COMPONENT UNITS</b>				
Board of Education	\$ 67,849,802	\$ 579,705	\$ 62,866,219	\$ 218,992
Library	1,172,455	14,079	1,166,174	-
Sanitary District	5,031,257	3,469,576	1,067,639	1,052,083
Liquor Control Board	2,240,224	2,490,546	-	-
Local Management Board	727,087	-	721,975	-
<b>Total Component Units</b>	<b>\$ 77,020,825</b>	<b>\$ 6,553,906</b>	<b>\$ 65,822,007</b>	<b>\$ 1,271,075</b>

**General Revenues**

Taxes:

Property

Income

Other

State of Maryland - Disparity Grant

Payments in lieu of taxes

Distributions from Somerset County Dispensary

Interest

Other

Total General Revenues

Transfers

Total general revenues and transfers

Change in Net Position

Net Position Beginning of Year, as restated (see Note 17)

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
\$ (7,463,341)	\$ -	\$ (7,463,341)	\$ -	\$ -	\$ -	\$ -	\$ -
(8,373,701)	-	(8,373,701)	-	-	-	-	-
(3,506,632)	-	(3,506,632)	-	-	-	-	-
(837,305)	-	(837,305)	-	-	-	-	-
(72,995)	-	(72,995)	-	-	-	-	-
(10,697,089)	-	(10,697,089)	-	-	-	-	-
218,291	-	218,291	-	-	-	-	-
(69,462)	-	(69,462)	-	-	-	-	-
(740,794)	-	(740,794)	-	-	-	-	-
1,366,348	-	1,366,348	-	-	-	-	-
(616,188)	-	(616,188)	-	-	-	-	-
(30,792,869)	-	(30,792,869)	-	-	-	-	-
-	(485,931)	(485,931)	-	-	-	-	-
-	(485,931)	(485,931)	-	-	-	-	-
\$ (30,792,869)	\$ (485,931)	\$ (31,278,800)	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (4,184,886)	\$ 7,798	\$ -	\$ -	\$ -
-	-	-	-	-	558,041	-	-
-	-	-	-	-	-	250,322	-
-	-	-	-	-	-	-	(5,112)
\$ -	\$ -	\$ -	\$ (4,184,886)	\$ 7,798	\$ 558,041	\$ 250,322	\$ (5,112)
18,752,314	-	18,752,314	-	-	-	-	-
9,456,678	-	9,456,678	-	-	-	-	-
1,239,485	-	1,239,485	-	-	-	-	-
7,139,319	-	7,139,319	-	-	-	-	-
3,181	-	3,181	-	-	-	-	-
210,861	-	210,861	-	-	-	(255,629)	-
18,037	(1,955)	16,082	248,862	(9,980)	1,900	-	71
324,062	1,640	325,702	-	6,242	-	5,307	-
37,143,937	(315)	37,143,622	248,862	(3,738)	1,900	(250,322)	71
(325,000)	325,000	-	-	-	-	-	-
36,818,937	324,685	37,143,622	248,862	(3,738)	1,900	(250,322)	71
6,026,068	(161,246)	5,864,822	(3,936,024)	4,060	559,941	-	(5,041)
21,665,484	866,889	22,532,373	74,180,799	(302,256)	19,925,545	300,000	308,812
\$ 27,691,552	\$ 705,643	\$ 28,397,195	\$ 70,244,775	\$ (298,196)	\$ 20,485,486	\$ 300,000	\$ 303,771

SOMERSET COUNTY, MARYLAND

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2022**

	General Fund	Special Revenue Funds			Other Governmental Funds	Total Governmental Funds
		Roads Board	Economic Development Commission	Hurricane Sandy		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 21,760,701	\$ 1,125,757	\$ 766,692	\$ 651,128	\$ 109,013	\$ 24,413,291
Investments	75,934	-	-	-	-	75,934
Receivables:						
Property taxes	895,133	-	-	-	-	895,133
Accounts receivable	-	41,217	-	-	-	41,217
Notes receivable	-	-	977	-	-	977
Due from other governmental units	3,985,326	224,867	-	943,275	42,751	5,196,219
Other	794,758	-	-	-	-	794,758
Due from other funds	1,619,484	43,789	45,737	-	156	1,709,166
Inventories, at cost	4,460	62,481	-	-	-	66,941
Restricted Assets						
Cash and cash equivalents	194,049	-	-	-	-	194,049
<b>Total assets</b>	<b>\$ 29,329,845</b>	<b>\$ 1,498,111</b>	<b>\$ 813,406</b>	<b>\$ 1,594,403</b>	<b>\$ 151,920</b>	<b>\$ 33,387,685</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 2,581,964	\$ 183,657	\$ 4,969	\$ 47,973	\$ 468	\$ 2,819,031
Due to other funds	89,681	184,795	-	1,248,252	4,212	1,526,940
Due to other governmental units	1,558,802	-	1,093	-	38,227	1,598,122
Unearned revenue	1,804,200	-	-	293,287	108,968	2,206,455
<b>Total liabilities</b>	<b>6,034,647</b>	<b>368,452</b>	<b>6,062</b>	<b>1,589,512</b>	<b>151,875</b>	<b>8,150,548</b>
<b>FUND BALANCES</b>						
Nonspendable	4,460	62,481	-	-	-	66,941
Restricted for:						
Future expenditures	194,049	-	-	-	-	194,049
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	-	1,067,178	807,344	4,891	45	1,879,458
Unassigned	13,090,790	-	-	-	-	13,090,790
<b>Total fund balances</b>	<b>23,295,198</b>	<b>1,129,659</b>	<b>807,344</b>	<b>4,891</b>	<b>45</b>	<b>25,237,137</b>
<b>Total liabilities and fund balances</b>	<b>\$ 29,329,845</b>	<b>\$ 1,498,111</b>	<b>\$ 813,406</b>	<b>\$ 1,594,403</b>	<b>\$ 151,920</b>	<b>\$ 33,387,685</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, 2022**

Total fund balances, governmental funds		\$ 25,237,137
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.		54,820,984
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.		789,200
Deferred outflows of resources - pensions		2,420,331
Deferred outflows of resources - OPEB		2,801,970
Deferred inflows of resources - pensions		(3,231,432)
Deferred inflows of resources - OPEB		(6,649,219)
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	(19,442,552)	
Bonds, notes and capital leases payable	(22,093,917)	
Compensated absences	(1,136,020)	
Net pension liability (see Note 9)	(5,824,930)	
	<u>                    </u>	
Total long-term liabilities		<u>(48,497,419)</u>
Net position of governmental activities in the Statement of Net Position		<u>\$ 27,691,552</u>

SOMERSET COUNTY, MARYLAND

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

Year Ended June 30, 2022

	General Fund	Special Revenue Funds				Total Governmental Funds
		Roads Board	Economic Development Commission	Hurricane Sandy	Other Governmental Funds	
<b>REVENUE</b>						
Taxes						
Local - property	\$ 18,897,758	\$ -	\$ -	\$ -	\$ -	\$ 18,897,758
Local - income	9,456,678	-	-	-	-	9,456,678
Local - other	1,239,485	-	-	-	-	1,239,485
State shared	-	673,074	-	-	-	673,074
Licenses and permits	157,072	-	-	-	-	157,072
Intergovernmental						
Federal	3,795,308	-	-	238,826	270,585	4,304,719
State	10,709,623	-	-	-	207,615	10,917,238
Local	221,542	-	-	-	39,460	261,002
Program income	-	-	-	56,385	-	56,385
Charges for services	2,128,942	465,160	-	-	-	2,594,102
Miscellaneous	342,100	20,828	64,172	-	3,324	430,424
<b>Total revenue</b>	<b>46,948,508</b>	<b>1,159,062</b>	<b>64,172</b>	<b>295,211</b>	<b>520,984</b>	<b>48,987,937</b>
<b>EXPENDITURES</b>						
Current						
General government	10,253,245	-	-	-	-	10,253,245
Public safety	8,838,029	-	-	-	-	8,838,029
Public works	2,376,692	3,545,846	-	-	-	5,922,538
Health	891,699	-	-	-	-	891,699
Social services	74,430	-	-	-	158,796	233,226
Education	10,697,089	-	-	-	-	10,697,089
Recreation and culture	1,122,335	-	-	-	-	1,122,335
Conservation of natural resources	69,462	-	-	-	-	69,462
Economic and community development	-	-	253,961	557,070	362,188	1,173,219
Intergovernmental	173,456	-	-	-	-	173,456
Debt service						
Principal retirement	2,064,979	-	-	-	-	2,064,979
Interest and fiscal charges	616,188	-	-	-	-	616,188
Capital outlay	2,157,334	502,077	-	-	-	2,659,411
<b>Total expenditures</b>	<b>39,334,938</b>	<b>4,047,923</b>	<b>253,961</b>	<b>557,070</b>	<b>520,984</b>	<b>44,714,876</b>
Excess (deficiency) of revenues over expenditures	7,613,570	(2,888,861)	(189,789)	(261,859)	-	4,273,061
<b>OTHER FINANCING (USES) SOURCES</b>						
Proceeds from debt financing	-	-	-	-	-	-
Operating transfers, net	(3,327,250)	2,800,000	202,250	-	-	(325,000)
<b>Total other financing (uses) sources</b>	<b>(3,327,250)</b>	<b>2,800,000</b>	<b>202,250</b>	<b>-</b>	<b>-</b>	<b>(325,000)</b>
Net change in fund balances	4,286,320	(88,861)	12,461	(261,859)	-	3,948,061
Fund balances, beginning	19,008,878	1,218,520	794,883	266,750	45	21,289,076
<b>Fund balances, ending</b>	<b>\$ 23,295,198</b>	<b>\$ 1,129,659</b>	<b>\$ 807,344</b>	<b>\$ 4,891</b>	<b>\$ 45</b>	<b>\$ 25,237,137</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, 2022**

<b>Net change in fund balances, governmental funds</b>		<b>\$ 3,948,061</b>
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	2,562,459	
Depreciation expense	<u>(3,240,039)</u>	(677,580)
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.		
		(145,444)
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.		
		2,064,979
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.		
		(69,900)
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	(609,173)	
Change in compensated absences	15,923	
Change in pension expense	<u>1,499,202</u>	905,952
Change in net position of governmental activities		<u>\$ 6,026,068</u>

**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF FUND NET POSITION  
BUSINESS-TYPE ACTIVITIES  
June 30, 2022**

	<u>Enterprise Fund</u>
	Golf Course
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 45,176
Inventory	42,785
Total current assets	<u>87,961</u>
Noncurrent assets	
Capital assets at cost	5,230,539
Less accumulated depreciation	(4,341,742)
Total noncurrent assets	<u>888,797</u>
Total assets	<u>976,758</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued expenses	80,940
Due to other funds	101,004
Unearned revenue	57,078
Current maturities of long-term debt	22,681
Total current liabilities	<u>261,703</u>
Noncurrent liabilities	
Noncurrent portion of long-term debt	9,412
Total liabilities	<u>271,115</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	856,704
Unrestricted deficit	(151,061)
Total net position	<u>\$ 705,643</u>

**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET POSITION  
BUSINESS-TYPE ACTIVITIES  
Year Ended June 30, 2022**

	<u>Enterprise Fund</u> Golf <u>Course</u>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 671,733
Other operating	1,640
<hr/>	
Total operating revenue	673,373
<hr/>	
<b>OPERATING EXPENSES</b>	
Salaries and related taxes	479,959
Repairs and maintenance	116,806
Supplies	138,274
Utilities	32,642
Insurance	82,399
Depreciation and amortization	142,787
Other operating	164,797
<hr/>	
Total operating expenses	1,157,664
<hr/>	
Net operating loss	(484,291)
<hr/>	
<b>NON-OPERATING (EXPENSES) REVENUE</b>	
Financial expense, net	(1,955)
<hr/>	
Total non-operating expenses	(1,955)
<hr/>	
Loss before contributions, distributions and transfers	(486,246)
<hr/>	
Operating transfers, net	325,000
<hr/>	
Change in net position	(161,246)
<hr/>	
Total net position, beginning	866,889
<hr/>	
Total net position, ending	\$ 705,643
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**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF CASH FLOWS  
BUSINESS-TYPE ACTIVITIES  
Year Ended June 30, 2022**

	<u>Enterprise Fund</u> Golf Course
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 677,696
Payments to suppliers	(224,008)
Payments to employees	(465,701)
Other payments	(255,889)
<hr/>	
Net cash used by operating activities	(267,902)
<hr/>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating transfers	325,000
<hr/>	
Net cash provided by noncapital financing activities	325,000
<hr/>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on long-term debt	(25,194)
Interest paid on long-term debt	(1,955)
Additions of capital assets	(8,750)
<hr/>	
Net cash used by capital and related financing activities	(35,899)
<hr/>	
<b>Net change in cash and cash equivalents</b>	<b>21,199</b>
<b>Cash and cash equivalents, beginning</b>	<b>23,977</b>
<hr/>	
<b>Cash and cash equivalents, ending</b>	<b>\$ 45,176</b>
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**SOMERSET COUNTY, MARYLAND**

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

**(Continued)**

**Year Ended June 30, 2022**

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

Operating loss	\$ (484,291)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization expense	142,787
Changes in assets and liabilities:	
Accounts and other payables	36,561
Inventories	(18,697)
Unearned revenue	5,963
Due to other funds	49,775
<b>Net cash used by operating activities</b>	<b>\$ (267,902)</b>

**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2022**

	Custodial Funds
<b>ASSETS</b>	
Cash	\$ 170,819
Property taxes receivable	74,727
Due from other government units	6,495
<hr/>	
Total assets	\$ 252,041
<hr/>	
<b>LIABILITIES</b>	
Due to other funds	\$ 81,222
<hr/>	
Total liabilities	81,222
<hr/>	
<b>NET POSITION</b>	
Restricted	\$ 170,819
<hr/>	



**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
Year Ended June 30, 2022**

	Custodial Funds
<b>ADDITIONS:</b>	
Contributions	\$ 531,203
Collections for other governments	1,557,369
<hr/>	
Total additions	2,088,572
<hr/>	
<b>DEDUCTIONS:</b>	
Claims paid	402,891
Adivsor payments	11,896
Administrative fees	94,264
Payments to other governments	1,557,369
Other	127,024
<hr/>	
Total deductions	2,193,444
<hr/>	
Change in net assets	(104,872)
Net position, beginning	275,691
<hr/>	
Net position, ending	\$ 170,819
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**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

**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, 2022. The Liquor Control Board has ceased to exist as of January 1, 2023 and all assets are being liquidated.

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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

**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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

**FUND FINANCIAL STATEMENTS**

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

**C. Fund Accounting**

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

**GOVERNMENTAL FUNDS**

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

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

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

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

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

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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

**C. Fund Accounting (continued)**

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

**PROPRIETARY FUNDS**

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

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

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

**FIDUCIARY FUND TYPES**

Fiduciary funds account for assets held by the County in a trustee or 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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

**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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

**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, change in proportion and share of contributions, 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, change in proportion and share of contributions, 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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

**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.



**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

**J. Capital Assets (continued)**

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

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

**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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

**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.

**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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

**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.

**R. New Accounting Policies**

The County adopted Government Accounting Standard Board's Statement No. 87, Leases, on July 1, 2021. This statement's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The Statement increases the usefulness of the financial statements by requiring recognition of certain assets and liabilities for leases that were previously classified as operating leases. The County did not have any leases which met the definition of right-to-use lease at June 30, 2022.

**SOMERSET COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
For the year ending June 30, 2022**

**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, 2022, the Primary Government had deposits with various commercial banks of \$25,516,803 (carrying value \$24,651,026). 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, 2022 the deposits were fully insured or collateralized. Petty cash totaled \$1,490 as of June 30, 2022.

**Board of Education**

At June 30, 2022, the Board's demand deposits, savings deposits and certificates of deposit were covered by FDIC insurance in the amount of \$250,000 and \$4,543,934 (carrying value \$4,198,167) 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, 2022 the Library had deposits with various commercial banks totaling \$278,750 (carrying value \$276,302), which were either fully insured or collateralized with securities held in the name of the Library.

**Sanitary District**

At June 30, 2022, the Sanitary District had deposits with various commercial banks totaling \$2,536,120 (carrying value \$2,258,785). All deposits were fully collateralized as of June 30, 2022.

**Liquor Control Board**

At April 30, 2022, the Liquor Control Board had deposits with various commercial banks totaling \$157,365 (carrying value \$156,311), which were either fully insured or collateralized with securities held in the name of the Liquor Control Board.

**LMB**

At June 30, 2022, the LMB had deposits with various commercial banks totaling \$423,832 (carrying value \$469,169). All deposits were fully insured as of June 30, 2022.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

**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 95 §22G of the Annotated Code of Maryland and more recently defined by Title 17, subtitle 3 of the Local Government Article of the Maryland Annotated Code. The MLGIP is managed by PNC Capital Advisors, LLC and custodied by PNC Bank, N.A., 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 semi-annual 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, 2022, the County and the Library had investments in MLGIP of \$75,934 and \$49,960, 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, 2022, the Library had investments in the Community Foundation of the Eastern Shore totaling \$72,034, which are recorded at fair value.

At June 30, 2022, the Sanitary District had certificates of deposit of \$294,854 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 .20% to .25%.

**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, 2022, appropriate due from/to other funds have been established.

Due from/to other funds balances as of June 30, 2022 were as follows:

	Due from Other Funds	Due to Other Funds
Governmental activities	\$ 1,709,166	\$ 1,526,940
Business-type activities	-	101,004
Fiduciary fund	-	81,222
	<u>\$ 1,709,166</u>	<u>\$ 1,709,166</u>

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

**Note 5. Capital Assets**

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

	Balance June 30, 2021	Additions	Transfers and Reductions	Balance June 30, 2022
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,469,361	\$ -	\$ -	\$ 4,469,361
Construction in progress	1,672,984	314,079	-	1,987,063
Total capital assets, not being depreciated	6,142,345	314,079	-	6,456,424
Capital assets, being depreciated:				
Buildings and improvements	24,786,874	385,544	(13,796)	25,158,622
Improvements, non-buildings	69,437,598	551,330	(20,975)	69,967,953
Vehicles	5,135,094	486,707	-	5,621,801
Furniture, machinery and equipment	17,074,164	824,799	-	17,898,963
Total capital assets, being depreciated	116,433,730	2,248,380	(34,771)	118,647,339
Less accumulated depreciation:				
Buildings and improvements	7,967,455	560,383	(13,796)	8,514,042
Improvements, non-buildings	44,533,262	1,391,810	(20,975)	45,904,097
Vehicles	4,586,626	206,378	-	4,793,004
Furniture, machinery and equipment	9,990,168	1,081,468	-	11,071,636
Total accumulated depreciation	67,077,511	3,240,039	(34,771)	70,282,779
Total capital assets, being depreciated, net	49,356,219	(991,659)	-	48,364,560
Governmental activities capital assets, net	\$ 55,498,564	\$ (677,580)	\$ -	\$ 54,820,984
<b>Business-Type Activities:</b>				
<b>Great Hope Golf Course</b>				
Capital assets, being depreciated:				
Land improvements	\$ 3,104,215	\$ 8,750	\$ -	\$ 3,112,965
Buildings and improvements	1,372,150	-	-	1,372,150
Furniture, machinery and equipment	745,424	-	-	745,424
Total capital assets, being depreciated	5,221,789	8,750	-	5,230,539
Less accumulated depreciation:				
Land improvements	2,758,744	85,204	-	2,843,948
Buildings and improvements	775,916	22,630	-	798,546
Furniture, machinery and equipment	664,295	34,953	-	699,248
Total accumulated depreciation	4,198,955	142,787	-	4,341,742
Total capital assets, being depreciated, net	1,022,834	(134,037)	-	888,797
Business-type activities capital assets, net	\$ 1,022,834	\$ (134,037)	\$ -	\$ 888,797

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

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

	Balance June 30, 2021	Additions	Transfers and Reductions	Balance June 30, 2022
<b>Board of Education</b>				
Capital assets, not being depreciated:				
Land	\$ 493,252	\$ -	\$ -	\$ 493,252
Construction in progress	15,027	197,688	-	212,715
Total capital assets, not being depreciated	508,279	197,688	-	705,967
Capital assets, being depreciated:				
Land improvements	3,613,577	-	-	3,613,577
Buildings and improvements	121,214,874	-	-	121,214,874
Vehicles	350,572	-	(10,000)	340,572
Furniture, machinery and equipment	4,950,932	43,624	(632,319)	4,362,237
Total capital assets, being depreciated	130,129,955	43,624	(642,319)	129,531,260
Less accumulated depreciation:				
Land improvements	3,094,667	51,045	-	3,145,712
Buildings and improvements	34,557,834	2,753,811	-	37,311,645
Vehicles	214,365	36,874	(6,000)	245,239
Furniture, machinery and equipment	3,360,025	200,649	(630,803)	2,929,871
Total accumulated depreciation	41,226,891	3,042,379	(636,803)	43,632,467
Total capital assets, being depreciated, net	88,903,064	(2,998,755)	(5,516)	85,898,793
Total Board of Education capital assets, net	\$ 89,411,343	\$ (2,801,067)	\$ (5,516)	\$ 86,604,760
<b>Library</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 39,000	\$ -	\$ 39,000
Total capital assets, not being depreciated	-	39,000	-	39,000
Capital assets, being depreciated:				
Books and media	776,657	80,914	(77,989)	779,582
Furniture, machinery and equipment	836,344	60,791	-	897,135
Vehicles	7,959	-	-	7,959
Total capital assets, being depreciated	1,620,960	141,705	(77,989)	1,684,676
Less accumulated depreciation:				
Books and media	376,705	77,812	(77,989)	376,528
Furniture, machinery and equipment	617,252	85,641	-	702,893
Buildings	4,643	1,592	-	6,235
Total accumulated depreciation	998,600	165,045	(77,989)	1,085,656
Total Library capital assets, net	\$ 622,360	\$ 15,660	\$ -	\$ 638,020

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

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

	Balance June 30, 2021	Additions	Transfers and Reductions	Balance June 30, 2022
<b>Sanitary District</b>				
Capital assets, not being depreciated:				
Land	\$ 17,512	\$ -	\$ -	\$ 17,512
Construction in progress	12,326,407	620,052	(5,610,590)	7,335,869
Total capital assets, not being depreciated	12,343,919	620,052	(5,610,590)	7,353,381
Capital assets, being depreciated:				
Sewage treatment plants and lines	39,557,019	-	-	39,557,019
Water plants and lines	12,349,946	5,610,590	-	17,960,536
Equipment and vehicles	3,805,483	44,881	-	3,850,364
Total capital assets, being depreciated	55,712,448	5,655,471	-	61,367,919
Less accumulated depreciation:				
Sewage treatment plants and lines	26,774,995	854,247	-	27,629,242
Water plants and lines	7,923,672	258,887	-	8,182,559
Equipment and vehicles	3,024,091	119,475	-	3,143,566
Total accumulated depreciation	37,722,758	1,232,609	-	38,955,367
Total capital assets, being depreciated, net	17,989,690	4,422,862	-	22,412,552
Total Sanitary District capital assets, net	\$ 30,333,609	\$ 5,042,914	\$ (5,610,590)	\$ 29,765,933

	Balance June 30, 2021	Additions	Transfers and Reductions	Balance June 30, 2022
<b>Liquor Control Board</b>				
Capital assets, being depreciated:				
Furniture, machinery and equipment	\$ 20,691	\$ 23,455	\$ -	\$ 44,146
Less accumulated depreciation:				
Furniture, machinery and equipment	7,390	6,865	-	14,255
Total Liquor Control Board capital assets, net	\$ 13,301	\$ 16,590	\$ -	\$ 29,891

Depreciation expense was charged to governmental functions as follows:

General government	\$ 367,106
Public safety	890,688
Public works	1,644,932
Recreation and culture	318,635
Health	18,678
Total depreciation expense	<u>\$ 3,240,039</u>



**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

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

Notes payable and long-term debt at June 30, 2022 is comprised of the following issues:

	<u>Interest Rate</u>	<u>Fiscal Year Issued</u>	<u>Fiscal Year 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
USDA - Permanent Financing Cell 2	4.38	2004	2044
Bank of America - Board of Education Capital 2009	3.89	2008	2025
USDA - Cell 3 Loan 1	4.25	2009	2049
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 - financed purchase obligation	5.00	2018	2024
County Commissioners - financed purchase obligation	5.45	2018	2022
County Commissioners - financed purchase obligation	6.45	2019	2023
County Commissioners - financed purchase obligation	6.70	2020	2024
County Commissioners - financed purchase obligation	6.70	2020	2024
County Commissioners - financed purchase 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 - financed purchase obligation	3.32	2017	2023
County Commissioners - financed purchase obligation	4.95	2020	2023
County Commissioners - financed purchase obligation	4.80	2020	2025
Total Business - type Activities			

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

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

<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2022</u>	<u>Amount Due in One Year</u>
\$ 3,300,000	\$ 1,286,400	\$ -	\$ 122,579	\$ 1,163,821	\$ 128,245
1,765,000	1,351,714	-	35,148	1,316,566	36,476
2,300,000	662,638	-	180,213	482,425	187,089
2,200,000	1,853,828	-	36,478	1,817,350	38,052
4,075,000	1,022,010	-	431,278	590,732	445,226
3,799,000	3,035,517	-	108,083	2,927,434	110,222
3,000,000	1,787,229	-	298,299	1,488,930	303,598
55,585	7,188	-	7,188	-	-
4,000,000	3,193,605	-	377,378	2,816,227	385,243
400,000	274,112	-	65,657	208,455	67,535
4,000,000	3,818,113	-	205,954	3,612,159	162,053
3,400,000	3,331,257	-	139,484	3,191,773	142,472
25,391	9,283	-	4,525	4,758	4,758
90,183	18,966	-	18,966	-	-
101,427	41,716	-	20,206	21,510	21,510
26,372	15,778	-	4,922	10,856	5,252
13,030	7,681	-	2,397	5,284	2,557
33,345	19,951	-	6,224	13,727	6,641
-	2,352,010	69,900	-	2,421,910	30,980
	<u>\$ 24,088,996</u>	<u>\$ 69,900</u>	<u>\$ 2,064,979</u>	<u>\$ 22,093,917</u>	<u>\$ 2,077,909</u>
79,792	28,379	-	13,954	14,425	14,425
8,965	3,378	-	3,378	-	-
39,727	25,530	-	7,862	17,668	8,256
	<u>\$ 57,287</u>	<u>\$ -</u>	<u>\$ 25,194</u>	<u>\$ 32,093</u>	<u>\$ 22,681</u>

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

**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>			
Infrastructure Bond	2.00-4.63	1994	2024
Fairmount-Rumbley-Frenchtown District	3.70	1994	2035
Crisfield Peripheral Sewer Project	4.00	1996	2035
Jacksonville Subdistrict	0.00	2005	2035
Princess Anne Subdistrict	4.13	2007	2047
Princess Anne Subdistrict	3.88	2013	2023
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
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
Smith Island Subdistrict	1.38	2022	2061
Deal Island Subdistrict	0.40	2022	2051
Deal Island Subdistrict	0.40	2022	2031
<b><u>State Loans</u></b>			
Water tanks - Princess Anne	5.80	1994	2027
Total Sanitary District			

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

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

<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2022</u>
\$ 1,825,200	\$ 346,500	\$ -	\$ 112,000	\$ 234,500
333,000	157,000	-	8,500	148,500
323,000	191,500	-	10,000	181,500
32,000	14,933	-	1,066	13,867
2,770,900	2,248,420	-	49,871	2,198,549
80,000	9,403	-	9,258	145
1,228,250	1,109,815	-	19,363	1,090,452
427,118	385,927	-	6,735	379,192
2,525,900	2,264,207	-	42,202	2,222,005
30,000	4,023	-	3,576	447
100,000	45,257	-	10,448	34,809
222,732	65,013	-	16,141	48,872
578,000	578,000	-	17,500	560,500
3,276,000	3,276,000	-	63,500	3,212,500
21,000	18,651	-	3,212	15,439
22,618	20,910	-	4,258	16,652
170,000	157,163	-	31,997	125,166
83,012	-	83,012	1,190	81,822
57,701	-	57,701	2,007	55,694
64,204	-	64,204	-	64,204
327,411	130,053	-	15,589	114,464
	<u>\$ 11,022,775</u>	<u>\$ 204,917</u>	<u>\$ 428,413</u>	<u>\$ 10,799,279</u>

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

**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
2023	\$ 2,077,909	\$ 542,000	\$ 2,619,909
2024	1,797,202	487,456	2,284,658
2025	1,581,046	445,816	2,026,862
2026	1,446,033	400,228	1,846,261
2027	1,400,967	361,811	1,762,778
2028 - 2032	4,347,946	1,350,792	5,698,738
2033 - 2037	5,029,174	868,406	5,897,580
2038 - 2042	3,070,031	391,746	3,461,777
2043 - 2047	1,025,717	106,643	1,132,360
2048 - 2052	317,892	10,530	328,422
	<hr/>	<hr/>	<hr/>
Total governmental activities	\$ 22,093,917	\$ 4,965,428	\$ 27,059,345
	<hr/>	<hr/>	<hr/>
Years Ending June 30,	Principal	Interest	Total
2023	\$ 22,681	\$ 943	\$ 23,624
2024	8,670	268	8,938
2025	742	3	745
2026	-	-	-
2027	-	-	-
	<hr/>	<hr/>	<hr/>
Total business-type activities	\$ 32,093	\$ 1,214	\$ 33,307
	<hr/>	<hr/>	<hr/>

Interest expense on all indebtedness totaled \$616,188 for governmental activities and \$1,955 for business-type activities.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

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

**Discretely Presented Component Units**

**Sanitary District**

Years Ending June 30,	Principal	Interest	Total
2023	\$ 434,387	\$ 405,950	\$ 840,337
2024	450,927	389,943	840,870
2025	341,243	372,847	714,090
2026	308,033	359,600	667,633
2027	288,685	348,059	636,744
2028 - 2032	1,589,861	1,565,633	3,155,494
2033 - 2037	1,765,511	1,248,487	3,013,998
2038 - 2042	1,996,063	891,743	2,887,806
2043 - 2047	2,185,598	492,582	2,678,180
2048 - 2052	1,231,213	124,831	1,356,044
2053 - 2057	196,734	3,848	200,582
2058 - 2062	11,024	340	11,364
	<hr/>	<hr/>	<hr/>
Total Sanitary District	\$ 10,799,279	\$ 6,203,863	\$ 17,003,142

**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 \$721,743 at June 30, 2022 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 \$397,766 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, 2022, there was no outstanding balance.

**SOMERSET COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
For the year ending June 30, 2022**

**Note 7. Leases**

**Primary Government**

**Long-Term Debt**

The County has entered into seven long-term financed purchase agreements 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 obligations and the related assets in the appropriate fund. The original cost of assets acquired under these capital leases is \$25,391, \$90,183, \$101,427, \$79,792, \$8,965, \$39,727, \$26,372, \$13,030 and \$33,345 with accumulated depreciation of \$12,484, \$62,269, \$53,128, \$79,792, \$5,229, \$16,553, \$9,183, \$4,638 and \$11,925.

**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. As of July 1, 2021, the lease increased to \$900 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, 2022 was \$0.

**Note 8. Net Position**

**Sanitary District**

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

**Note 9. Retirement and Pension Plans**

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

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

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

**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.



**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

**Covered Members**

Teachers' Retirement and Pension Systems

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

Employees' Retirement and Pension Systems

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

**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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

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.

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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

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%.

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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.25% general, 2.75% wage
Salary Increases	projected range from 0.00% to 8.50% per year
Investment Rate of Return	6.80%
Discount Rate	6.80%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study for the period July 1, 2014 to July 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

**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

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	4.7%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.4%
Credit Opportunity	9%	2.6%
Real Assets	14%	4.2%
Absolute Return	<u>8%</u>	2.0%
 Total	 <u><u>100%</u></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, 2021.

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 26.69%. 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 6.80% 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 6.80%. 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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

**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 6.80%, 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 5.80%	Current Discount	1% Increase to 7.80%
County	\$ 9,920,671	\$ 5,824,930	\$ 2,427,539
Board of Education	3,756,546	2,205,659	919,208
Sanitary District	1,110,064	651,774	271,627

**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, 2022, the BOE contributed \$1,107,104 to the Teachers' Retirement and Pension System. In addition, the State of Maryland contributed \$2,892,406 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, 2022, 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)	\$ 2,205,659
State's proportionate share of the net pension liability (Teachers' Systems)	18,855,898
<b>Total</b>	<b>\$ 21,061,557</b>

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

**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, 2022, 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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

At June 30, 2022, 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	0.0147021%	0.0388269%	0.0043445%
Employer's proportionate share of the collective net pension liability	\$ 2,205,659	\$ 5,824,930	\$ 651,774
Pension expense recognized by the employer for the year ended June 30, 2022	230,978	1,067,475	15,328
Deferred inflows of resources:			
Difference between expected and actual experience	169,052	446,448	49,955
Change in assumptions	47,275	124,848	13,970
Change in proportion and share of contributions	-	-	9,546
Net difference between projected and actual earnings on pension plan investments	1,007,286	2,660,136	361,102
<u>Deferred inflows of resources at June 30, 2022</u>	<u>1,223,613</u>	<u>3,231,432</u>	<u>434,573</u>
Deferred outflows of resources:			
Net difference between projected and actual earnings on pension plan investments	-	-	63,448
Change in assumptions	426,925	1,127,465	126,157
Change in proportion and share of contributions	505,668	380,826	
Year ended June 30, 2022 contributions	384,107	912,040	114,236
<u>Deferred outflows of resources at June 30, 2022</u>	<u>1,316,700</u>	<u>2,420,331</u>	<u>303,841</u>
Net pension liability June 30, 2021	2,705,292	8,310,296	993,574
Change in net pension liability factored for contributions	(499,633)	(2,485,366)	(341,800)
<u>Net pension liability June 30, 2022</u>	<u>2,205,659</u>	<u>5,824,930</u>	<u>651,774</u>

The \$384,107, \$912,040 and \$114,236 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, 2023. Other amounts reported as deferred outflows and inflows of resources will be amortized over approximately a five-year period.



**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

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

The County, BOE's, and Sanitary District's respective deferred outflows of resources 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>
2023	\$ (506,719)
2024	(416,951)
2025	(412,520)
2026	(529,064)
2027	142,112
<u>Total</u>	<u>\$ (1,723,142)</u>

**Board of Education**

BOE

<u>Year Ended June 30,</u>	<u>Net Deferred (Inflows) Outflows</u>
2023	\$ (111,873)
2024	(77,882)
2025	(76,204)
2026	(120,334)
2027	95,273
<u>Total</u>	<u>\$ (291,020)</u>

**Sanitary District**

<u>Year Ended June 30,</u>	<u>Net Deferred (Inflows) Outflows</u>
2023	\$ (65,808)
2024	(58,124)
2025	(59,294)
2026	(71,385)
2027	9,643
<u>Total</u>	<u>\$ (244,968)</u>

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

**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	\$ 11,136,242	\$ 8,635,872	\$ -
Board of Education	35,677,172	31,246,795	2,892,406
Library	570,445	501,552	75,119

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, 2022 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 \$5,824,930 for Governmental Activities on the County's Statement of Net Position at June 30, 2022.

**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, 2022, is as follows:

Balance, beginning of year	\$ 3,829,593
Employee contributions	233,609
Earnings on investments	(385,773)
Distributions	(146,180)
Balance, end of year	<u>\$ 3,531,249</u>

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

**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, 2022, the date of the last actuarial valuation, approximately 72 retirees were receiving benefits and an estimated 132 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, 2022, the date of the last actuarial valuation, approximately 204 retirees were receiving benefits, and an estimated 428 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, 2022, 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, 2022, the date of the last actuarial valuation, approximately 2 retirees were receiving benefits and an estimated 19 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 2022, the County and Library contributed \$412,047 and \$46,384 to the plans for 72 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 2022, the Board of Education contributed \$531,211 to the plan for 204 eligible retirees.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

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

**Net OPEB Liability**

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

The total OPEB liability 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, 2022:

Total OPEB Liability	County	Board of Education	Library	Sanitary District
Balance at 6/30/2021	\$ 23,924,209	\$ 21,916,102	\$ 1,428,623	\$ 201,715
Changes for the year:				
Service cost	1,121,878	977,487	50,011	13,599
Interest cost	512,337	467,681	30,360	4,211
Differences between expected and actual experience	(2,180,694)	378,453	(224,718)	(67,409)
Changes of assumptions and other inputs	(3,523,131)	(3,659,226)	(221,941)	(7,616)
Contributions - employer	-	-	-	-
Contributions - employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments	(412,047)	(531,211)	(46,384)	(13,639)
Administrative expense	-	-	-	-
Other changes	-	-	-	-
Net changes	<u>(4,481,657)</u>	<u>(2,366,816)</u>	<u>(412,672)</u>	<u>(70,854)</u>
Balances at 6/30/2022	<u>\$ 19,442,552</u>	<u>\$ 19,549,286</u>	<u>\$ 1,015,951</u>	<u>\$ 130,861</u>

**Funding Status and Funding Progress**

As of June 30, 2022, the most recent actuarial valuation date, the Plan was zero percent funded. The actuarial accrued liability for benefits was \$19,442,552, \$19,549,286, \$1,015,951 and \$130,861 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 \$6,865,183, \$25,694,485, \$343,698 and \$953,241, 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 283.21%, 76.08%, 295.59% and 13.73% for the County, Board of Education, Library and Sanitary District, respectively.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

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.

***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, 2022

Actuarial valuation date: June 30, 2022

Actuarial cost method: Entry Age Normal

Discount Rate: The discount rate used to measure the total OPEB liability is 3.54%. 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, 2022.

Mortality: Pub -2010 General Headcount-weighted with fully generational scale MP-2021. 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, 2022 measurement date for fiscal year ended 2022. 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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

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

**Sensitivity of the Total OPEB Liability**

The following table presents the net OPEB liability of the County, Board of Education, Library and Sanitary District using the discount rate of 3.54%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Total OPEB Liability			
		County	Board of Education	Library	Sanitary District
1% decrease	2.54%	\$ 22,956,532	\$ 22,536,765	\$ 1,227,018	\$ 144,261
Current discount Rate	3.54%	\$ 19,442,552	\$ 19,549,286	\$ 1,015,951	\$ 130,861
1% increase	4.54%	\$ 16,675,673	\$ 17,127,820	\$ 855,057	\$ 119,468

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 7.5%, 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	6.5% to 3.5%	\$ 16,567,429	\$ 18,623,253	\$ 849,797	\$ 116,708
Current discount Rate	7.5% to 4.5%	\$ 19,442,552	\$ 19,549,286	\$ 1,015,951	\$ 130,861
1% increase	8.5% to 5.5%	\$ 23,136,055	\$ 20,707,929	\$ 1,237,811	\$ 149,301

**OPEB Expense**

For fiscal year ended June 30, 2022, the County, Board of Education, Library and Sanitary District recognized an OPEB expense (benefit) on the government-wide statements of \$1,021,220, \$2,017,311, \$65,941 and \$9,855, 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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

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

**County**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (3,569,489)
Changes of assumptions	2,801,970	(3,079,730)
Total	<u>\$ 2,801,970</u>	<u>\$ (6,649,219)</u>

**Board of Education**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 303,036	\$ (533,470)
Changes of assumptions	6,113,492	(3,304,326)
Total	<u>\$ 6,416,528</u>	<u>\$ (3,837,796)</u>

**Library**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (221,651)
Changes of assumptions	178,445	(202,628)
Total	<u>\$ 178,445</u>	<u>\$ (424,279)</u>

**Sanitary District**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (63,189)
Changes of assumptions	11,425	(6,640)
Total	<u>\$ 11,425</u>	<u>\$ (69,829)</u>

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

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

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)
2023	\$ (612,995)
2024	(612,995)
2025	(770,680)
2026	(1,004,041)
2027	(846,538)
Thereafter	-
	<u>\$ (3,847,249)</u>

**Board of Education**

Year Ended June 30,	Netted Outflows/ (Inflows)
2023	\$ 572,143
2024	572,143
2025	572,143
2026	459,348
2027	433,232
Thereafter	(30,277)
	<u>\$ 2,578,732</u>

**Library**

Year Ended June 30,	Netted Outflows/ (Inflows)
2023	\$ (34,679)
2024	(37,037)
2025	(44,494)
2026	(58,284)
2027	(31,319)
Thereafter	(40,021)
	<u>\$ (245,834)</u>



**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ending June 30, 2022

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

**Sanitary District**

Year Ended June 30,	Netted Outflows/ (Inflows)
2023	\$ (7,955)
2024	(7,955)
2025	(8,123)
2026	(8,371)
2027	(8,762)
Thereafter	(17,238)
	<u>\$ (58,404)</u>

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

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

**Note 13. Risk Management**

**Primary Government**

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

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

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

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

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 21, 2021 the Board's funds held by ESMEC exceeded the recommended conservative reserve by \$884,318. All funds held by ESMEC are restricted to being used only for health care expenses.

**SOMERSET COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
For the year ending June 30, 2022**

**Note 14. On-Behalf Payments**

**Board of Education**

The State of Maryland contributed \$2,892,406 into the State Retirement System on behalf of the Board's teachers during the year ended June 30, 2022, and the amount is reported as both revenues and expenditures on the statement of activities.

**Library**

The State of Maryland contributed \$75,119 into the State Retirement System on behalf of the Library's employees during the year ended June 30, 2022, 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 did experience significant growth with substantial infill being built out. Further growth is expected, however with interest rates rising, there has already been a significant drop in hook up applications.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

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

Princess Anne Subdistrict (continued)

The Princess Anne sewer system has adequate sewer allocation at this time. The Maryland Department of the Environment (MDE) and the District have entered into a schedule to upgrade the Princess Anne Wastewater Treatment Plant for 5-Day Biochemical Demand and Total Nitrogen Removal. The upgrade is estimated to cost \$12,000,000. MDE has set aside funds to assist with these costs.

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

To further insure that permit limits will not be exceeded, and that the water and sewer system is not overburdened, all new Princess Anne construction is approved on a project-by-project basis. The District has entered into a verbal 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 Plant. The completed project has produced significant electrical savings for the treatment plant.

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 Treatment Plant and pumping to a rebuilt facility at Ewell. The study also recommended the replacement/upgrade of the of all pumping stations on Smith Island. The project also includes the replacement/upgrade of the Ewell Wastewater Treatment Plant.

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, 2022. Funding issues have delayed completion of the project, therefore, the Tylerton Wastewater Treatment Plant continues to operate with compliance issues that will be resolved with the completion of the project.

Fairmount Subdistrict

The service for sewer of this subdistrict will run through the Princess Anne subdistrict. The Fairmount Decommissioning Project has been completed. All flow from the Fairmount Sewer System is now pumped to the Princess Anne Wastewater Treatment Plant for treatment. This treatment includes Nitrogen and Phosphorus removal.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ending June 30, 2022**

**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, 2022. 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, 2022 approximately 74% of the landfill capacity had been used. Under the prescribed allocation method determined annually based on the landfill capacity used to date, \$1,492,500 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, 2021. The County expects to satisfy these requirements as of June 30, 2022 using the same criteria.

**Note 17. Prior Period Restatement**

Local Management Board

During fiscal year 2022, it was noted that revenues had been deferred during a prior period that should have been recognized. The Local Management Board determined to restate its net position at June 30, 2021 as a result. Net position at June 30, 2021 was previously reported at \$255,722 and was increased by \$53,090 to \$308,812.

REQUIRED SUPPLEMENTARY INFORMATION

**SOMERSET COUNTY, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended June 30, 2022**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
<b>REVENUE</b>			
Taxes	\$ 26,764,606	\$ 29,593,921	\$ 2,829,315
Licenses and permits	161,800	157,072	(4,728)
Intergovernmental	11,096,204	14,726,473	3,630,269
Charges for services	1,861,000	2,128,942	267,942
Miscellaneous	537,233	342,100	(195,133)
<b>Total revenue</b>	<b>40,420,843</b>	<b>46,948,508</b>	<b>6,527,665</b>
<b>EXPENDITURES</b>			
General government	8,138,921	11,486,703	(3,347,782)
Public safety	9,146,626	9,024,794	121,832
Public works	3,901,030	2,929,812	971,218
Health	1,001,835	891,699	110,136
Social services	31,800	74,430	(42,630)
Education	10,798,265	10,697,089	101,176
Recreation and culture	1,862,997	1,306,326	556,671
Conservation of natural resources	68,264	69,462	(1,198)
Intergovernmental	173,587	173,456	131
Debt service	2,785,829	2,681,167	104,662
<b>Total expenditures</b>	<b>37,909,154</b>	<b>39,334,938</b>	<b>(1,425,784)</b>
<b>Excess of revenue (under) over expenditures</b>	<b>2,511,689</b>	<b>7,613,570</b>	<b>5,101,881</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers, net	(4,059,205)	(3,327,250)	731,955
Fund balance appropriated	1,547,516	-	(1,547,516)
<b>Total other financing sources (uses)</b>	<b>(2,511,689)</b>	<b>(3,327,250)</b>	<b>(815,561)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>4,286,320</b>	<b>\$ 4,286,320</b>
Fund balance - beginning		<u>19,008,878</u>	
Fund balance - ending		<u>\$ 23,295,198</u>	

**SOMERSET COUNTY, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND BUDGETARY BASIS  
 ROADS BOARD  
 Year Ended June 30, 2022**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
<b>REVENUE</b>			
Taxes	\$ 596,761	\$ 673,074	\$ 76,313
Charges for services	492,026	465,160	(26,866)
Interest	2,000	1,761	(239)
Miscellaneous	5,000	19,067	14,067
<u>Total revenue</u>	<u>1,095,787</u>	<u>1,159,062</u>	<u>63,275</u>
<b>EXPENDITURES</b>			
Current	3,910,555	3,545,846	364,709
Capital outlay	493,458	502,077	(8,619)
<u>Total expenditures</u>	<u>4,404,013</u>	<u>4,047,923</u>	<u>356,090</u>
(Deficiency) excess of revenue over expenditures	(3,308,226)	(2,888,861)	419,365
<b>OTHER FINANCING SOURCES</b>			
Operating transfers, net	3,308,226	2,800,000	(508,226)
<u>Total other financing sources</u>	<u>3,308,226</u>	<u>2,800,000</u>	<u>(508,226)</u>
Excess (deficiency) of revenue and other financing sources over expenditures	\$ -	\$ (88,861)	\$ (88,861)



**SOMERSET COUNTY, MARYLAND**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2022**

**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, 2021	0.0388269%	\$ 5,824,930	\$8,363,852	69.64%	\$67,604,500	\$82,606,805	81.84%
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

**SOMERSET COUNTY, MARYLAND**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2022**

**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)
2022	\$ 912,040	\$ 912,040	\$ -	\$ 8,635,872	10.56%
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**  
**June 30, 2022**

**ACTUARIAL ASSUMPTIONS - PENSION PLAN**

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.25% general, 2.75% wage
Salary Increases	projected range from 0.00% to 8.50% per year
Investment Rate of Return	6.80%
Discount Rate	6.80%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study for the period July 1, 2014 to July 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

SOMERSET COUNTY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2022

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

As of June 30,	<u>2018</u>	<u>2019</u>	Fiscal Year <u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Total OPEB liability</b>					
Service cost	\$ 720,750	\$ 748,001	\$ 818,901	\$ 1,082,153	\$ 1,121,878
Interest	655,991	697,598	708,633	502,844	512,337
Differences between expected and actual experience	-	-	(3,503,158)	-	(2,180,694)
Change of assumptions and other inputs	-	1,097,167	4,820,198	(234,604)	(3,523,131)
Benefit payments	(278,931)	(324,750)	(318,741)	(356,665)	(412,047)
<b>Net change in OPEB liability</b>	1,097,810	2,218,016	2,525,833	993,728	(4,481,657)
<b>Total OPEB liability - beginning of year</b>	17,088,822	18,186,632	20,404,648	22,930,481	23,924,209
<b>Total OPEB liability - ending of year (a)</b>	<u>\$18,186,632</u>	<u>\$20,404,648</u>	<u>\$22,930,481</u>	<u>\$23,924,209</u>	<u>\$19,442,552</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 285,129	\$ 331,798	\$ 318,741	\$ 356,665	\$ 412,047
Benefit payments	(285,129)	(331,798)	(318,741)	(356,665)	(412,047)
<b>Net change in plan fiduciary net position</b>	-	-	-	-	-
<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>
<b>County's net OPEB liability - end of year (a) - (b)</b>	\$18,186,632	\$20,404,648	\$22,930,481	\$23,924,209	\$19,442,552
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0%	0%	0%	0%	0%
<b>Covered employee payroll</b>	\$ 6,455,255	\$ 6,816,511	\$ 6,685,468	\$ 6,526,615	\$ 6,865,183
<b>County's net OPEB liability as a percentage of covered employee payroll</b>	281.73%	299.34%	342.99%	366.56%	283.21%

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.

**SOMERSET COUNTY, MARYLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ending June 30, 2022**

**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 2.16% at June 30, 2021 to 3.54% at June 30, 2022.
2. The mortality improvement scale was updated from MP-2020 to MP-2021.
3. The healthcare cost trend assumption was updated to 7.50% for 2022 decreasing by .25% per year until it reaches 4.50%.

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

Discount Rate: The discount rate used to measure the total OPEB liability is 3.54%. 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, 2022.

Mortality: Pub -2010 General Headcount-weighted with fully generational scale MP-2021. 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:

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 receiving and expending unbudgeted grants.

ADDITIONAL SUPPLEMENTARY INFORMATION

**SOMERSET COUNTY, MARYLAND**

**REVENUE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2022**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>TAXES</b>			
Property	\$ 17,955,606	\$ 18,642,203	\$ 686,597
Penalties and interest	200,000	255,555	55,555
	18,155,606	18,897,758	742,152
Income tax	7,800,000	9,456,678	1,656,678
Other			
Admissions and amusements	18,000	26,698	8,698
Recordation	700,000	1,093,387	393,387
Bay Restoration fund fee	16,000	15,641	(359)
Assessments - room tax	75,000	103,759	28,759
	809,000	1,239,485	430,485
	26,764,606	29,593,921	2,829,315
<b>LICENSES AND PERMITS</b>			
Cable franchise fees	112,000	114,817	2,817
Alcoholic beverages	30,000	22,202	(7,798)
Traders	17,000	17,193	193
Other	2,800	2,860	60
	161,800	157,072	(4,728)
<b>INTERGOVERNMENTAL</b>			
Federal			
Transportation Program	200,000	200,000	-
Airport Program	-	8,288	8,288
CDBG COVID rental and food assistance	-	1,049,524	1,049,524
Civil defense/emergency services	169,638	90,147	(79,491)
Sheriff Non-Support	3,000	1,593	(1,407)
HMGP Crisfield elevation project	-	174,839	174,839
State's Attorney	163,892	136,999	(26,893)
FEMA Hazard mitigation	-	3,600	3,600
Transportation Alternatives Program RT 413	463,844	590,514	126,670
Highway safety	1,500	-	(1,500)
CDBG disaster recovery	30,000	-	(30,000)
SLFRF American Rescue Plan	-	1,539,804	1,539,804
State of Maryland			
Fire, rescue and ambulance	313,590	309,590	(4,000)
Disparity Grant	7,139,319	7,139,319	-
Police protection	109,631	128,851	19,220
Waterways	699,500	312,880	(386,620)
DNR Deal Island Shoreline project	-	439,374	439,374
Sheriff GRIT program	-	966	966
Program Open Space	180,000	79,656	(100,344)
Burgess Museum Grant	-	263,200	263,200
Technical and Community Services	39,000	10,000	(29,000)
Family Services	146,438	94,834	(51,604)
Airport	-	4,371	4,371

**SOMERSET COUNTY, MARYLAND**

**REVENUE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND**

(Continued)  
Year Ended June 30, 2022

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>INTERGOVERNMENTAL (continued)</b>			
State of Maryland (continued)			
Tourism	\$ 22,390	\$ 25,129	\$ 2,739
Juror / Circuit Court Cost	150,000	135,053	(14,947)
Civil defense/emergency services	232,531	130,266	(102,265)
Sex Offender Program	16,951	36,918	19,967
City of Crisfield - airport grant	-	1,882	1,882
Health Department Cleaning grant	30,000	30,000	-
MDOT Bikeways program	89,670	113,440	23,770
Forest and Wildlife Pilot	534,834	535,089	255
Forest and parks	50,000	-	(50,000)
CDBG COVID rental and food assistance	-	709,917	709,917
Rec & Parks Field Day	-	2,124	2,124
Adult Drug Court	206,907	131,379	(75,528)
Sheriff School Resource Officer	63,069	63,470	401
Child Obesity Prevention	-	11,915	11,915
Local			
Payments in lieu of taxes	30,500	3,181	(27,319)
Crisfield Housing Authority	10,000	7,500	(2,500)
Somerset County Dispensaries	-	210,861	210,861
	11,096,204	14,726,473	3,630,269
<b>CHARGES FOR SERVICES</b>			
General Government	316,500	380,485	63,985
Mosquito control	42,000	43,072	1,072
Landfill tipping and permit fees	1,502,500	1,705,385	202,885
	1,861,000	2,128,942	267,942
<b>MISCELLANEOUS</b>			
Rents and concessions	88,000	113,919	25,919
Telephone concessions	30,000	36,610	6,610
Interest	70,000	18,037	(51,963)
Proceeds from sale of capital assets	30,000	21,650	(8,350)
Other	319,233	151,884	(167,349)
	537,233	342,100	(195,133)
<b>OTHER FINANCING SOURCES</b>			
Fund balance appropriated	1,547,516	-	(1,547,516)
	1,547,516	-	(1,547,516)
<b>TOTAL REVENUE AND OTHER FINANCING SOURCES</b>	<b>\$ 41,968,359</b>	<b>\$ 46,948,508</b>	<b>\$ 4,980,149</b>



**SOMERSET COUNTY, MARYLAND**

**EXPENDITURE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2022**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>GENERAL GOVERNMENT</b>			
LEGISLATIVE			
County Commissioners	\$ 76,775	\$ 249,339	\$ (172,564)
Clerk to County Commissioners	256,826	264,291	(7,465)
	333,601	513,630	(180,029)
JUDICIAL			
Adult Drug Court	206,907	197,357	9,550
Circuit Court	305,953	326,927	(20,974)
Family Services	146,438	137,004	9,434
Orphans' Court	18,788	17,585	1,203
State's Attorney	1,195,871	1,149,450	46,421
Law Library	10,000	4,800	5,200
	1,883,957	1,833,123	50,834
ELECTION			
Board of Supervision of Elections	19,004	17,646	1,358
Registration and elections	770,184	436,226	333,958
	789,188	453,872	335,316
FINANCIAL ADMINISTRATION			
Finance and Accounting	382,349	383,463	(1,114)
Tax collection and disbursement of funds	388,013	359,752	28,261
Internal auditing	138,887	139,574	(687)
Auditing and accounting	49,500	49,500	-
Licensing	23,019	21,336	1,683
	981,768	953,625	28,143
LEGAL			
	104,757	107,878	(3,121)
PERSONNEL			
	250,358	244,892	5,466
PLANNING AND ZONING			
	1,092,425	3,291,998	(2,199,573)
GENERAL SERVICES			
County building	1,348,588	1,273,014	75,574
Tourism	249,971	258,316	(8,345)
	1,598,559	1,531,330	67,229

<u>Salaries and Other Operating Expenses</u>	<u>Capital Outlay</u>
\$ 43,409	\$ 205,930
264,291	-
<hr/>	<hr/>
307,700	205,930
<hr/>	<hr/>
197,357	-
170,997	155,930
137,004	-
17,585	-
1,101,038	48,412
4,800	-
<hr/>	<hr/>
1,628,781	204,342
<hr/>	<hr/>
17,646	-
399,324	36,902
<hr/>	<hr/>
416,970	36,902
<hr/>	<hr/>
383,463	-
359,752	-
139,574	-
49,500	-
21,336	-
<hr/>	<hr/>
953,625	-
<hr/>	<hr/>
107,878	-
<hr/>	<hr/>
244,892	-
<hr/>	<hr/>
3,268,492	23,506
<hr/>	<hr/>
1,153,017	119,997
258,316	-
<hr/>	<hr/>
1,411,333	119,997
<hr/>	<hr/>

**SOMERSET COUNTY, MARYLAND**

**EXPENDITURE DETAIL  
BUDGET AND ACTUAL  
GENERAL FUND**

(Continued)

Year Ended June 30, 2022

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>MISCELLANEOUS</b>			
Information Technology	\$ 363,859	\$ 333,025	\$ 30,834
Financial ERP software	32,000	31,915	85
Community promotions	156,262	166,262	(10,000)
Public Officers Association	26,365	20,656	5,709
Health benefits retirees	310,602	360,880	(50,278)
Retirement and pension contributions	70,490	26,147	44,343
Uncollectible interest and personal property taxes	-	-	-
Coronavirus State and Local Fiscal Recovery Funds			
Economic Development business relief	-	417,000	(417,000)
Detention Center	-	321	(321)
Tax Collection	-	951	(951)
Human Resources	-	16,422	(16,422)
Information Technology	-	338,556	(338,556)
Emergency Services	-	260,192	(260,192)
Dog Control	-	14,046	(14,046)
Sheriff	-	32,696	(32,696)
States Attorney	-	51,975	(51,975)
General government	-	255,000	(255,000)
Recreation, Parks, and Golf	-	12,028	(12,028)
Finance	-	40	(40)
Health	-	14,490	(14,490)
Sanitary District	-	64,619	(64,619)
County Roads	-	61,468	(61,468)
State of Maryland COVID Relief Grant			
Online sales and teleworking	-	(312)	312
Other general government	144,728	77,978	66,750
	1,104,306	2,556,355	(1,452,049)
<b>Total General Government</b>	<b>8,138,921</b>	<b>11,486,703</b>	<b>(3,347,784)</b>
<b>PUBLIC SAFETY</b>			
Sheriff	3,096,470	3,131,522	(35,052)
Ambulance and fire	1,205,626	1,199,018	6,608
Correction	3,099,232	3,068,541	30,691
Other protection			
911 communication	1,525,903	1,426,070	99,833
Animal protection	219,395	199,643	19,752
	9,146,626	9,024,794	121,832
<b>PUBLIC WORKS</b>			
Waste collection and disposal	2,500,469	2,010,810	489,659
Highway, streets and waterways	932,864	499,053	433,811
Transportation	467,697	419,949	47,748
	3,901,030	2,929,812	971,218

<u>Salaries and Other Operating Expenses</u>	<u>Capital Outlay</u>
\$ 324,940	\$ 8,085
31,915	-
166,262	-
20,656	-
360,880	-
26,147	-
-	-
417,000	-
321	-
951	-
-	16,422
-	338,556
72,738	187,454
-	14,046
32,696	-
-	51,975
255,000	-
275	11,753
40	-
-	14,490
64,619	-
61,468	-
(312)	-
77,978	-
<hr/>	<hr/>
1,913,574	642,781
<hr/>	<hr/>
10,253,245	1,233,458
<hr/>	<hr/>
2,957,792	173,730
1,199,018	-
3,063,652	4,889
1,417,924	8,146
199,643	-
<hr/>	<hr/>
8,838,029	186,765
<hr/>	<hr/>
1,920,715	90,095
107,841	391,212
348,136	71,813
<hr/>	<hr/>
2,376,692	553,120
<hr/>	<hr/>

**SOMERSET COUNTY, MARYLAND**

**EXPENDITURE DETAIL**

**BUDGET AND ACTUAL**

**GENERAL FUND**

(Continued)

Year Ended June 30, 2022

	Original/ Final Budget	Actual	Variance Positive (Negative)
<b>HEALTH</b>	\$ 1,001,835	\$ 891,699	\$ 110,136
<b>SOCIAL SERVICES</b>	31,800	74,430	(42,630)
<b>EDUCATION</b>	10,798,265	10,697,089	101,176
<b>RECREATION AND CULTURE</b>	1,862,997	1,306,326	556,671
<b>CONSERVATION OF NATURAL RESOURCES</b>	68,264	69,462	(1,198)
<b>INTERGOVERNMENTAL</b>	173,587	173,456	131
<b>DEBT SERVICE</b>	2,785,829	2,681,167	104,662
<b>OTHER FINANCING USES</b>			
Operating transfers			
County Roads Department	3,308,226	2,800,000	508,226
Economic Development Commission	202,250	202,250	-
Golf Course - transfers	548,729	325,000	223,729
	4,059,205	3,327,250	731,955
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	\$ 41,968,359	\$ 42,662,188	\$ (693,831)

<u>Salaries and Other Operating Expenses</u>	<u>Capital Outlay</u>
\$ 891,699	\$ -
<hr/> 74,430	<hr/> -
<hr/> 10,697,089	<hr/> -
<hr/> 1,122,335	<hr/> 183,991
<hr/> 69,462	<hr/> -
<hr/> 173,456	<hr/> -
<hr/> 2,681,167	<hr/> -
 2,800,000	 -
202,250	-
<hr/> 325,000	<hr/> -
<hr/> 3,327,250	<hr/> -
 <hr/> <u>\$ 40,504,854</u>	 <hr/> <u>\$ 2,157,334</u>

**SOMERSET COUNTY, MARYLAND**

**BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
June 30, 2022**

<b>ASSETS</b>	<u>CDBG Programs</u>	<u>Special Loan Program</u>	<u>Commission on Aging - SSTAP</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ -	\$ 109,013	\$ -	\$ 109,013
Receivables				
Due from other funds	156	-	-	156
Due from other governmental units	4,524	-	38,227	42,751
<b>Total assets</b>	<b>\$ 4,680</b>	<b>\$ 109,013</b>	<b>\$ 38,227</b>	<b>\$ 151,920</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 468	\$ -	\$ -	\$ 468
Due to other funds	4,212	-	-	4,212
Due to other governmental units	-	-	38,227	38,227
Unearned revenue	-	108,968	-	108,968
<b>Total liabilities</b>	<b>4,680</b>	<b>108,968</b>	<b>38,227</b>	<b>151,875</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>\$ 4,680</b>	<b>\$ 109,013</b>	<b>\$ 38,227</b>	<b>\$ 151,920</b>

**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
Year Ended June 30, 2022**

	<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	\$ 270,585	\$ -	\$ -	\$ 270,585
State	-	90,168	117,447	207,615
Local	-	-	39,460	39,460
Miscellaneous	1,435	-	1,889	3,324
<b>Total revenue</b>	<b>272,020</b>	<b>90,168</b>	<b>158,796</b>	<b>520,984</b>
<b>EXPENDITURES</b>				
Current				
Social services	-	-	158,796	158,796
Economic and community development	272,020	90,168	-	362,188
<b>Total expenditures</b>	<b>272,020</b>	<b>90,168</b>	<b>158,796</b>	<b>520,984</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, 2022**

	State Tax Fund	State's Attorney Funds	Detention Center Funds	Dental Fund	Retirees Health Fund	Total
<b>ASSETS</b>						
Cash	\$ -	\$ 936	\$ 16,637	\$ 26,075	\$ 127,171	\$ 170,819
Property taxes receivable	74,727	-	-	-	-	74,727
Due from other governmental units	6,495	-	-	-	-	6,495
<b>Total assets</b>	<b>\$ 81,222</b>	<b>\$ 936</b>	<b>\$ 16,637</b>	<b>\$ 26,075</b>	<b>\$ 127,171</b>	<b>\$ 252,041</b>
<b>LIABILITIES</b>						
Due to other funds	\$ 81,222	\$ -	\$ -	\$ -	\$ -	\$ 81,222
<b>Total liabilities</b>	<b>81,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,222</b>
<b>NET POSITION</b>						
Restricted	\$ -	\$ 936	\$ 16,637	\$ 26,075	\$ 127,171	\$ 170,819

**SOMERSET COUNTY, MARYLAND**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
Year Ended June 30, 2022**

	State Tax Fund	State's Attorney Funds	Detention Center Funds	Dental Fund	Retirees Health Fund	Total
<b>ADDITIONS:</b>						
Contributions	\$ -	\$ 10,360	\$ 101,308	\$ 91,054	\$ 328,481	\$ 531,203
Collections for other governments	1,557,369	-	-	-	-	1,557,369
<b>Total additions</b>	<b>1,557,369</b>	<b>10,360</b>	<b>101,308</b>	<b>91,054</b>	<b>328,481</b>	<b>2,088,572</b>
<b>DEDUCTIONS:</b>						
Claims paid	-	-	-	55,056	347,835	402,891
Advisor payments	-	-	-	-	11,896	11,896
Administrative fees	-	-	-	36,362	57,902	94,264
Payments to other governments	1,557,369	-	-	-	-	1,557,369
Other	-	24,424	102,577	23	-	127,024
<b>Total deductions</b>	<b>1,557,369</b>	<b>24,424</b>	<b>102,577</b>	<b>91,441</b>	<b>417,633</b>	<b>2,193,444</b>
Change in net assets	-	(14,064)	(1,269)	(387)	(89,152)	(104,872)
Net position, beginning	-	15,000	17,906	26,462	216,323	275,691
Net position, ending	\$ -	\$ 936	\$ 16,637	\$ 26,075	\$ 127,171	\$ 170,819

**SOMERSET COUNTY, MARYLAND**

**GENERAL FUND - TAXES RECEIVABLE  
June 30, 2022  
(Unaudited)**

			Total Assessed Value of Taxable Property	Tax Levy	Collected Amount	Percent	Balance June 30, 2022
<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	14,464,459	100.00		527
2009-2010 Levy	F	1,683,987,794	15,188,742	15,187,917	99.99		825
2010-2011 Levy	G	1,699,240,830	15,036,863	15,036,606	100.00		257
2011-2012 Levy	G	1,616,536,797	14,297,806	14,297,310	100.00		496
2012-2013 Levy	G	1,457,734,602	12,897,185	12,897,009	100.00		176
2013-2014 Levy	H	1,416,724,050	12,976,836	12,976,261	100.00		575
2014-2015 Levy	H	1,361,394,961	12,472,354	12,470,541	99.99		1,813
2015-2016 Levy	I	1,371,604,952	13,759,300	13,756,322	99.98		2,978
2016-2017 Levy	I	1,365,856,317	13,711,958	13,709,239	99.98		2,719
2017-2018 Levy	I	1,360,065,960	13,678,468	13,675,212	99.98		3,256
2018-2019 Levy	I	1,354,589,599	13,639,083	13,624,459	99.89		14,624
2019-2020 Levy	I	1,379,191,280	13,827,136	13,804,018	99.83		23,118
2020-2021 Levy	I	1,381,675,594	13,863,510	13,825,240	99.72		38,270
2021-2022 Levy	I	1,415,486,817	14,195,812	13,577,514	95.64		618,298
							709,010

**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	1,513,846	99.71		4,463
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	1,544,355	99.80		3,171
2014-2015 Levy	H	72,477,610	1,652,028	1,648,632	99.79		3,396
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	1,959,406	99.44		10,946
2017-2018 Levy	I	75,445,340	1,883,027	1,872,395	99.44		10,632
2018-2019 Levy	I	141,146,080	3,539,598	3,521,895	99.50		17,703
2019-2020 Levy	I	140,910,710	3,576,429	3,549,621	99.25		26,808
2020-2021 Levy	I	160,950,390	4,023,760	3,974,640	98.78		49,120
2021-2022 Levy	I	170,876,060	4,271,902	4,230,093	99.02		41,809
							186,123
							895,133
Less: Allowance for doubtful accounts							-
						\$	895,133

A Real property-tax rate \$.98  
Personal property-tax rate \$2.45

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

B Real property-tax rate \$1.010  
Personal property-tax rate \$2.525

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

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

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

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

I Real property-tax rate \$1.00  
Personal property-tax rate \$2.50

E Real property-tax rate \$.92  
Personal property-tax rate \$2.30

**SOMERSET COUNTY, MARYLAND**

**GENERAL FUND - PROPERTY TAX LEVIES AND COLLECTIONS**

**Years Ended June 30, 2022**

**(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>County Tax Rate</u>	<u>Assessable Base</u>	<u>County Tax Levy</u>	<u>Collections</u>	<u>% of Levy Collected in Year of Levy</u>	<u>Delinquent Tax Collections</u>
2022	I	\$ 1,586,362,877	\$ 18,467,714	\$17,807,607	96.43	\$ 671,936
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>
\$ 18,479,543	100.06	\$ 895,133	4.85
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, 2022**

**(Unaudited)**

Fiscal Year Ended June 30,	Assessed Values					
	Real Property		Personal Property			Total
	Full Year	Partial Year	Locally Assessed	Ordinary Business Corporations	Railroads & Public Utilities	
2022	\$ 1,391,012,767	\$ 21,744,460	\$ 2,729,590	\$ 119,671,060	\$ 51,205,000	1,586,362,877
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, 2022  
(Unaudited)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General government	\$ 11,486,703	\$ 9,683,268	\$ 7,379,201	\$ 7,125,940	\$ 6,736,354
Public safety	9,024,794	8,215,555	9,134,834	11,961,190	8,209,251
Public works	6,977,735	5,719,571	8,423,291	6,195,302	5,244,929
Health	891,699	933,320	895,468	987,540	958,975
Social services	233,226	262,520	261,005	297,376	353,222
Education	61,014,817	61,059,336	62,263,051	64,687,722	50,138,362
Recreation and culture	1,746,331	2,674,766	5,017,854	1,855,487	1,847,813
Conservation of natural resources	69,462	63,714	75,491	118,626	111,992
Economic and community development	1,173,219	2,128,857	4,186,319	1,751,832	3,623,751
Intergovernmental	173,456	148,717	175,157	144,953	169,542
Debt service	2,681,167	2,892,390	6,721,569	2,442,585	2,650,210
Miscellaneous	-	-	-	-	-
	<u>\$ 95,472,609</u>	<u>\$ 93,782,014</u>	<u>\$ 104,533,240</u>	<u>\$ 97,568,553</u>	<u>\$ 80,044,401</u>

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$	6,329,780	\$ 6,035,270	\$ 6,538,792	\$ 6,757,059	\$ 6,224,871
	7,620,741	7,469,144	7,213,198	7,520,291	7,180,372
	5,259,924	5,226,400	6,127,456	6,395,927	5,679,510
	904,358	871,610	886,985	828,186	856,234
	266,993	245,110	252,823	243,418	247,748
	37,698,097	36,808,025	35,129,242	32,460,744	30,610,825
	1,903,212	4,372,667	3,603,710	1,593,380	1,455,405
	102,045	112,980	109,575	98,730	101,609
	7,830,421	5,682,392	3,445,175	1,550,771	1,009,956
	165,875	172,444	152,212	154,783	260,444
	5,583,235	2,476,675	2,436,591	10,179,576	2,000,765
	-	-	-	-	-
<b>\$</b>	<b>73,664,681</b>	<b>\$ 69,472,717</b>	<b>\$ 65,895,759</b>	<b>\$ 67,782,865</b>	<b>\$ 55,627,739</b>



**SOMERSET COUNTY, MARYLAND**

**STATEMENT OF REVENUE AND EXPENSES  
PROPRIETARY FUND TYPE**

**Years Ended June 30, 2022 and 2021**

	Primary Government	
	Enterprise Fund Golf Course	
	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUE</b>		
Charges for services:		
Green fees	\$ 318,845	\$ 266,858
Cart fees	158,695	154,423
Driving range	12,787	8,827
Membership dues	95,747	101,946
Concessions	75,218	68,522
Gift card revenue	10,441	-
Miscellaneous	1,640	4,583
<b>Total operating revenue</b>	<b>673,373</b>	<b>605,159</b>
<b>OPERATING EXPENSES</b>		
Salaries and related taxes	479,959	506,220
Repairs and maintenance	116,806	67,259
Supplies	138,274	123,282
Utilities	32,642	29,133
Insurance	82,399	62,229
Depreciation and amortization	142,787	144,197
Other operating	164,797	152,268
<b>Total operating expenses</b>	<b>1,157,664</b>	<b>1,084,588</b>
<b>Net operating loss</b>	<b>(484,291)</b>	<b>(479,429)</b>
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Financial expense, net	(1,955)	(3,018)
Operating transfers, net	325,000	390,000
<b>Net non-operating revenue</b>	<b>323,045</b>	<b>386,982</b>
<b>Net loss</b>	<b>\$ (161,246)</b>	<b>\$ (92,447)</b>

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, 2022, 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 January 30, 2023. 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.

**Report on 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.

## **Report on 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 dark ink that reads "UHY LLP". The letters are stylized and cursive, with the "U" and "H" being particularly prominent.

Salisbury, Maryland  
January 30, 2023

**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**

**Opinion on Each Major Federal Program**

We have audited Somerset County, Maryland's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Somerset County, Maryland and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Somerset County, Maryland's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Somerset County, Maryland's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Somerset County, Maryland's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Somerset County, Maryland's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Somerset County, Maryland's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Somerset County, Maryland's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Somerset County, Maryland's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 a 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 internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten font, followed by 'LLP' in a smaller, simpler font.

Salisbury, Maryland  
January 30, 2023

**SOMERSET COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2022**

<u>Description</u>	<u>Federal Assistance Listing Numbers</u>	<u>Passthrough Grantor's Numbers</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
<b>Department of Housing and Urban Development</b>				
Passed through Maryland Department of Housing and Community Development:				
CDBG - Entitlement Grants Cluster:				
Housing Rehabilitation	14.218	MD-19-CD-26	\$ 150,182	\$ -
Housing Rehabilitation	14.218	MD-22-CD-24	51,517	-
Sub-Total CDBG - Entitlement Grants Cluster			201,699	-
CDBG - Disaster Recovery Grants Cluster:				
Hurricane Sandy 15	14.269	MD-15-DR-1	238,826	-
Sub-Total CDBG - Disaster Recovery Grants Cluster			238,826	-
Blight Removal	14.228	MD-20-CD-25	68,886	-
Total Department of Housing and Urban Development			509,411	-
<b>Department of Homeland Security</b>				
Passed through State of Maryland Department of Emergency Management:				
Hazard Mitigation Grant - 911	97.039	HMFMA18-01-P00	3,600	-
Hazard Mitigation Grant - Crisfield Elevation	97.039	HMPDM19-10-P00	174,839	-
Emergency Services - Homeland Security Grant	97.067	19SHSP857	81,358	-
Emergency Management Performance Grant	97.042	19EMPG857	8,789	-
Total Department of Homeland Security			268,586	-
<b>Department of Treasury</b>				
Direct Award				
COVID-19 Rental and Food Assistance	21.023	CV-1-10	1,049,524	-
Coronavirus American Rescue Plan	21.027	N/A	1,539,804	-
Total Department of Treasury			2,589,328	-
<b>Department of Health and Human Services</b>				
Passed through State of Maryland Department of Human Resources:				
States Attorney Child Support	93.563	CSEA/CRA-20-023	136,999	-
Non Support Grant - Sheriff	93.563	CSEA/CRA-18-039	1,593	-
Total Department of Health and Human Services			138,592	-
<b>Department of Transportation</b>				
Direct Award				
Federal Aviation Administration (AIP)	20.106	3-24-0012-015	8,288	-
Sub-Total			8,288	-
Passed through the State Highway Administration:				
Recreational Trails Program	20.219	TAP-323-1(5)E	590,514	-
Sub-Total Highway Planning and Construction Cluster			590,514	-
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			798,802	-
Total Expenditures of Federal Awards			\$ 4,304,719	\$ -



**SOMERSET COUNTY, MARYLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2022**

**Note 1. Basis of Presentation**

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, 2022. 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, 2022**

**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. There are no audit findings relative to major federal award programs for Somerset County, Maryland that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs include:
  - Emergency Rental Assistance Program – CFDA #21.023
  - Coronavirus State and Local Fiscal Recovery Funds – CFDA #21.027
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, 2022.

**B. Findings - Financial Statement Audit**

None

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

None