

SOMERSET COUNTY, MARYLAND

FINANCIAL REPORT

June 30, 2024

SOMERSET COUNTY, MARYLAND

TABLE OF CONTENTS

	Page(s)
INDEPENDENT AUDITORS' REPORT	1-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-16
FINANCIAL STATEMENTS	
Statement of Net Position	17
Statement of Activities	18
Balance Sheet - Governmental Funds	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Statement of Net Position - Enterprise Fund	21
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Fund	22
Statement of Cash Flows - Enterprise Fund	23-24
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
NOTES TO FINANCIAL STATEMENTS	27-71
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	73
Budgetary Comparison Schedule - Special Revenue Fund - Roads Board	74
Schedule of the Proportionate Share of the Net Pension Liability - Maryland State Retirement and Pension Systems	75
Schedule of Contributions - Maryland State Retirement and Pension Systems	76
Actuarial Assumptions - Pension Plan - Maryland State Retirement and Pension Systems	77
Schedule of Changes in the County's Total OPEB Liability and Related Ratios	78
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	79
ADDITIONAL SUPPLEMENTARY INFORMATION	
Revenue Detail - Budget and Actual - General Fund	81-82
Expenditure Detail - Budget and Actual - General Fund	83-85
Balance Sheet - Nonmajor Governmental Funds - Special Revenue Funds	86
Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds - Special Revenue Funds	87
Combining Statement of Fiduciary Net Position - Custodial Funds	88
Combining Statement of Changes in Fiduciary Net Position - Custodial Funds	89
General Fund - Taxes Receivable (Unaudited)	90
General Fund - Property Tax Levies and Collections (Unaudited)	91
General Fund - Property Assessed Values (Unaudited)	92
Governmental Fund Types (Reporting Entity) - Expenditures by Function (Unaudited)	93
Statement of Revenue and Expenses - Enterprise Fund	94
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 <i>Government Auditing Standards</i>	96-97
Report on Compliance For Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance	98-100
Schedule of Expenditures of Federal Awards	101
Notes to Schedule of Expenditures of Federal Awards	102
Schedule of Findings and Questioned Costs	103



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

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, 2024, 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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The County Commissioners of Somerset County, Maryland, as of June 30, 2024, 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., which represents 31 percent, 30 percent, and 13 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2024. 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. 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 qualified and unmodified audit opinions.

Emphasis of Matter

As discussed in Note 17 to the financial statements, The County Commissioners of Somerset County, Maryland determined to restate its prior year net position related to enterprise fund compensated absences. Our opinion is not modified with respect to these matters.

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 March 24, 2025 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 *Governmental 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, cursive font, with "LLP" in a smaller, simpler font to the right.

Salisbury, Maryland
March 24, 2025



Management's Discussion and Analysis

Somerset County's Financial Report for fiscal year ended June 30, 2024 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 2024 by \$38.3 million. A net pension liability of \$11.2 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 \$19.7 million is reflected as a liability in accordance with GASB 75.

The total net position of the County increased approximately \$4.6 million during fiscal year 2024. There are several factors that enter into this increase, but the primary reason for the change is the increase in local income tax, the new State cannabis tax distribution, and interest earnings on investment of County funds, along with favorable variances in certain unspent capital line items.

The County's total governmental funds show a fund balance of \$30.4 million as of the end of the fiscal year. Of this total, \$12.8 million is either committed or assigned for capital projects, debt service, other post-employment benefits, future budget purposes, or other fund purposes. Approximately \$17.2 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, 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, 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/Vision Fund, the Retirees Health Fund, State's Attorney Funds which include the Somerset County Restitution Escrow Account and the Somerset County SAC Witness Protection/Relocation 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, 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, 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 \$41,735,651 for the Primary Government at June 30, 2024, with \$34,973,432 in cash and cash equivalents including restricted cash. Capital assets amount to \$58,557,388, net of accumulated depreciation. The overall increase in current assets is primarily due to an increase in cash and cash equivalents of approximately \$2.6 million.

Total liabilities amount to \$62,818,935, which includes \$6,870,304 for Board of Education projects, \$6,590,488 for Landfill and Solid Waste projects and obligations and \$11,186,304 for the net pension liability under GASB 68. In addition, the balance sheet includes a liability for retirees' future post-employment health care benefits. This liability was estimated by our actuary to be \$19,696,408 for all governmental and business type entities. The overall increase in long-term liabilities is primarily due to an increase in the net pension liability of approximately \$3.2 million.

Total net position amounted to \$38,258,434 of which \$40,146,938 is invested in capital assets net of related debt and \$2,126,087 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, 2024 and 2023

	Governmental Activities		Business-type Activities	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 41,534,254	\$ 37,784,940	\$ (36,186)	\$ (6,986)
Restricted	237,583	397,351	-	-
Capital assets	57,806,428	57,162,769	750,960	793,966
Total assets	99,578,265	95,345,060	714,774	786,980
Deferred outflows of resources	6,917,117	4,385,545	-	-
Current and other liabilities	12,456,762	12,696,465	124,626	105,128
Long-term liabilities	50,021,764	46,714,077	215,783	40,492
Total liabilities	62,478,526	59,410,542	340,409	145,620
Deferred inflows of resources	6,132,787	7,238,647	-	-
Net position:				
Net investment in capital asset	39,496,880	37,495,633	650,058	753,474
Restricted	237,583	397,351	-	-
Unrestricted	(1,850,394)	(4,811,568)	(275,693)	(112,114)
Total net position	\$ 37,884,069	\$ 33,081,416	\$ 374,365	\$ 641,360



Total		Component Units	
<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
\$ 41,498,068	\$ 37,777,954	\$ 13,810,468	\$ 12,909,373
237,583	397,351	1,775,370	1,772,142
58,557,388	57,956,735	127,410,061	120,409,682
100,293,039	96,132,040	142,995,899	135,091,197
6,917,117	4,385,545	6,722,026	7,058,828
12,581,388	12,801,593	10,120,125	8,721,409
50,237,547	46,754,569	39,112,337	37,079,030
62,818,935	59,556,162	49,232,462	45,800,439
6,132,787	7,238,647	5,717,993	5,157,258
40,146,938	38,249,107	113,936,979	109,648,318
237,583	397,351	1,175,550	1,042,475
(2,126,087)	(4,923,682)	(20,345,059)	(19,498,465)
\$ 38,258,434	\$ 33,722,776	\$ 94,767,470	\$ 91,192,328



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 \$4,802,653 for the year ended June 30, 2024. This increase in net position is due to several factors, but the most significant is the increase in local income tax and a new funding distribution from the State for cannabis tax revenues, combined with spending below expectations on certain capital line items. Additionally, due to rising interest rates, the County saw another large windfall in interest earnings this year.

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 \$7,611,162. 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, 2024 and 2023

	Governmental Activities		Business-type Activities	
	2024	2023	2024	2023
Program Revenues				
Charges for services	\$ 3,094,669	\$ 2,965,398	\$ 778,370	\$ 754,976
Operating Grants and contributions	5,571,727	5,710,610	-	-
Capital grants and contributions	1,055,731	2,938,127	-	-
	9,722,127	11,614,135	778,370	754,976
General Revenues:				
Property taxes	20,302,595	19,667,206	-	-
Income taxes	11,765,183	10,203,235	-	-
Other taxes	1,374,304	1,147,548	-	-
State of Maryland - Disparity Grant	7,611,162	7,139,319	-	-
Other	2,096,249	1,355,507	(5,711)	(1,409)
	43,149,493	39,512,815	(5,711)	(1,409)
Total revenues	52,871,620	51,126,950	772,659	753,567
Expenses				
General Government	9,758,073	10,839,655	-	-
Public safety	13,341,901	11,156,197	-	-
Public works	9,297,287	7,966,929	-	-
Health	1,025,126	1,133,432	-	-
Social services	144,709	252,112	-	-
Education	10,524,771	10,879,065	-	-
Recreation & culture	2,076,457	1,720,357	-	-
Conservation of natural resources	71,098	72,450	-	-
Economic and community development	835,511	555,266	-	-
Intergovernmental	135,436	180,910	-	-
Interest on long-term debt	491,022	539,713	-	-
Golf-course	-	-	1,339,858	1,258,850
Component units	-	-	-	-
Total expenses	47,701,391	45,296,086	1,339,858	1,258,850
Transfers	(367,576)	(441,000)	367,576	441,000
Change in net position	4,802,653	5,389,864	(199,623)	(64,283)
Net position beginning of year, as restated	33,081,416	27,691,552	573,988	705,643
Net position end of year	\$ 37,884,069	\$ 33,081,416	\$ 374,365	\$ 641,360



Total		Component Units	
<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
\$ 3,873,039	\$ 3,720,374	\$ 4,806,441	\$ 5,839,813
5,571,727	5,710,610	74,171,804	71,764,139
1,055,731	2,938,127	7,341,368	5,115,993
10,500,497	12,369,111	86,319,613	82,719,945
20,302,595	19,667,206	-	-
11,765,183	10,203,235	-	-
1,374,304	1,147,548	-	-
7,611,162	7,139,319	-	-
2,090,538	1,354,098	476,483	(139,363)
43,143,782	39,511,406	476,483	(139,363)
53,644,279	51,880,517	86,796,096	82,580,582
9,758,073	10,839,655	-	-
13,341,901	11,156,197	-	-
9,297,287	7,966,929	-	-
1,025,126	1,133,432	-	-
144,709	252,112	-	-
10,524,771	10,879,065	-	-
2,076,457	1,720,357	-	-
71,098	72,450	-	-
835,511	555,266	-	-
135,436	180,910	-	-
491,022	539,713	-	-
1,339,858	1,258,850	-	-
-	-	83,220,954	82,390,936
49,041,249	46,554,936	83,220,954	82,390,936
-	-	-	-
4,603,030	5,325,581	3,575,142	189,646
33,655,404	28,397,195	91,192,328	91,002,682
\$ 38,258,434	\$ 33,722,776	\$ 94,767,470	\$ 91,192,328



Governmental funds

Total governmental fund balances at the end of the fiscal year amounted to \$30,356,554 of which \$167,504 is non-spendable, \$237,583 is restricted, \$9,300,000 is committed, \$3,456,892 is assigned and \$17,194,575 is unassigned.

The general fund constitutes the main operating fund of the Somerset County Government and reports a fiscal year ending fund balance of \$27,525,618. The general fund balance increased by \$2,874,816 during fiscal year 2024. This result is significantly better than the budgeted decrease of \$4,671,218.

Budgetary Variations

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

Income tax revenues exceeded budgeted estimates by \$2,015,183. When the budget was prepared in the spring of 2023, the County did not anticipate that Governor Moore would push the last two phases of the Maryland Minimum Wage Law into one year. The final phase of the minimum wage increase was not supposed to take effect until January 1, 2025, but Governor Moore initiated a change to the legislation so that both hourly rate increases took effect on January 1, 2024. This change, along with the conservative budget process the County utilized, resulted in a substantial increase in income tax revenue for FY'24.

The County continued to see a large increase in interest earnings for FY 2024, showing a positive variance of \$859,562 over our interest budget of \$75,000. The FY'24 budget should have been increased based on the prior year actual earnings trending upward.

Recordation tax revenue fell short of the budget by \$135,736, primarily due to a slow-down in the housing market, which was not anticipated during budget deliberations.

The County was the recipient of new State funding for the cannabis tax distribution in the amount of \$475,393, which was unknown at budget time.

The County has received a total of \$4,975,608 in two equal payments of \$2,487,804, one in FY'22 and one in FY'23, for SLFRF (State and Local Fiscal Recovery Funds) American Rescue Plan federal funds. The County expended \$1,193,478 of those funds on various approved projects in FY'24 and all remaining SLFRF funds must be obligated by December 31, 2024. The grant funds remaining, at the close of FY'24, to be expended on other Board approved projects is \$1,578,266.

The County was the recipient of a grant in FY'23 through the U.S. Economic Development Administration's (EDA) Travel, Tourism, and Outdoor Recreation program in the amount of \$1,000,000, titled the Smith Island Road Project. The County budgeted for the completion of this project in FY'23, but only received \$859,161 of the \$1,000,000 budgeted funding. The project carried over into early FY'24 and the County received the remaining grant funds in the amount of \$140,839 in FY 2024 to complete the project.

The County budgeted for two airport hangar grants in FY 2024: a capital projects grant through the Department of General Services in the amount of \$300,000 and a grant through MD Supplement Budget in the amount of \$150,000. The Crisfield-Somerset County Airport has had a lengthy planning and grant seeking phase for this project and no eligible expenses were incurred in 2024, thus no revenue was received for these two grants. However, the County did receive an advance payment grant through the Governor's Supplemental Budget – 2023 PAYGO Grant in the amount of \$550,000, which was deferred revenue for FY'23. The County budgeted to use that revenue in FY'24, but the airport hangar project has moved very slowly and the hangar grant funds were not utilized. This led to an unfavorable revenue variance for FY 2024. Additionally, the County budgeted for FAA Grant funds in FY'24 for other airport projects in the amount of \$465,415, but we only received Federal aviation funding for AIP 18 for runway rehabilitation in the amount of \$93,420. The remainder of that grant should be completed in FY'25.



A Federal Transportation grant for the Tri-County Transit System was budgeted for \$200,000 (former STRIDES grant), however these grant funds are now applied for by the Tri-County Council and no longer directly come to the County. This change resulted in a negative variance in the amount of \$200,000 for County revenue.

The State Aid for Police Protection grant was budgeted at \$125,000, however the ST GOCPP provided an Enhanced SAPP Allocation in the amount of \$112,124 which resulted in a positive variance of \$11,986.

New MD legislation provides for medication assisted treatment (MAT) for inmates in the local Detention Center, which was unknown at budget time. The County received a grant for this MAT Program which resulted in a positive variance of \$127,415.

The County has progressively worked to bring fiber connectivity to the underserved areas of the County. Through this ongoing project a RMPIF (Rural Maryland Prosperity Investment Fund) grant was received from the State, which was unknown at budget time and resulted in a positive variance of \$235,735.

Landfill Tipping fees were budgeted at \$1,218,000 and revenue came in at \$1,349,368 for a positive variance of \$131,368. This increase was, primarily due to 800-900 additional billable tons of waste received at the Landfill and home demolitions increase that had not been included in the budget estimate.

The County received a grant from the Administrative Office of Courts for courtroom security upgrades in the amount of \$327,364, which was unknown at budget time and resulted in a positive variance. The County budgeted for a MD Supplemental Budget Capital Grant for the Courthouse in the amount of \$200,000, however that project did not start and this resulted in a negative variance.

School Resource Officer Revenue-Sheriff was a revenue that should have been budgeted for an increase in FY'24, however it reflected the same budget as FY 2023 in the amount of \$130,000. The actual FY'24 came in at \$386,492 to exceed the budget by \$256,492 for a positive variance. This change was due to increased SRO positions as requested by the Board of Education and approved by the Board of County Commissioners. This revenue comes via an MOU with the Board of Education to pay one half the cost of the School Resource Officers.

The County received \$750,397 from the Somerset County Health Department for unspent funding from the fiscal years 2021, 2022, and 2023. This was unknown at budget time and resulted in a positive variance.

The County budgeted to use a reserve for encumbrances in FY'24, which was unused resulting in a negative variance of \$500,000. The County also budgeted for transfers from undesignated reserves in the amount of \$4,671,218 to be used for capital projects and those projects did not get underway, which resulted in a negative variance. Additionally, we had a windfall of Local Income Tax which off-set the need to use fund balance. The County also budgeted for use of proceeds from long term financing in the amount of \$3,000,000, however that capital project did not occur, therefore the County did not seek long term financing and this resulted in a negative variance for revenue.

On the expenditure side, the Circuit Court had a favorable variance of \$238,033 which is primarily related to the courthouse renovation architectural plan budgeted for \$400,000 but not completed. However, unbudgeted courtroom security upgrades in the amount of \$179,000 were expended in FY'24, which left \$221,000 unexpended in capital. There were other savings in the operating budget of \$17,033, which made for the total favorable variance in Circuit Court.

Registration and elections showed a favorable variance \$262,971. Of that, \$259,364 was unspent for capital items and \$3,607 was saved in the operating expense account for FY'24.

Planning & Zoning expenditures were under budget by \$210,849, due to the Comprehensive Plan update not being completed and unexpended nuisance violation budget funds and other miscellaneous items. Four new employees were hired during FY'24 so training processes meant a slow-down of work production for nuisance violations and other programs. The new hires also meant there was a savings of salary and fringe budgets, so all of these factors affected the Planning & Zoning budget in a favorable manner.



The County budgeted \$2,799,257 for SLFRF American Rescue Plan funds, and expended \$1,193,478, leaving a favorable variance to be used in the next year.

County Buildings expenditures were under budget by \$1,059,725, which was primarily due to the Dog Control Kennel Project not being started.

The Corrections budget was over by \$174,180, which was primarily due to the WellPath Medical Services Contract increasing after the budget was struck.

Waterways projects and Off-Road Drainage came in under budget for FY 2024 resulting in a favorable variance of \$180,562 in that combined area. The County budgeted for but did not complete certain projects: Tylerton Breakwater - \$68,750, Dames Quarter Bulkheading came in underbudget \$19,865, Facility Safety Improvements came in under budget \$7,583 and general maintenance was under budget by \$6,575. Off-Road Drainage capital projects were under budget by \$45,825 and Off-Road Drainage operating was underbudget by \$31,964.

There is a favorable expenditure variance of \$361,205 in the Waste, Collection and Disposal category. Of that, \$300,000 is due to the Chance Transfer Station Project not getting started and other smaller projects did not get completed or budget funds were only partially used.

The favorable expenditure variance of \$1,941,795 under Transportation was due to the Airport Hangar Project moving very slowly with very few expenditures.

There was a large favorable expenditure variance in Recreation of \$6,676,832, due primarily to the Community Recreation Center not being started because the necessary other funding sources have not yet been acquired.

Operating transfers to County Roads were \$391,001 less than budgeted as County Roads did not require full funding during fiscal year 2024, which was very similar to FY 2023. There was a planned purchase for dump trucks which didn't occur due to lack of availability, other capital items were purchased for a savings on capital of (\$283,000), equipment repairs and outside maintenance came in under budget approximately (\$28,000), fuel came in under budget approximately (\$30,000), and bridge maintenance expenditures were under budget by (\$50,000) in FY 2024.

Likewise, for the Great Hope Golf Course, transfers were \$241,893 less than budgeted primarily due to good management of expenses and because of an increase in revenue attributable to more moderate weather during the fall and winter months which brings more year-round golfers to the course, a broader and more comprehensive media and advertising strategy was implemented to help reach more golfers, which has shown benefits, and the success of the skipjack passes that are extremely popular with golfers. Additionally, management made the decision to scale back on the food and beverage amenities that were offered at the Caddy Shack Restaurant, which proved very beneficial for cost reduction in that aspect of the golf course operation. This has been a positive continuation from FY'23.

Capital Asset and Long-term Debt Activity

The investment in capital assets for the County as of June 30, 2024 amounted to \$58,557,388 for both governmental and business-type activities. The schedule below summarizes the capital assets by category. Total additions for fiscal year 2024 amounted to \$4,795,100, net of transfers to construction in progress. The most significant additions during the year included Emergency Services Core Upgrade to SR10 & UPS Replacement Radio Project (\$402,925), Detention Center camera equipment & 200-gallon water heater (\$58,681), IT equipment & software (\$73,094), Courthouse security upgrades (\$179,000), Security cameras-Complex/911 & Sheriff's Office (\$60,827), various Waterways projects (\$468,726), vehicles (\$718,011), Roof Repairs-Complex Gym & Sheriff's Office (\$75,000), Sheriff's Office-Tritech Software System (\$50,551) and Broadband Instructure County Wide (\$281,966) .

The Roads Department investment in capital assets as of June 30, 2024, totaled \$8,065,489, net of depreciation. Major additions for the year included a Hitachi Wheel Loader purchase totaling \$177,685, a Kubota Tractor purchase totaling \$139,035, and a Hyundai Forklift totaling \$32,905.



SOMERSET COUNTY MARYLAND
Capital Assets
(Net of Depreciation or Amortization)
For the Fiscal Years Ended June 30, 2024 and 2023

	Governmental Activities		Business-type Activities	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land (not depreciated)	\$ 6,157,078	\$ 6,090,995	\$ -	\$ -
Land improvements	-	-	98,217	183,449
Construction in Progress	3,045,467	2,039,179	-	-
Buildings, improvements	17,156,917	17,165,091	528,008	550,974
Improvements, non-buildings	22,331,328	23,279,469	-	-
Vehicles	1,360,503	986,730	-	-
Furniture, machinery, equipment	6,515,463	6,984,393	124,735	59,543
Right-to-use lease vehicles and equipment	1,239,672	616,912	-	-
Total	\$ 57,806,428	\$ 57,162,769	\$ 750,960	\$ 793,966



Total	
<u>2024</u>	<u>2023</u>
\$ 6,157,078	\$ 6,090,995
98,217	183,449
3,045,467	2,039,179
17,684,925	17,716,065
22,331,328	23,279,469
1,360,503	986,730
6,640,198	7,043,936
1,239,672	616,912
\$ 58,557,388	\$ 57,956,735



Long-term debt for governmental and business-type activities amounted to \$19,779,182 at the end of the fiscal year. In addition to the change in landfill closure/post-closure costs, there were additions to long-term debt related to long-term lease arrangements which total \$971,235 as of June 30, 2024 and are now required to be reported with the implementation of GASB 87 during FY 2022. Debt service for the fiscal year 2024 was \$2,585,389, which includes \$328,426 related to long-term leases and was 5.9% of the 2024 general fund actual expenditures.

Currently Known Facts, Decisions, or Conditions

Somerset County sold the former campground property on Brittingham Lane back in FY 2017, for \$900,000. The site, now known as the Somerset Crossing development is located across from UMES Boulevard and future plans for development include additional pad sites, a retail shopping center, plans for a hotel/conference center, a 42,000 sq. ft. medical/professional office building and future housing developments. Royal Farms, as the first occupant of the development, opened for business in January 2023. The fast food franchise Wendy's is planned for a 2025 opening.

Additional commercial development is occurring adjacent to Somerset Crossing (on the site of the former Tidal Health Outpatient facility) with Auto Zone recently receiving approval to move forward with construction. The State Highway Administration is working with the Town of Princess Anne to do a major renovation to Elm Street and the plan would consist of several commercial pad sites for retail and lodging to be developed. Kindequity, LLC has been approved to begin construction of Somerset County's first cannabis dispensary located on the site of the former Peak's Restaurant in Princess Anne.

The County received a federal grant (SLFRF) under the American Rescue Plan for Coronavirus local fiscal recovery totaling \$4,975,608. The entire amount of this grant has been received as of December, 2022. The County has until December 31, 2025, to fully disburse the grant. Cumulative expenditures under the grant through June 30, 2024 total \$3,397,342. The County Commissioners have received and studied all requests for use of the program funding and have developed and approved a complete plan for use of the funds.

The Rural Maryland Economic Development Fund (RMEDF) 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. The additional \$1.7 million is planned for site preparation and extension of services. Likely tenants of the "Somerset County Industrial Park" 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. The County obtained legislative authority (HB 977 and SB 763) in the 2024 session to be authorized to sell certain property on Revells Neck Road the site of the industrial park. The Somerset County Economic Development Commission is working with several possible tenants to locate to the new industrial park, including Blue Catfish, a Cold Storage Facility, and an Agriculture Cultivation Operation.

The Princess Anne Industrial Park is almost at capacity with only a couple of sites left for development. Process Integration has recently completed an expansion of their facility, which has doubled their employment from 10 to 20 employees. The company produces system development, software driven equipment which includes robotics, industrial computers, printers and scanners. Ihsan Farms, a poultry processing & poultry services operation, located in the Industrial Park, will be expanding their operation to include a lamb processing facility, as well as blue catfish. They currently employ 81 people. Pro Coat LLC has experienced tremendous growth, since they expanded their operation to Somerset County. The company has a \$2.6 million-dollar investment in the Somerset County location and have grown their employment base from 20 to 40 employees.

Southern Coastal Forest Products has changed ownership and are now working with Maryland Department of Agriculture and Maryland Department of Environment on restoring the Kiln Operation. The city of Crisfield and Tidal Health are still looking to have a presence along Main Street in the uptown area. The old hangars at the Crisfield-Somerset County Airport have been demolished and construction of new hangars should commence in late 2025/early 2026. A welding shop and a storage facility is looking to locate in the Hopewell area.

The Chesapeake Bay Passenger Ferry Feasibility Study is moving closer to completion with an input request being received in February 2024. The project would involve Somerset County teaming up with Anne Arundel, Calvert, Queen Anne's, and



St. Mary's counties and 21 other host communities (cities) in Maryland as well as private companies to operate the ferry. The project could stimulate economic growth within each host community, provide improved access to the Bay, provide new water transportation connectivity options, and promote enhanced tourism opportunities throughout the region, as well as support existing businesses in Somerset County.

The delivery of high-quality and timely emergency medical services (EMS) for all residents and visitors is a top priority for the County. The County Commissioners established the Somerset County EMS Task Force to conduct an analysis of the current state of local EMS and assess opportunities for improvement and the Task Force submitted a final report to the County on May 1, 2023. The County has gradually increased monetary contributions for the EMS service over time. However, the system is at a turning point. In the years from 2019 to 2022 EMS calls for service have increased approximately 18% and EMS transports have increased about 14%. In contrast, the number of EMS clinicians in Somerset County has decreased by about 50% over the past decade. The complexity and time commitment for the certification process for EMTs and Paramedics have contributed to this decline. Over that same time period volunteerism rates have declined across the country by about 28%. The 90th percentile EMS response time in Somerset County exceeds the regional Eastern Shore average, which is especially concerning for patients with time-sensitive illness or injury. The County recognizes the ever-increasing monetary need to help maintain high-quality and timely emergency medical services to our residents, therefore the Somerset County Commissioners are seeking legislative authority (HB 791 and SB 719) in the 2025 Maryland legislative session to allow for an annual property tax to pay for all or part of the costs of emergency services in the 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, 2024

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 34,720,928	\$ 14,921	\$ 34,735,849
Certificates of deposit	-	-	-
Investments	82,873	-	82,873
Receivables			
Property taxes	1,088,986	-	1,088,986
Accounts receivable, net of allowance of \$59,448	21,548	-	21,548
Grants receivable	-	-	-
Notes receivable	977	-	977
Due from other governmental units	1,721,470	-	1,721,470
Other	3,221,818	-	3,221,818
Due from fiduciary fund	408,335	-	408,335
Internal balances	99,815	(99,815)	-
Inventories, at cost	81,676	48,708	130,384
Prepaid items	85,828	-	85,828
Other	-	-	-
Restricted assets			
Cash and cash equivalents	237,583	-	237,583
Certificates of deposit	-	-	-
Receivables, net of allowance of \$372,727	-	-	-
Capital assets, not being depreciated or amortized	9,202,545	-	9,202,545
Capital and intangible assets, being depreciated or amortized, net	48,603,883	750,960	49,354,843
Total assets	99,578,265	714,774	100,293,039
DEFERRED OUTFLOWS OF RESOURCES			
Other post-employment benefits (see Note 11)	1,651,645	-	1,651,645
Pensions (see Note 9)	5,265,472	-	5,265,472
Refunding debt	-	-	-
Total deferred outflow of resources	6,917,117	-	6,917,117
LIABILITIES			
Accounts payable and accrued expenses	3,738,648	67,335	3,805,983
Due to other governmental units	2,094,183	-	2,094,183
Unearned revenue	4,576,710	57,291	4,634,001
Other	-	-	-
Long-term liabilities			
Due within one year			
Compensated absences	132,156	18,621	150,777
Right-to-use lease payable	334,502	-	334,502
Bonds, notes and financed purchases	1,580,563	23,461	1,604,024
Due in more than one year			
Compensated absences	1,375,837	96,260	1,472,097
Right-to-use lease payable	933,851	-	933,851
Bonds, notes and financed purchases	16,829,364	77,441	16,906,805
Other post-employment benefit obligation (see Note 11)	19,696,408	-	19,696,408
Net pension liability (See Note 9)	11,186,304	-	11,186,304
Total liabilities	62,478,526	340,409	62,818,935
DEFERRED INFLOWS OF RESOURCES			
Other post-employment benefits (see Note 11)	5,615,534	-	5,615,534
Pensions (see Note 9)	517,253	-	517,253
Total deferred inflow of resources	6,132,787	-	6,132,787
NET POSITION			
Net investment in capital assets	39,496,880	650,058	40,146,938
Restricted	237,583	-	237,583
Unrestricted	(1,850,394)	(275,693)	(2,126,087)
Total net position	\$ 37,884,069	\$ 374,365	\$ 38,258,434

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>Local Management Board</u>
\$ 6,345,988	\$ 146,699	\$ 698,704	\$ 478,554
-	-	168,790	-
-	454,982	-	-
-	-	-	-
-	-	1,121,712	81,317
-	-	1,023,875	-
-	-	-	-
3,078,102	156,154	18,750	-
-	-	977	-
-	-	-	-
-	-	-	-
30,530	-	-	-
-	-	-	-
-	-	4,655	679
-	-	1,417,385	-
-	-	127,254	-
-	-	230,731	-
487,602	39,000	15,083,526	-
87,188,115	512,874	24,096,519	2,425
97,130,337	1,309,709	43,992,878	562,975
3,573,091	239,684	10,677	-
2,243,697	-	572,130	-
-	-	82,747	-
5,816,788	239,684	665,554	-
4,936,961	121,735	221,277	174,269
10,943	-	257,623	78,658
2,409,215	18,532	-	-
-	-	210,612	-
30,000	-	28,732	-
140,562	3,193	-	1,270
-	-	1,476,543	-
1,257,738	-	162,813	-
507,483	9,606	-	1,333
-	-	12,269,038	-
18,113,486	1,194,392	102,063	-
4,325,862	-	1,168,523	-
31,732,250	1,347,458	15,897,224	255,530
4,834,371	358,869	238,404	-
200,026	-	86,323	-
5,034,397	358,869	324,727	-
87,675,717	539,075	25,719,762	2,425
-	-	1,175,550	-
(21,495,239)	(696,009)	1,541,169	305,020
\$ 66,180,478	\$ (156,934)	\$ 28,436,481	\$ 307,445

SOMERSET COUNTY, MARYLAND

STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
GOVERNMENTAL ACTIVITIES				
General Government	\$ 9,758,073	\$ 397,120	\$ 1,324,929	\$ -
Public safety	13,341,901	464,969	1,320,748	-
Public works	9,297,287	2,124,089	1,299,783	93,420
Health	1,025,126	53,567	33,822	-
Social services	144,709	-	7,022	-
Education	10,524,771	-	-	-
Recreation and culture	2,076,457	54,924	753,030	-
Conservation of natural resources	71,098	-	-	-
Economic and community development	835,511	-	601,226	-
Intergovernmental	135,436	-	231,167	962,311
Interest on long-term debt	491,022	-	-	-
Total Governmental Activities	47,701,391	3,094,669	5,571,727	1,055,731
BUSINESS-TYPE ACTIVITIES				
Golf Course	1,339,858	778,370	-	-
Total Business-Type Activities	1,339,858	778,370	-	-
Total Primary Government	\$ 49,041,249	\$ 3,873,039	\$ 5,571,727	\$ 1,055,731
COMPONENT UNITS				
Board of Education	\$ 75,097,147	\$ 760,283	\$ 71,141,486	\$ 1,180,266
Library	1,321,991	16,913	1,160,296	-
Sanitary District	6,016,897	4,029,245	1,075,656	6,161,102
Local Management Board	784,919	-	794,366	-
Total Component Units	\$ 83,220,954	\$ 4,806,441	\$ 74,171,804	\$ 7,341,368

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	Local Management Board
\$ (8,036,024)	\$ -	\$ (8,036,024)	\$ -	\$ -	\$ -	\$ -
(11,556,184)	-	(11,556,184)	-	-	-	-
(5,779,995)	-	(5,779,995)	-	-	-	-
(937,737)	-	(937,737)	-	-	-	-
(137,687)	-	(137,687)	-	-	-	-
(10,524,771)	-	(10,524,771)	-	-	-	-
(1,268,503)	-	(1,268,503)	-	-	-	-
(71,098)	-	(71,098)	-	-	-	-
(234,285)	-	(234,285)	-	-	-	-
1,058,042	-	1,058,042	-	-	-	-
(491,022)	-	(491,022)	-	-	-	-
(37,979,264)	-	(37,979,264)	-	-	-	-
-	(561,488)	(561,488)	-	-	-	-
-	(561,488)	(561,488)	-	-	-	-
\$ (37,979,264)	\$ (561,488)	\$ (38,540,752)	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (2,015,112)	\$ -	\$ -	\$ -
-	-	-	-	(144,782)	-	-
-	-	-	-	-	5,249,106	-
-	-	-	-	-	-	9,447
\$ -	\$ -	\$ -	\$ (2,015,112)	\$ (144,782)	\$ 5,249,106	\$ 9,447
20,302,595	-	20,302,595	-	-	-	-
11,765,183	-	11,765,183	-	-	-	-
1,374,304	-	1,374,304	-	-	-	-
7,611,162	-	7,611,162	-	-	-	-
3,321	-	3,321	-	-	-	-
300	-	300	-	-	-	-
934,562	(6,177)	928,385	176,272	15,102	3,409	48
1,158,066	466	1,158,532	-	281,652	-	-
43,149,493	(5,711)	43,143,782	176,272	296,754	3,409	48
(367,576)	367,576	-	-	-	-	-
42,781,917	361,865	43,143,782	176,272	296,754	3,409	48
4,802,653	(199,623)	4,603,030	(1,838,840)	151,972	5,252,515	9,495
33,081,416	573,988	33,655,404	68,019,318	(308,906)	23,183,966	297,950
\$ 37,884,069	\$ 374,365	\$ 38,258,434	\$ 66,180,478	\$ (156,934)	\$ 28,436,481	\$ 307,445

SOMERSET COUNTY, MARYLAND**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024**

		Special Revenue Funds			
	General Fund	Roads Board	Economic Development Commission	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 32,147,669	\$ 1,205,585	\$ 762,676	\$ 604,998	\$ 34,720,928
Investments	82,873	-	-	-	82,873
Receivables:					
Property taxes	1,088,986	-	-	-	1,088,986
Accounts receivable	-	21,548	-	-	21,548
Notes receivable	-	-	977	-	977
Due from other governmental units	1,372,244	271,581	5,899	71,746	1,721,470
Other	3,220,942	-	876	-	3,221,818
Due from other funds	797,622	336,323	46,270	796,610	1,976,825
Inventories, at cost	1,733	79,943	-	-	81,676
Prepaid items	85,828	-	-	-	85,828
Restricted Assets					
Cash and cash equivalents	237,583	-	-	-	237,583
Total assets	\$ 39,035,480	\$ 1,914,980	\$ 816,698	\$ 1,473,354	\$ 43,240,512
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 3,380,544	348,520	\$ 8,380	\$ 1,204	\$ 3,738,648
Due to other funds	1,179,203	228,831	-	60,641	1,468,675
Due to other governmental units	2,094,183	-	-	-	2,094,183
Unearned revenue	3,850,190	-	-	726,520	4,576,710
Total liabilities	10,504,120	577,351	8,380	788,365	11,878,216
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,005,742	-	-	-	1,005,742
Total deferred inflows of resources	1,005,742	-	-	-	1,005,742
FUND BALANCES					
Nonspendable	87,561	79,943	-	-	167,504
Restricted for:					
Future expenditures	237,583	-	-	-	237,583
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	-	1,257,686	808,318	684,989	2,750,993
Unassigned	17,194,575	-	-	-	17,194,575
Total fund balances	27,525,618	1,337,629	808,318	684,989	30,356,554
Total liabilities, deferred inflows of resources and fund balances	\$ 39,035,480	\$ 1,914,980	\$ 816,698	\$ 1,473,354	\$ 43,240,512

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, 2024**

Total fund balances, governmental funds	\$ 30,356,554
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.	57,806,428
Some of the County's revenues will be collected after year-end, but not available soon enough to pay for the current period expenditures, and therefore are reported as unavailable revenues in the governmental funds.	1,005,742
Deferred outflows of resources - pensions	5,265,472
Deferred outflows of resources - OPEB	1,651,645
Deferred inflows of resources - pensions	(517,253)
Deferred inflows of resources - OPEB	(5,615,534)
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	(19,696,408)
Bonds, notes and financed purchases payable	(18,409,927)
Right-to-use lease payable	(1,268,353)
Compensated absences	(1,507,993)
Net pension liability (see Note 9)	<u>(11,186,304)</u>
Total long-term liabilities	<u>(52,068,985)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 37,884,069</u>

SOMERSET COUNTY, MARYLAND

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

Year Ended June 30, 2024

		Special Revenue Funds			
	General	Roads	Economic	Other	Total
	Fund	Board	Development	Governmental	Governmental
			Commission	Funds	Funds
REVENUE					
Taxes					
Local - property	\$ 20,064,992	\$ -	\$ -	\$ -	\$ 20,064,992
Local - income	11,765,183	-	-	-	11,765,183
Local - other	898,911	-	-	475,393	1,374,304
State shared	-	799,164	-	-	799,164
Licenses and permits	168,784	-	-	-	168,784
Intergovernmental					
Federal	1,807,050	-	-	121,869	1,928,919
State	10,881,913	-	8,500	523,283	11,413,696
Local	3,621	-	-	-	3,621
Program income	-	-	-	-	-
Charges for services	2,436,856	489,029	-	-	2,925,885
Miscellaneous	2,092,626	28,868	67,974	-	2,189,468
Total revenue	50,119,936	1,317,061	76,474	1,120,545	52,634,016
EXPENDITURES					
Current					
General government	8,842,955	-	-	-	8,842,955
Public safety	12,146,300	-	-	-	12,146,300
Public works	2,575,637	4,576,066	-	-	7,151,703
Health	1,006,448	-	-	-	1,006,448
Social services	144,709	-	-	-	144,709
Education	10,524,771	-	-	-	10,524,771
Recreation and culture	1,734,923	-	-	-	1,734,923
Conservation of natural resources	71,098	-	-	-	71,098
Economic and community development	-	-	310,714	524,797	835,511
Intergovernmental	135,436	-	-	-	135,436
Debt service					
Principal retirement	1,765,941	-	-	-	1,765,941
Interest and fiscal charges	491,022	-	-	-	491,022
Capital outlay	4,385,539	485,739	-	-	4,871,278
Total expenditures	43,824,779	5,061,805	310,714	524,797	49,722,095
Excess (deficiency) of revenues over expenditures	6,295,157	(3,744,744)	(234,240)	595,748	2,911,921
OTHER FINANCING (USES) SOURCES					
Proceeds from long-term leases	971,235	-	-	-	971,235
Operating transfers, net	(4,391,576)	3,800,000	224,000	-	(367,576)
Total other financing (uses) sources	(3,420,341)	3,800,000	224,000	-	603,659
Net change in fund balances	2,874,816	55,256	(10,240)	595,748	3,515,580
Fund balances, beginning	24,650,802	1,282,373	818,558	89,241	26,840,974
Fund balances, ending	\$ 27,525,618	\$ 1,337,629	\$ 808,318	\$ 684,989	\$ 30,356,554

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, 2024**

Net change in fund balances, governmental funds **\$ 3,515,580**

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 or amortization expense. In the current period, these amounts are:

Capital outlay	4,709,618	
Depreciation or amortization expense	<u>(4,065,959)</u>	
		643,659

Proceeds from right-to-use lease arrangements provide current financial resources to governmental funds; however, these arrangements increase long-term liabilities in the Statement of Net Position. In the current period, leasing arrangements of this amount were entered into.		(971,235)
---	--	-----------

Revenues that are earned but not collected within sixty days after the end of the fiscal year are not considered to be "available" to meet current cash requirements and are deferred in the Governmental Funds to the following year. The amount by which property tax deferred inflows increased or (decreased) relative to the prior year is		237,603
---	--	---------

Governmental funds report repayment of long-term debt (bonds, lease agreements and installment purchase agreements) principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.		2,094,367
---	--	-----------

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.		(66,300)
---	--	----------

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

Change in other post-employment benefits	(129,248)	
Change in compensated absences	(192,878)	
Change in pension expense	<u>(328,895)</u>	
		(651,021)

Change in net position of governmental activities		<u>\$ 4,802,653</u>
---	--	---------------------

SOMERSET COUNTY, MARYLAND**STATEMENT OF NET POSITION****ENTERPRISE FUND****June 30, 2024**

	<u>Enterprise Fund</u>
	Golf Course
ASSETS	
Current assets	
Cash and cash equivalents	\$ 14,921
Inventory	48,708
Total current assets	63,629
Noncurrent assets	
Capital assets at cost	5,349,472
Less accumulated depreciation	(4,598,512)
Total noncurrent assets	750,960
Total assets	814,589
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	67,335
Due to other funds	99,815
Compensated absences	18,621
Unearned revenue	57,291
Current maturities of long-term debt	23,461
Total current liabilities	266,523
Noncurrent liabilities	
Compensated absences	96,260
Noncurrent portion of long-term debt	77,441
Total liabilities	440,224
NET POSITION	
Net investment in capital assets	650,058
Unrestricted deficit	(275,693)
Total net position	\$ 374,365

SOMERSET COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND
Year Ended June 30, 2024**

	<u>Enterprise Fund</u> <u>Golf</u> <u>Course</u>
OPERATING REVENUE	
Charges for services	\$ 778,370
Other operating	466
Total operating revenue	778,836
OPERATING EXPENSES	
Salaries and related taxes	632,370
Repairs and maintenance	176,425
Supplies	142,142
Utilities	40,658
Insurance	87,895
Depreciation and amortization	128,488
Other operating	131,880
Total operating expenses	1,339,858
Net operating loss	(561,022)
NON-OPERATING (EXPENSES) REVENUE	
Financial expense, net	(6,177)
Total non-operating expenses	(6,177)
Loss before contributions, distributions and transfers	(567,199)
Operating transfers, net	367,576
Change in net position	(199,623)
Total net position, beginning as restated (see Note 17)	573,988
Total net position, ending	\$ 374,365

SOMERSET COUNTY, MARYLAND

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
Year Ended June 30, 2024**

	<u>Enterprise Fund</u>
	<u>Golf</u>
	<u>Course</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 788,132
Payments to suppliers	(345,328)
Payments to employees	(578,701)
Other payments	(260,894)
Net cash used by operating activities	(396,791)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers	367,576
Net cash provided by noncapital financing activities	367,576
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(25,072)
Interest paid on long-term debt	(6,177)
Proceeds from long term debt	85,482
Additions of capital assets	(85,482)
Net cash used by capital and related financing activities	(31,249)
Net change in cash and cash equivalents	(60,464)
Cash and cash equivalents, beginning	75,385
Cash and cash equivalents, ending	\$ 14,921

SOMERSET COUNTY, MARYLAND

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND**

(Continued)
Year Ended June 30, 2024

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

Operating loss	\$	(561,022)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense		128,488
Changes in assets and liabilities:		
Accounts and other payables		9,736
Inventories		(6,514)
Unearned revenue		9,762
Due to other funds		(24,750)
Compensated absences		47,509
Net cash used by operating activities	\$	(396,791)

SOMERSET COUNTY, MARYLAND

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2024**

	Custodial Funds
ASSETS	
Cash	\$ 149,073
Property taxes receivable	90,150
Due from other government units	318,185
Total assets	\$ 557,408
LIABILITIES	
Due to other funds	\$ 408,335
Total liabilities	408,335
NET POSITION	
Restricted	\$ 149,073

SOMERSET COUNTY, MARYLAND

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2024**

	Custodial Funds
ADDITIONS:	
Contributions	\$ 701,806
Collections for other governments	1,715,046
Total additions	2,416,852
DEDUCTIONS:	
Claims paid	355,664
Administrative fees	114,533
Payments to other governments	1,715,046
Other	165,553
Total deductions	2,350,796
Change in net assets	66,056
Net position, beginning	83,017
Net position, ending	\$ 149,073

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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 four discretely presented component units – the Board of Education of Somerset County, 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 *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, 2024

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, 2024

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.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 2. Summary of Significant Accounting Policies (continued)

C. Fund Accounting (continued)

In addition, the County has four non-major governmental funds: CDBG Programs, Special Loan Program, Community Reinvestment and Opioid Restitution.

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/Vision Fund, Retirees Health Fund, State's Attorney Funds which include the Somerset County Restitution Escrow Account and the Somerset County SAC Witness Protection/Relocation 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, 2024

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, 2024

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 net 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 net 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, 2024

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, 2024

Note 2. Summary of Significant Accounting Policies (continued)

J. Capital Assets (continued)

All reported capital assets except land and construction in progress are depreciated or amortized. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation and amortization are 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, 2024

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, 2024

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.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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, 2024, the Primary Government had deposits with various commercial banks of \$35,197,907 (carrying value \$34,971,942). 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, 2024 the deposits were fully insured or collateralized. Petty cash totaled \$1,490 as of June 30, 2024.

Board of Education

At June 30, 2024, the Board's demand deposits, savings deposits and certificates of deposit were covered by FDIC insurance in the amount of \$250,000 and \$7,132,503 (carrying value \$6,345,988) 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, 2024 the Library had deposits with various commercial banks totaling \$149,756 (carrying value \$146,399), which were either fully insured or collateralized with securities held in the name of the Library.

Sanitary District

At June 30, 2024, the Sanitary District had deposits with various commercial banks totaling \$2,951,744 (carrying value \$2,116,089). All deposits were fully collateralized as of June 30, 2024.

LMB

At June 30, 2024, the LMB had deposits with various commercial banks totaling \$478,554 (carrying value \$478,554). All deposits were fully insured as of June 30, 2024.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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, 2024, the County and the Library had investments in MLGIP of \$82,873 and \$54,526, 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, 2024, the Library had investments in the Community Foundation of the Eastern Shore totaling \$400,456, which are recorded at fair value.

At June 30, 2024, the Sanitary District had certificates of deposit of \$296,044 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, 2024, appropriate due from/to other funds have been established.

Due from/to other funds balances as of June 30, 2024 were as follows:

	Due from Other Funds	Due to Other Funds
Governmental activities	\$ 1,976,825	\$ 1,468,675
Business-type activities	-	99,815
Fiduciary fund	-	408,335
	<u>\$ 1,976,825</u>	<u>\$ 1,976,825</u>

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance June 30, 2023	Additions	Transfers and Reductions	Balance June 30, 2024
Governmental Activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 6,090,995	\$ 43,880	\$ 22,203	\$ 6,157,078
Construction in progress	2,039,179	1,028,491	(22,203)	3,045,467
Total capital assets, not being depreciated or amortized	8,130,174	1,072,371	-	9,202,545
Capital assets, being depreciated or amortized:				
Buildings and improvements	26,280,143	627,129	-	26,907,272
Improvements, non-buildings	70,586,662	477,444	(13,318)	71,050,788
Vehicles	5,866,318	666,353	-	6,532,671
Furniture, machinery and equipment	19,011,999	895,086	-	19,907,085
Right-to-use lease vehicles and equipment	771,140	971,235	-	1,742,375
Total capital assets, being depreciated or amortized	122,516,262	3,637,247	(13,318)	126,140,191
Less accumulated depreciation or amortization:				
Buildings and improvements	9,115,052	635,303	-	9,750,355
Improvements, non-buildings	47,307,193	1,425,585	(13,318)	48,719,460
Vehicles	4,879,588	292,580	-	5,172,168
Furniture, machinery and equipment	12,027,606	1,364,016	-	13,391,622
Vehicle and equipment leases	154,228	348,475	-	502,703
Total accumulated depreciation or amortization	73,483,667	4,065,959	(13,318)	77,536,308
Total capital assets, being depreciated or amortized, net	49,032,595	(428,712)	-	48,603,883
Governmental activities capital assets, net	\$ 57,162,769	\$ 643,659	\$ -	\$ 57,806,428
Business-Type Activities:				
Great Hope Golf Course				
Capital assets, being depreciated:				
Land improvements	\$ 3,112,965	\$ -	\$ -	\$ 3,112,965
Buildings and improvements	1,372,150	-	-	1,372,150
Furniture, machinery and equipment	778,875	85,482	-	864,357
Total capital assets, being depreciated	5,263,990	85,482	-	5,349,472
Less accumulated depreciation:				
Land improvements	2,929,516	85,232	-	3,014,748
Buildings and improvements	821,176	22,966	-	844,142
Furniture, machinery and equipment	719,332	20,290	-	739,622
Total accumulated depreciation	4,470,024	128,488	-	4,598,512
Total capital assets, being depreciated, net	793,966	(43,006)	-	750,960
Business-type activities capital assets, net	\$ 793,966	\$ (43,006)	\$ -	\$ 750,960

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 5. Capital Assets (continued)

	Balance June 30, 2023	Additions	Transfers and Reductions	Balance June 30, 2024
Board of Education				
Capital assets, not being depreciated:				
Land	\$ 487,602	\$ -	\$ -	\$ 487,602
Construction in progress	260,150	-	(260,150)	-
Total capital assets, not being depreciated	747,752	-	(260,150)	487,602
Capital assets, being depreciated:				
Land improvements	3,735,238	950,992	-	4,686,230
Buildings and improvements	123,844,538	1,758,864	(940,825)	124,662,577
Vehicles	340,572	-	-	340,572
Furniture, machinery and equipment	5,005,196	571,632	(493,744)	5,083,084
Total capital assets, being depreciated	132,925,544	3,281,488	(1,434,569)	134,772,463
Less accumulated depreciation:				
Land improvements	3,074,081	94,031	-	3,168,112
Buildings and improvements	40,118,060	2,854,643	(1,001,001)	41,971,702
Vehicles	278,588	18,575	-	297,163
Furniture, machinery and equipment	3,139,353	247,368	(612,926)	2,773,795
Total accumulated depreciation	46,610,082	3,214,617	(1,613,927)	48,210,772
Intangible right-to-use assets:				
Leased equipment	714,447	182,349	-	896,796
Less accumulated amortization	102,488	167,884	-	270,372
Total intangible right-to-use assets, net	611,959	14,465	-	626,424
Total capital and intangible assets being depreciated, net	86,927,421	81,336	179,358	87,188,115
Total Board of Education capital and intangible assets, net	\$ 87,675,173	\$ 81,336	\$ (80,792)	\$ 87,675,717

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 5. Capital Assets (continued)

	Balance June 30, 2023	Additions	Transfers and Reductions	Balance June 30, 2024
Library				
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	804,512	68,487	(72,338)	800,661
Furniture, machinery and equipment	920,779	-	-	920,779
Vehicles	-	-	-	-
Total capital assets, being depreciated	1,725,291	68,487	(72,338)	1,721,440
Less accumulated depreciation:				
Books and media	385,480	80,258	(72,338)	393,400
Furniture, machinery and equipment	785,783	41,824	-	827,607
Vehicles	-	-	-	-
Total accumulated depreciation	1,171,263	122,082	(72,338)	1,221,007
Intangible right-to-use assets:				
Leased equipment	16,590	-	-	16,590
Less accumulated amortization	830	3,319	-	4,149
Total intangible right-to-use assets, net	15,760	(3,319)	-	12,441
Total capital and intangible assets being depreciated, net	569,788	(56,914)	-	512,874
Total Library capital and intangible assets, net	\$ 608,788	\$ (56,914)	\$ -	\$ 551,874

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 5. Capital Assets (continued)

	Balance June 30, 2023	Additions	Transfers and Reductions	Balance June 30, 2024
Sanitary District				
Capital assets, not being depreciated:				
Land	\$ 17,512	\$ -	\$ -	\$ 17,512
Construction in progress	6,713,795	8,352,219	-	15,066,014
Total capital assets, not being depreciated	6,731,307	8,352,219	-	15,083,526
Capital assets, being depreciated:				
Sewage treatment plants and lines	39,557,019	-	19,262	39,576,281
Water plants and lines	20,024,349	12,590	-	20,036,939
Equipment and vehicles	3,932,245	7,060	(19,262)	3,920,043
Total capital assets, being depreciated	63,513,613	19,650	-	63,533,263
Less accumulated depreciation:				
Sewage treatment plants and lines	28,517,927	881,457	-	29,399,384
Water plants and lines	6,378,277	365,151	-	6,743,428
Equipment and vehicles	3,226,633	67,299	-	3,293,932
Total accumulated depreciation	38,122,837	1,313,907	-	39,436,744
Total capital assets, being depreciated, net	25,390,776	(1,294,257)	-	24,096,519
Total Sanitary District capital assets, net	\$ 32,122,083	\$ 7,057,962	\$ -	\$ 39,180,045

Depreciation expense was charged to governmental functions as follows:

General government	\$ 525,889
Public safety	1,308,699
Public works	1,884,903
Recreation and culture	327,790
Health	18,678
Total depreciation or amortization expense	<u>\$ 4,065,959</u>

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 6. Notes Payable and Long-Term Debt

Notes payable and long-term debt at June 30, 2024 is comprised of the following issues:

	<u>Interest Rate</u>	<u>Fiscal Year Issued</u>	<u>Fiscal Year Matures</u>
<u>Primary Government</u>			
<u>Governmental Activities</u>			
<u>Bonds and Notes Payable</u>			
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
Truist Bank - 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
Bank of America-911 Equipmt Ln	2.77	2019	2029
Truist Bank - 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
 <u>Other</u>			
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			
<u>Business -type Activities</u>			
<u>Other</u>			
County Commissioners - financed purchase obligation	4.80	2020	2025
County Commissioners - financed purchase obligation	8.00	2023	2027
County Commissioners - financed purchase obligation	8.02	2023	2028
County Commissioners - financed purchase obligation	8.00	2024	2029
County Commissioners - financed purchase obligation	7.97	2024	2029
 Total Business - type Activities			

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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

<u>Amount of</u> <u>Original Issue</u>	<u>Outstanding</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding</u> <u>June 30, 2024</u>	<u>Amount Due</u> <u>in One Year</u>
\$ 3,300,000	\$ 1,035,632	\$ -	\$ 129,835	\$ 905,797	\$ 140,252
1,765,000	1,279,855	-	38,393	1,241,462	39,796
2,300,000	295,099	-	194,720	100,379	100,379
2,200,000	1,779,297	-	39,798	1,739,499	41,409
4,075,000	147,333	-	147,333	-	-
3,799,000	2,817,035	-	113,306	2,703,729	115,006
3,000,000	1,185,430	-	308,942	876,488	314,388
4,000,000	2,428,320	-	396,010	2,032,310	407,079
400,000	140,920	-	69,467	71,453	71,453
4,000,000	3,449,019	-	167,388	3,281,631	171,184
3,400,000	3,049,301	-	145,332	2,903,969	148,637
26,372	5,604	-	5,604	-	-
13,030	2,727	-	2,727	-	-
33,345	7,086	-	7,086	-	-
-	2,486,910	66,300	-	2,553,210	30,980
\$ 20,109,568	\$ 66,300	\$ 1,765,941	\$ 18,409,927	\$ 1,580,563	
39,727	9,412	-	8,670	742	742
20,092	18,651	-	4,558	14,093	4,937
13,359	12,429	-	2,338	10,091	2,531
36,779	-	36,779	3,229	33,550	6,738
48,703	-	48,703	6,277	42,426	8,513
\$ 40,492	\$ 85,482	\$ 25,072	\$ 100,902	\$ 23,461	

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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

	<u>Rate</u>	<u>Issued</u>	<u>Matures</u>
<u>Proprietary Fund Types</u>			
<u>Sanitary District</u>			
<u>Long-Term Debt</u>			
<u>General Bonded Debt</u>			
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	3.50	2013	2053
Princess Anne Subdistrict	3.50	2013	2052
Princess Anne Subdistrict	3.13	2013	2053
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
Smith Island Subdistrict	0.80	2023	2039
All subdistricts	4.75	2023	2027
Smith Island Subdistrict	0.00	2024	2033
<u>State Loans</u>			
Water tanks - Princess Anne	5.80	1994	2027
Total Sanitary District			

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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

<u>Original Issue</u>	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2024</u>
\$ 1,825,200	\$ 119,000	\$ -	\$ 119,000	\$ -
333,000	139,500	-	9,000	130,500
323,000	171,000	-	11,000	160,000
32,000	12,800	-	1,067	11,733
2,770,900	2,146,620	-	54,072	2,092,548
1,228,250	1,070,410	-	20,742	1,049,668
427,118	372,222	-	7,215	365,007
2,525,900	2,178,485	-	44,881	2,133,604
100,000	23,983	-	11,200	12,783
222,732	32,065	-	17,500	14,565
578,000	542,000	-	19,500	522,500
3,276,000	3,144,500	-	72,000	3,072,500
21,000	12,071	-	3,528	8,543
22,618	12,231	-	4,591	7,640
170,000	91,929	-	34,506	57,423
83,012	80,235	-	1,609	78,626
57,701	53,668	1,210	-	54,878
64,204	64,204	-	3,245	60,959
50,000	50,000	854,341	2,035	902,306
26,650	22,548	-	5,036	17,512
1,148,389	-	1,148,389	-	1,148,389
327,411	97,972	-	17,450	80,522
\$ 10,437,443	\$ 2,003,940	\$ 459,177	\$ 11,982,206	

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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
2025	\$ 1,580,563	\$ 446,300	\$ 2,026,863
2026	1,446,033	400,228	1,846,261
2027	1,400,967	361,811	1,762,778
2028	1,192,598	325,992	1,518,590
2029	1,110,250	290,920	1,401,170
2030 - 2034	5,028,527	1,136,285	6,164,812
2035 - 2039	3,726,804	678,277	4,405,081
2040 - 2044	2,147,421	244,112	2,391,533
2045 - 2049	623,506	52,533	676,039
2050 - 2054	153,258	-	153,258
Total governmental activities	\$ 18,409,927	\$ 3,936,458	\$ 22,346,385

Years Ending June 30,	Principal	Interest	Total
2025	\$ 23,461	\$ 6,468	\$ 29,929
2026	24,435	4,750	29,185
2027	24,302	2,923	27,225
2028	24,541	887	25,428
2029	4,163	69	4,232
Total business-type activities	\$ 100,902	\$ 15,097	\$ 115,999

Interest expense on all indebtedness totaled \$491,022 for governmental activities and \$6,177 for business-type activities.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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

Discretely Presented Component Units

Sanitary District

Years Ending June 30,	Principal	Interest	Total
2025	\$ 376,492	\$ 383,637	\$ 760,129
2026	341,532	372,279	713,811
2027	322,633	360,341	682,974
2028	329,356	348,541	677,897
2029	317,190	336,415	653,605
2030 - 2034	2,987,372	1,502,238	4,489,610
2035 - 2039	1,978,240	1,164,786	3,143,026
2040 - 2044	2,224,162	788,843	3,013,005
2045 - 2049	2,230,846	372,306	2,603,152
2050 - 2054	855,874	61,819	917,693
2055 - 2059	12,654	866	13,520
2060 - 2064	5,855	98	5,953
Total Sanitary District	<u>\$ 11,982,206</u>	<u>\$ 5,692,169</u>	<u>\$ 17,674,375</u>

Sanitary District

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

During the year ended June 30, 2021, the Sanitary District refinanced three Community Development Infrastructure Bonds. As a result, \$97,294 of issuance costs and \$780,163 in bond premiums were incurred. Amortization of the debt issuance costs, and debt bond premiums are reported as interest expense. Unamortized bond premiums totaled \$663,324 at June 30, 2024 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 \$423,507 for the Sanitary District.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 7. Lease Commitments

Primary Government

Financed Purchases

The County has entered into five long-term financed purchase agreements for the purpose of acquiring equipment. 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 \$158,660 with accumulated depreciation of \$37,843.

Operating Leases

During fiscal year 2023, the County entered into operating lease agreements for vehicles and copiers. Payments under these leases total approximately \$167,805 per year and expire in fiscal year 2027. For purposes of discounting future payments on these leases the County used its incremental borrowing rate in place at the time of lease inception of 2.88%. During fiscal year 2024, the County entered into operating lease agreements for vehicles, with payments totaling approximately \$219,332 through fiscal year 2028. For discounting future payments on these leases, the County used its incremental borrowing rate in place at the time of lease inception of 4.19%. The leased vehicles and equipment and accumulated amortization of the right-to-use assets are outlined in Note 5.

Minimum lease payments on vehicles and copiers over the next five years are as follows:

	Principal	Interest	Total
2025	\$ 340,225	\$ 46,912	\$ 387,137
2026	352,462	34,675	387,137
2027	365,155	21,983	387,138
2028	210,511	8,820	219,331
2029	-	-	-
Total	1,268,353	112,390	1,380,743

Interest expense on the above intangible right-to-use assets was approximately \$58,711.

BOE

Operating Leases

During 2023 and 2024, the Board entered into multiple five-year lease agreements for copiers, a postage machine, and vehicles. Payments under the copier, postage machine and vehicle lease total \$100,235, \$3,745 and \$86,006 per year, respectively. For purposes of discounting future payments on the copier and postage machine leases, the incremental borrowing rate of 4.75% and 8.00%, respectively, were used. For purposes of discounting future payments on the vehicle leases, the Board used the implicit rate found in each vehicle lease agreement which ranges from 4.60% to 5.80%.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 7. Lease Commitments (continued)

BOE (continued)

Minimum lease payments over the next five years are as follows:

	Principal	Interest	Total
2025	\$ 174,387	\$ 28,738	\$ 203,125
2026	183,297	19,829	203,126
2027	192,667	10,459	203,126
2028	84,735	2,902	87,637
2029	12,959	180	13,139
Total	648,045	62,108	710,153

LMB

Operating Leases

The LMB entered into operating lease agreement for copiers during 2021. Payments under these leases total approximately \$1,400 per year and expire in fiscal year 2026. For purposes of discounting future payments on these leases the LMB used its incremental borrowing rate in place at the time of lease inception of 5.00%.

Minimum lease payments over the next five years are as follows:

	Principal	Interest	Total
2025	\$ 1,270	\$ 130	\$ 1,400
2026	1,333	67	1,400
Total	2,603	197	2,800

Interest expense on the above intangible right-to-use asset was approximately \$190 for the year ended June 30, 2024.

In November 2019, the LMB entered into an agreement with the County for office space. Under the terms of the agreement, the LMB uses the premises, paying \$1 upfront for the entire term.

Library

Operating Leases

The Library entered into operating lease agreement for copiers during 2023. Payments under the lease total approximately \$3,800 per year and expire in fiscal year 2028. For purposes of discounting future payments on these leases the Library used its incremental borrowing rate in place at the time of lease inception of 5.00%.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 7. Lease Commitments (continued)

Library (continued)

Minimum lease payments over the next five years are as follows:

	Principal	Interest	Total
2025	\$ 3,193	\$ 639	\$ 3,832
2026	3,352	480	3,832
2027	3,520	312	3,832
2028	2,734	136	2,870
2029	-	-	-
Total	12,799	1,567	14,366

Interest expense on the above intangible right-to-use asset was approximately \$791 for the year ended June 30, 2024.

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

Virtually all full and eligible part-time employees of Somerset County, Maryland and its agencies are covered by the Maryland State Retirement and Pension Systems. The various plans and plan participants are outlined below:

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

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

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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.

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").

Basis of Accounting

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

Covered Members

Teachers' Retirement and Pension Systems

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

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 9. Retirement and Pension Plans (continued)

Employees' Retirement and Pension Systems

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

The Law Enforcement Officers' Pension System (LEOPS)

The Law Enforcement Officers' Pension System (LEOPS) was established on July 2, 1990, to provide retirement allowances and other benefits for certain State and local law enforcement officers. This System includes both retirement plan and pension plan provisions which are applicable to separate portions of the System's membership. The retirement plan provisions are only applicable to those members who, on the date they elected to participate in LEOPS, were members of the Employees' Retirement System. This System's pension plan provisions are applicable to all other participating law enforcement officers.

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', Teachers', Correctional Officers' or State Police 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 individuals who become members of the State Police Retirement System or the Correctional Officers' Retirement System on or after July 1, 2011, retirement allowances are computed using both the highest five years' 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, Employees' Retirement Pension System, and Law Enforcement Officers' Pension System is 7%. The member contribution rate for members of the Judges' Retirement System is 8%.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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 fair value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation.

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2021, 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, 2024

Note 9. Retirement and Pension Plans (continued)

A member of the Law Enforcement Officers' Pension System is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equals $\frac{1}{50}$ (2.0%) of the member's AFC multiplied by the number of years of accumulated creditable service up to 30 years, plus $\frac{1}{100}$ (1.0%) of the member's AFC multiplied by the number of years of accumulated creditable service in excess of 30 years. For members subject to the pension provisions, full service pension allowances equal 2.0% of AFC up to a maximum of 60% (30 years of credit).

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%.

Members of the State Police, Judges', Law Enforcement Officers' and Local Fire and Police Systems are not eligible for early service benefits.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 9. Retirement and Pension Plans (continued)

Disability and Death Benefits

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

Adjusted Retirement Allowances

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formula. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems ("TRS"/"ERS") the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5%, or a two-part combination COLA depending upon the COLA election made by the member. With certain exceptions, effective July 1, 1998, for Teachers' and Employees' retirees, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year. The annual increases to pension allowances for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhanced pension benefits are limited to 3% of the initial allowance.

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

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 9. Retirement and Pension Plans (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2023 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	2.75% to 11.25%; including wage inflation
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 by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s).

For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34%	6.9%
Private Equity	16%	8.6%
Rate Sensitive	20%	2.6%
Credit Opportunity	9%	5.6%
Real Assets	15%	5.4%
Absolute Return	6%	4.4%
Total	100%	

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, 2023.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 9. Retirement and Pension Plans (continued)

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 3.11%. 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.

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	\$ 16,587,024	\$ 11,186,304	\$ 6,704,642
Board of Education	6,414,378	4,325,862	2,592,756
Sanitary District	1,732,667	1,168,523	700,361

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, 2024, the BOE contributed \$1,400,644 to the Teachers' Retirement and Pension System. In addition, the State of Maryland contributed \$2,721,602 on behalf of the BOE. The BOE has recognized the State on-behalf payments as both a revenue and expense.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 9. Retirement and Pension Plans (continued)

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, 2024, 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)	\$ 4,325,862
State's proportionate share of the net pension liability (Teachers' Systems)	24,114,867
Total	<u>\$ 28,440,729</u>

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, 2023, 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, 2024

Note 9. Retirement and Pension Plans (continued)

At June 30, 2024, 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	0.0187833%	0.0485721%	0.0050738%
Employer's proportionate share of the collective net pension liability	\$ 4,325,862	\$ 11,186,304	\$ 1,168,523
Pension expense recognized by the employer for the year ended June 30, 2024	751,791	1,703,903	143,286
Deferred inflows of resources:			
Difference between expected and actual experience	184,668	477,537	49,687
Change in assumptions	15,358	39,716	3,776
Change in proportion and share of contributions	-	-	5,320
Deferred inflows of resources at June 30, 2024	200,026	517,253	58,783
Deferred outflows of resources:			
Net difference between projected and actual earnings on pension plan investments	386,945	1,000,606	46,598
Difference between expected and actual experience	152,041	393,166	41,070
Change in assumptions	297,302	768,799	69,009
Change in proportion and share of contributions	868,567	1,727,893	77,586
Year ended June 30, 2024 contributions	538,842	1,375,008	158,246
Deferred outflows of resources at June 30, 2024	2,243,697	5,265,472	392,509
Net pension liability June 30, 2023	3,367,396	7,995,691	1,001,493
Change in net pension liability factored for contributions	958,466	3,190,613	167,030
Net pension liability June 30, 2024	4,325,862	11,186,304	1,168,523

The \$538,842, \$1,375,008 and \$158,246 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, 2025. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life ranging from 5.44 to 5.68 years. The net difference in investment earnings is being amortized over a closed five-year period.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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>
2025	\$ 678,305
2026	532,510
2027	1,382,336
2028	604,853
2029	175,207
<u>Total</u>	<u>\$ 3,373,211</u>

Board of Education

<u>Year Ended June 30,</u>	<u>Net Deferred (Inflows) Outflows</u>
2025	\$ 355,181
2026	298,801
2027	589,229
2028	215,614
2029	46,004
<u>Total</u>	<u>\$ 1,504,829</u>

Sanitary District

<u>Year Ended June 30,</u>	<u>Net Deferred (Inflows) Outflows</u>
2025	\$ 10,954
2026	(2,019)
2027	79,011
2028	69,366
2029	18,528
<u>Total</u>	<u>\$ 175,840</u>

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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	\$ 13,847,246	\$ 9,949,210	\$ -
Board of Education	40,308,400	35,636,959	2,721,602
Library	710,897	594,417	78,997

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, 2024 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 \$11,186,304 for Governmental Activities on the County's Statement of Net Position at June 30, 2024.

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 plan also allows for limited withdrawals for a qualified birth or adoption and in-service withdrawals beginning at age 59 1/2.

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, 2024, is as follows:

Balance, beginning of year	\$ 4,090,018
Employee contributions	352,044
Earnings on investments	519,814
Distributions	(160,064)
Balance, end of year	<u>\$ 4,801,812</u>

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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, 2024, the date of the last actuarial valuation, approximately 65 retirees were receiving benefits and an estimated 137 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, 2024, the date of the last actuarial valuation, approximately 217 retirees were receiving benefits, and an estimated 391 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, 2024, the date of the last actuarial valuation, approximately 8 retirees were receiving benefits and an estimated 9 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, 2024, the date of the last actuarial valuation, approximately 1 retiree was receiving benefits and an estimated 18 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 2024, the County and Library contributed \$428,813 and \$37,432 to the plans for 65 and 8 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 2024, the Board of Education contributed \$442,874 to the plan for 217 eligible retirees.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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, 2024:

Total OPEB Liability	County	Board of Education	Library	Sanitary District
Balance at 6/30/2023	\$ 18,791,446	\$ 19,031,165	\$ 953,929	\$ 125,368
Changes for the year:				
Service cost	740,307	735,403	38,034	8,784
Interest cost	767,321	776,934	38,632	5,041
Differences between expected and actual experience	(1,132,009)	(2,162,819)	143,930	(35,444)
Changes of assumptions and other inputs	958,156	175,677	57,299	5,021
Contributions - employer	-	-	-	-
Contributions - employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments	(428,813)	(442,874)	(37,432)	(6,707)
Administrative expense	-	-	-	-
Other changes	-	-	-	-
Net changes	904,962	(917,679)	240,463	(23,305)
Balances at 6/30/2024	\$ 19,696,408	\$ 18,113,486	\$ 1,194,392	\$ 102,063

Funding Status and Funding Progress

As of June 30, 2024, the most recent actuarial valuation date, the Plan was zero percent funded. The actuarial accrued liability for benefits was \$19,696,408, \$18,113,486, \$1,194,392 and \$102,063 for the County, Board of Education, Library and Sanitary District, respectively, all of which was unfunded. The covered employee payroll was \$11,583,261, \$25,246,088, \$452,047 and \$1,112,409, 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 170.04%, 71.75%, 264.22% and 9.17% for the County, Board of Education, Library and Sanitary District, respectively.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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, 2024
Actuarial valuation date:	June 30, 2024
Actuarial cost method:	Entry Age Normal
Discount Rate:	The discount rate used to measure the total OPEB liability was 4.21 percent. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The S&P Municipal Bond 20 Year Rate Index was used to approximate those yields as of June 30, 2024. The prior valuation used 4.13% from the GO Bond Buyer Index.
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% based on input from the plan sponsor

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

- *Measurement date* – The County selected a June 30, 2024 measurement date for fiscal year ended 2024. 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, 2024

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 4.21%, 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	3.21%	\$ 23,188,441	\$ 20,669,982	\$ 1,441,417	\$ 119,096
Current discount Rate	4.21%	\$ 19,696,408	\$ 18,113,486	\$ 1,194,392	\$ 102,063
1% increase	5.21%	\$ 16,937,801	\$ 16,019,888	\$ 1,006,814	\$ 87,770

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%	\$ 16,840,435	\$ 17,336,293	\$ 1,000,103	\$ 84,123
Current discount Rate	7.5% to 4.5%	\$ 19,696,408	\$ 18,113,486	\$ 1,194,392	\$ 102,063
1% increase	8.5% to 5.5%	\$ 23,342,314	\$ 19,060,085	\$ 1,454,660	\$ 125,429

OPEB Expense

For fiscal year ended June 30, 2024, the County, Board of Education, Library and Sanitary District recognized an OPEB expense (benefit) on the government-wide statements of \$558,061, \$1,413,177, \$73,148 and \$1.557, respectively.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 11. Other Post-Employment Benefits (continued)

Deferred Inflows/Outflows of Resources related to OPEB

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

County

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (2,617,760)
Changes of assumptions	1,651,645	(2,997,774)
Total	<u>\$ 1,651,645</u>	<u>\$ (5,615,534)</u>

Board of Education

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 152,202	\$ (1,981,685)
Changes of assumptions	3,420,889	(2,852,686)
Total	<u>\$ 3,573,091</u>	<u>\$ (4,834,371)</u>

Library

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 123,967	\$ (143,997)
Changes of assumptions	115,717	(214,872)
Total	<u>\$ 239,684</u>	<u>\$ (358,869)</u>

Sanitary District

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (75,628)
Changes of assumptions	10,677	(10,695)
Total	<u>\$ 10,677</u>	<u>\$ (86,323)</u>

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 11. Other Post-Employment Benefits (continued)

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

County

Year Ended June 30,	Netted Outflows/ (Inflows)
2025	\$ (1,107,252)
2026	(1,340,613)
2027	(1,183,110)
2028	(296,386)
2029	(27,465)
Thereafter	(9,063)
	<u>\$ (3,963,889)</u>

Board of Education

Year Ended June 30,	Netted Outflows/ (Inflows)
2025	\$ (75,160)
2026	(187,955)
2027	(214,071)
2028	(485,842)
2029	(211,527)
Thereafter	(86,725)
	<u>\$ (1,261,280)</u>

Library

Year Ended June 30,	Netted Outflows/ (Inflows)
2025	\$ (10,975)
2026	(34,538)
2027	(48,748)
2028	(47,749)
2029	(6,256)
Thereafter	29,081
	<u>\$ (119,185)</u>

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

Note 11. Other Post-Employment Benefits (continued)

Sanitary District

Year Ended June 30,	Netted Outflows/ (Inflows)
2025	\$ (12,437)
2026	(12,685)
2027	(13,076)
2028	(13,853)
2029	(12,013)
Thereafter	(11,582)
	<u>\$ (75,646)</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, 2024

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 5% of total premiums for medical and 7% of total premiums for drug, dental, and vision. Currently, ESMEC keeps on hand a recommended conservative reserve of 7.5% for medical and 10.5% for drug, dental, and vision. As of March 2024, the Board's funds held by ESMEC exceeded the recommended conservative reserve by \$1,574,821. 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, 2024

Note 14. On-Behalf Payments

Board of Education

The State of Maryland contributed \$2,721,602 into the State Retirement System on behalf of the Board's teachers during the year ended June 30, 2024, and the amount is reported as both revenues and expenditures on the statement of activities.

Library

The State of Maryland contributed \$78,997 into the State Retirement System on behalf of the Library's employees during the year ended June 30, 2024, 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 experienced significant growth with substantial infill being built out. Although growth has appeared to have stabilized, requests for new hook up applications has remained strong.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2024

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 12 month enhanced nutrient removal (ENR). 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 loading and concentration limits for nitrogen and phosphorus. The wastewater plant currently meets the discharge permit. It is expected that the upgrade will be done using the most current technology and as a consequence, will provide the best available treatment.

To further ensure that permit limits will not be exceeded, and that the water and sewer system is not over-burdened, 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).

Smith Island

Smith Island sewage facilities are currently under construction as planned. The new Pumping Stations have been installed and are operational at Ewell, Rhodes Point and Tylerton. The deck for the new Wastewater Treatment Plant at Ewell has been completed. The new Wastewater Treatment Plant at Ewell is under construction with a projected completion date of March 2025. The force main connecting Tylerton to the Ewell WWTP allowing for the decommissioning of the Tylerton WWTP has started and has a projected completion date of December 2024.

The MDE approved a grant/loan funding for the upgrade and improvement projects at Smith Island. Funding is in place; however, permitting 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 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, 2024

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, 2024. 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, 2024 approximately 81% of the landfill capacity had been used. Under the prescribed allocation method determined annually based on the landfill capacity used to date, \$1,623,800 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, 2023. The County expects to satisfy these requirements as of June 30, 2024 using the same criteria.

Note 17. Prior Period Restatement

Enterprise Fund

The County determined to accrue for compensated absences during fiscal year 2024 within its enterprise fund, and as such restated its July 1, 2023, beginning balance. This change resulted in a decrease in beginning net position of \$67,372. Beginning net position was restated from \$641,360 to \$573,988.

REQUIRED SUPPLEMENTARY INFORMATION

SOMERSET COUNTY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND

Year Ended June 30, 2024

	Original/ Final Budget	Actual	Variance Positive (Negative)
REVENUE			
Taxes	\$ 30,914,944	\$ 32,729,086	\$ 1,814,142
Licenses and permits	186,800	168,784	(18,016)
Intergovernmental	18,711,457	12,692,584	(6,018,873)
Charges for services	1,998,700	2,436,856	438,156
Miscellaneous	883,200	2,092,626	1,209,426
Total revenue	52,695,101	50,119,936	(2,575,165)
EXPENDITURES			
General government	13,909,469	10,458,588	3,450,881
Public safety	12,453,711	12,632,957	(179,246)
Public works	6,360,418	3,876,856	2,483,562
Health	951,835	1,006,448	(54,613)
Social services	137,372	144,709	(7,337)
Education	10,608,458	10,524,771	83,687
Recreation and culture	8,422,550	1,745,718	6,676,832
Conservation of natural resources	81,620	71,098	10,522
Intergovernmental	193,587	135,436	58,151
Debt service	2,222,829	2,256,963	(34,134)
Total expenditures	55,341,849	42,853,544	12,488,305
Excess of revenue (under) over expenditures	(2,646,748)	7,266,392	9,913,140
OTHER FINANCING SOURCES (USES)			
Operating transfers, net	(5,024,470)	(4,391,576)	632,894
Fund balance appropriated	4,671,218	-	(4,671,218)
Proceeds from debt financing	3,000,000	-	(3,000,000)
Total other financing sources (uses)	2,646,748	(4,391,576)	(7,038,324)
Net change in fund balance	\$ -	2,874,816	\$ 2,874,816
Fund balance - beginning		24,650,802	
Fund balance - ending		\$ 27,525,618	

***Right-to-use revenues and expenditures are excluded*

SOMERSET COUNTY, MARYLAND**REQUIRED SUPPLEMENTARY INFORMATION****BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND BUDGETARY BASIS****ROADS BOARD****Year Ended June 30, 2024**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUE			
Taxes	\$ 796,679	\$ 799,164	\$ 2,485
Grant funding	200,000	-	(200,000)
Charges for services	669,766	489,029	(180,737)
Interest	2,000	15,021	13,021
Miscellaneous	5,000	13,847	8,847
Total revenue	1,673,445	1,317,061	(356,384)
EXPENDITURES			
Current	5,369,446	4,576,066	793,380
Capital outlay	495,000	485,739	9,261
Total expenditures	5,864,446	5,061,805	802,641
(Deficiency) excess of revenue over expenditures	(4,191,001)	(3,744,744)	446,257
OTHER FINANCING SOURCES			
Operating transfers, net	4,191,001	3,800,000	(391,001)
Total other financing sources	4,191,001	3,800,000	(391,001)
Excess (deficiency) of revenue and other financing sources over expenditures	\$ -	\$ 55,256	\$ 55,256

SOMERSET COUNTY, MARYLAND

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024**

**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, 2023	0.0485721%	\$ 11,186,304	\$ 9,113,180	122.75%	\$ 64,892,973	\$ 87,923,284	73.81%
June 30, 2022	0.0399614%	\$ 7,995,691	\$ 8,635,872	92.59%	\$ 64,310,991	\$ 84,319,523	76.27%
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%

SOMERSET COUNTY, MARYLAND**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024****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)
2024	\$ 1,375,008	\$ 1,375,008	\$ -	\$ 9,949,210	13.82%
2023	1,184,633	1,184,633	-	9,113,180	13.00%
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%

SOMERSET COUNTY, MARYLAND

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS June 30, 2024

ACTUARIAL ASSUMPTIONS - PENSION PLAN

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.25% general, 2.75% wage
Salary Increases	2.75% to 11.25%; including wage inflation
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, 2024

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

As of June 30,	2018	2019	2020	Fiscal Year 2021	2022	2023	2024
Total OPEB liability							
Service cost	\$ 720,750	\$ 748,001	\$ 818,901	\$ 1,082,153	\$ 1,121,878	\$ 856,230	\$ 740,307
Interest	655,991	697,598	708,633	502,844	512,337	681,694	767,321
Differences between expected and actual experience	-	-	(3,503,158)	-	(2,180,694)	-	(1,132,009)
Change of assumptions and other inputs	-	1,097,167	4,820,198	(234,604)	(3,523,131)	(1,814,456)	958,156
Benefit payments	(278,931)	(324,750)	(318,741)	(356,665)	(412,047)	(374,574)	(428,813)
Net change in OPEB liability	1,097,810	2,218,016	2,525,833	993,728	(4,481,657)	(651,106)	904,962
Total OPEB liability - beginning of year	17,088,822	18,186,632	20,404,648	22,930,481	23,924,209	19,442,552	18,791,446
Total OPEB liability - ending of year (a)	<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>	<u>\$ 18,791,446</u>	<u>\$ 19,696,408</u>
Plan fiduciary net position							
Contributions - employer	\$ 285,129	\$ 331,798	\$ 318,741	\$ 356,665	\$ 412,047	\$ 374,574	\$ 428,813
Benefit payments	(285,129)	(331,798)	(318,741)	(356,665)	(412,047)	(374,574)	(428,813)
Net change in plan fiduciary net position	-	-	-	-	-	-	-
Plan fiduciary net position - beginning of year	-	-	-	-	-	-	-
Plan fiduciary net position - ending of year (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's net OPEB liability - end of year (a) - (b)	\$ 18,186,632	\$ 20,404,648	\$ 22,930,481	\$ 23,924,209	\$ 19,442,552	\$ 18,791,446	\$ 19,696,408
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%	0%	0%
Covered employee payroll	\$ 6,455,255	\$ 6,816,511	\$ 6,685,468	\$ 6,526,615	\$ 6,865,183	\$ 7,692,169	\$ 11,583,261
County's net OPEB liability as a percentage of covered employee payroll	281.73%	299.34%	342.99%	366.56%	283.21%	244.29%	170.04%

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, 2024

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 4.13% at June 30, 2023 to 4.21% at June 30, 2024.
2. The Healthcare cost trend assumption was updated to 7.50% for 2024 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 was 4.21 percent. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The S&P Municipal Bond 20 Year Rate Index was used to approximate those yields as of June 30, 2024. The prior valuation used 4.13% from the GO Bond Buyer Index.

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% based on input from the plan sponsor

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

Valuation of assets: N/A

Per Capita Claims: Claims were developed by adjusting the underlying medical premiums for the ages of retirees compared to the underlying active populations. The adjustment was done using the morbidity adjustments in Chart 5 from the 2013 Society of Actuaries Study "Health Care Costs from Birth to Death". The retiree pre-65 premium was \$8,942.28 annually and \$5,880.00 post-65.

Trend: Medical costs were assumed to increase by 7.5% for 2024 decreasing linearly by 0.25% to an ultimate trend rate of 4.5%. The rates were taken from analysis of historical trends of various medical plans and a composite of the expected future increases reported in a number of national trend surveys.

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

ADDITIONAL SUPPLEMENTARY INFORMATION

SOMERSET COUNTY, MARYLAND**REVENUE DETAIL
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
Year Ended June 30, 2024**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
TAXES			
Property	\$ 19,868,944	\$ 19,701,187	\$ (167,757)
Penalties and interest	255,000	363,805	108,805
	20,123,944	20,064,992	(58,952)
Income tax	9,750,000	11,765,183	2,015,183
Other			
Admissions and amusements	25,000	28,117	3,117
Recordation	900,000	764,264	(135,736)
Bay Restoration fund fee	16,000	16,099	99
Assessments - room tax	100,000	90,431	(9,569)
	1,041,000	898,911	(142,089)
	30,914,944	32,729,086	1,814,142
LICENSES AND PERMITS			
Cable franchise fees	112,000	88,168	(23,832)
Alcoholic beverages	55,000	63,023	8,023
Traders	17,000	15,452	(1,548)
Other	2,800	2,141	(659)
	186,800	168,784	(18,016)
INTERGOVERNMENTAL			
Federal			
Airport Program	465,415	93,420	(371,995)
Civil defense/emergency services	159,428	86,115	(73,313)
Sheriff Non-Support	3,000	-	(3,000)
State's Attorney	198,663	229,897	31,234
Local Assistance and Tribal Consistency Fund	-	50,000	50,000
EDA Smith Island Tourism	-	140,839	140,839
Transportation Program	200,000	-	(200,000)
Highway safety	1,500	1,979	479
HSP Homless shelter	-	11,322	11,322
SLFRF American Rescue Plan	2,799,257	1,193,478	(1,605,779)
State of Maryland			
Fire, rescue and ambulance	313,590	350,543	36,953
Disparity Grant	7,229,163	7,611,162	381,999
Police protection	125,000	236,986	111,986
Waterways	541,000	471,751	(69,249)
Community Recreation Center	4,000,000	-	(4,000,000)
Animal control spay and neuter	-	10,500	10,500
RMPIF Fiber connectivity	-	235,735	235,735
MD Criminal Intelligence Network	-	46,245	46,245
Program Open Space	22,500	-	(22,500)
Crisfield Airport	12,928	-	(12,928)
Technical and Community Services	41,000	17,023	(23,977)
Family Services	171,240	163,211	(8,029)
Airport	475,856	-	(475,856)

SOMERSET COUNTY, MARYLAND**REVENUE DETAIL****BUDGET AND ACTUAL****GENERAL FUND****(Continued)****Year Ended June 30, 2024**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
INTERGOVERNMENTAL (continued)			
State of Maryland (continued)			
Tourism	\$ 30,000	\$ 24,196	\$ (5,804)
Juror / Circuit Court Cost	60,000	354,634	294,634
Civil defense/emergency services	205,662	184,848	(20,814)
Sex Offender Program	16,951	6,653	(10,298)
Health Department Cleaning grant	30,000	22,500	(7,500)
GOCCP PACT public access	-	20,000	20,000
Forest and Wildlife Pilot	534,834	589,771	54,937
Dentention Center - MAT program	-	127,415	127,415
Dentention Center - mental health services	-	62,479	62,479
Department of General Services - Airport	550,000	-	(550,000)
Sheriff tobacco compliance grant	-	2,300	2,300
Adult Drug Court	258,000	257,256	(744)
Sheriff School Resource Officer	63,470	64,286	816
Obesity Prevention	-	22,419	22,419
Courthouse capital	200,000	-	(200,000)
Local			
Payments in lieu of taxes	3,000	3,321	321
Somerset County Dispensaries	-	300	300
	18,711,457	12,692,584	(6,018,873)
CHARGES FOR SERVICES			
General Government	445,900	748,229	302,329
Mosquito control	44,500	53,567	9,067
Landfill tipping and permit fees	1,508,300	1,635,060	126,760
	1,998,700	2,436,856	438,156
MISCELLANEOUS			
Rents and concessions	170,000	194,628	24,628
Telephone concessions	36,000	70,253	34,253
Interest	75,000	934,562	859,562
Proceeds from sale of capital assets	63,000	82,694	19,694
Other	539,200	810,489	271,289
	883,200	2,092,626	1,209,426
OTHER FINANCING SOURCES			
Fund balance appropriated	4,671,218	-	(4,671,218)
Proceeds from debt financing	3,000,000	-	(3,000,000)
	7,671,218	-	(7,671,218)
TOTAL REVENUE AND OTHER FINANCING SOURCES	\$ 60,366,319	\$ 50,119,936	\$ (10,246,383)

SOMERSET COUNTY, MARYLAND**EXPENDITURE DETAIL
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
Year Ended June 30, 2024**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GENERAL GOVERNMENT			
LEGISLATIVE			
County Commissioners	\$ 85,426	\$ 66,932	\$ 18,494
Clerk to County Commissioners	384,570	346,796	37,774
	469,996	413,728	56,268
JUDICIAL			
Adult Drug Court	258,000	257,868	132
Circuit Court	722,628	484,595	238,033
Family Services	171,240	163,219	8,021
Orphans' Court	26,194	24,782	1,412
State's Attorney	1,407,123	1,395,637	11,486
Law Library	10,000	7,612	2,388
	2,595,185	2,333,713	261,472
ELECTION			
Board of Supervision of Elections	13,951	16,171	(2,220)
Registration and elections	867,206	604,235	262,971
	881,157	620,406	260,751
FINANCIAL ADMINISTRATION			
Finance and Accounting	439,826	427,356	12,470
Tax collection and disbursement of funds	430,544	411,704	18,840
Internal auditing	157,761	159,296	(1,535)
Auditing and accounting	51,500	65,650	(14,150)
Licensing	22,987	22,138	849
	1,102,618	1,086,144	16,474
LEGAL	105,517	106,717	(1,200)
PERSONNEL	269,944	244,970	24,974
PLANNING AND ZONING	1,211,477	1,000,628	210,849
GENERAL SERVICES			
County building	2,808,753	1,749,028	1,059,725
Tourism	337,136	332,189	4,947
	3,145,889	2,081,217	1,064,672

Salaries and Other Operating <u>Expenses</u>	Capital <u>Outlay</u>
\$ 66,932	\$ -
346,796	-
413,728	-
257,868	-
305,595	179,000
163,219	-
24,782	-
1,395,637	-
7,612	-
2,154,713	179,000
16,171	-
593,489	10,746
609,660	10,746
427,356	-
411,704	-
159,296	-
65,650	-
22,138	-
1,086,144	-
106,717	-
244,970	-
1,000,628	-
1,411,890	337,138
322,723	9,466
1,734,613	346,604

SOMERSET COUNTY, MARYLAND**EXPENDITURE DETAIL
BUDGET AND ACTUAL
GENERAL FUND****(Continued)****Year Ended June 30, 2024**

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance Positive (<u>Negative</u>)
MISCELLANEOUS			
Information Technology	\$ 408,322	\$ 401,072	\$ 7,250
Financial ERP software	35,000	35,517	(517)
Community promotions	251,350	258,050	(6,700)
Public Officers Association	26,365	23,631	2,734
Health benefits retirees	375,292	371,926	3,366
Retirement and pension contributions	3,318	33,701	(30,383)
Succession planning	80,820	-	80,820
Coronavirus State and Local Fiscal Recovery Funds			
Not-for-profit relief	255,000	155,027	99,973
Information Technology	1,172,973	419,369	753,604
Public Works	320,805	307,805	13,000
Sheriff	45,622	20,258	25,364
Solid Waste	8,000	-	8,000
General government	231,680	-	231,680
Recreation and culture	315,725	-	315,725
Planning & Zoning	68,500	62,880	5,620
Health	6,480	-	6,480
Sanitary District	374,473	228,139	146,334
Other general government	147,959	253,690	(105,731)
	4,127,684	2,571,065	1,556,619
Total General Government	13,909,469	10,458,588	3,450,879
PUBLIC SAFETY			
Sheriff	4,486,375	4,527,084	(40,709)
Police accountability board	21,009	15,162	5,847
Administrative charging committee	21,703	13,471	8,232
Ambulance and fire	1,734,608	1,797,058	(62,450)
Correction	3,648,978	3,823,158	(174,180)
Other protection			
911 communication	2,212,765	2,171,476	41,289
Animal protection	320,385	283,579	36,806
Civilian trial board	7,888	1,969	5,919
	12,453,711	12,632,957	(179,246)

Salaries and Other Operating <u>Expenses</u>		Capital <u>Outlay</u>	
\$	392,987	\$	8,085
	35,517		-
	258,050		-
	23,631		-
	371,926		-
	33,701		-
	-		-
	155,027		-
	14,391		404,978
	-		307,805
	20,258		-
	-		-
	-		-
	-		-
	40,400		22,480
	-		-
	-		228,139
	145,894		107,796
	1,491,782		1,079,283
	8,842,955		1,615,633
	4,476,533		50,551
	15,162		-
	13,471		-
	1,797,058		-
	3,789,977		33,181
	1,768,551		402,925
	283,579		-
	1,969		-
	12,146,300		486,657

SOMERSET COUNTY, MARYLAND**EXPENDITURE DETAIL****BUDGET AND ACTUAL****GENERAL FUND****(Continued)****Year Ended June 30, 2024**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PUBLIC WORKS			
Waste collection and disposal	\$ 3,113,463	\$ 2,752,258	\$ 361,205
Waterways, off-road drainage, and street lighting	799,792	619,230	180,562
Transportation	2,447,163	505,368	1,941,795
	6,360,418	3,876,856	2,483,562
HEALTH	951,835	1,006,448	(54,613)
SOCIAL SERVICES	137,372	144,709	(7,337)
EDUCATION	10,608,458	10,524,771	83,687
RECREATION AND CULTURE	8,422,550	1,745,718	6,676,832
CONSERVATION OF NATURAL RESOURCES	81,620	71,098	10,522
INTERGOVERNMENTAL	193,587	135,436	58,151
DEBT SERVICE	2,222,829	2,256,963	(34,134)
OTHER FINANCING USES			
Operating transfers			
County Roads Department	4,191,001	3,800,000	391,001
Economic Development Commission	224,000	224,000	-
Golf Course - transfers	609,469	367,576	241,893
	5,024,470	4,391,576	632,894
TOTAL EXPENDITURES AND OTHER FINANCING USES	60,366,319	47,245,120	13,121,197

***Right-to-use expenditures are excluded*

Salaries and Other Operating <u>Expenses</u>	Capital <u>Outlay</u>
\$ 2,308,638	\$ 443,620
96,329	522,901
170,670	334,698
2,575,637	1,301,219
1,006,448	-
144,709	-
10,524,771	-
1,734,923	10,795
71,098	-
135,436	-
2,256,963	-
3,800,000	-
224,000	-
367,576	-
4,391,576	-
43,830,816	3,414,304

SOMERSET COUNTY, MARYLAND

**BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2024**

	<u>CDBG Programs</u>	<u>Special Loan Program</u>	<u>Community Reinvestment Fund</u>	<u>Opioid Restitution Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 293,142	\$ 311,856	\$ -	\$ -	\$ 604,998
Receivables					
Due from other funds	126,196	-	475,393	195,021	796,610
Due from other governmental units	44,444	27,302	-	-	71,746
Total assets	\$ 463,782	\$ 339,158	\$ 475,393	\$ 195,021	\$ 1,473,354
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable and accrued expenses	\$ 1,204	\$ -	\$ -	\$ -	\$ 1,204
Due to other funds	60,641	-	-	-	60,641
Due to other governmental units	-	-	-	-	-
Unearned revenue	387,362	339,158	-	-	726,520
Total liabilities	449,207	339,158	-	-	788,365
FUND BALANCE					
Assigned for fund purpose	14,575	-	475,393	195,021	684,989
Total fund balance	14,575	-	475,393	195,021	684,989
Total liabilities and fund balance	\$ 463,782	\$ 339,158	\$ 475,393	\$ 195,021	\$ 1,473,354

SOMERSET COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
Year Ended June 30, 2024**

	<u>CDBG Programs</u>	<u>Special Loan Program</u>	<u>Community Reinvestment Fund</u>	<u>Opioid Restitution Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUE					
Taxes	\$ -	\$ -	\$ 475,393	\$ -	\$ 475,393
Intergovernmental					
Federal	121,869	-	-	-	121,869
State	-	402,883	-	120,400	523,283
Total revenue	121,869	402,883	475,393	120,400	1,120,545
EXPENDITURES					
Current					
Economic and community development	121,869	402,928	-	-	524,797
Total expenditures	121,869	402,928	-	-	524,797
Excess of revenue over expenditures	-	(45)	475,393	120,400	595,748
Fund balances, beginning	14,575	45	-	74,621	89,241
Fund balances, ending	\$ 14,575	\$ -	\$ 475,393	\$ 195,021	\$ 684,989

SOMERSET COUNTY, MARYLAND**COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
June 30, 2024**

	State Tax Fund	State's Attorney Funds	Detention Center Funds	Dental/ Vision Fund	Retirees Health Fund	Total
ASSETS						
Cash	\$ -	\$ 875	\$ 18,649	\$ 8,097	\$ 121,452	\$ 149,073
Property taxes receivable	90,150	-	-	-	-	90,150
Due from other governmental units	318,185	-	-	-	-	318,185
Total assets	\$ 408,335	\$ 875	\$ 18,649	\$ 8,097	\$ 121,452	\$ 557,408
LIABILITIES						
Due to other funds	\$ 408,335	\$ -	\$ -	\$ -	\$ -	\$ 408,335
Total liabilities	408,335	-	-	-	-	408,335
NET POSITION						
Restricted	\$ -	\$ 875	\$ 18,649	\$ 8,097	\$ 121,452	\$ 149,073

SOMERSET COUNTY, MARYLAND

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
Year Ended June 30, 2024**

	State Tax Fund	State's Attorney Funds	Detention Center Funds	Dental/ Vision Fund	Retirees Health Fund	Total
ADDITIONS:						
Contributions	\$ -	\$ 20,123	\$ 132,999	\$ 115,580	\$ 433,104	\$ 701,806
Collections for other governments	1,715,046	-	-	-	-	1,715,046
Total additions	1,715,046	20,123	132,999	115,580	433,104	2,416,852
DEDUCTIONS:						
Claims paid	-	-	-	75,164	280,500	355,664
Administrative fees	-	-	-	45,756	68,777	114,533
Payments to other governments	1,715,046	-	-	-	-	1,715,046
Other	-	35,220	130,297	36	-	165,553
Total deductions	1,715,046	35,220	130,297	120,956	349,277	2,350,796
Change in net assets	-	(15,097)	2,702	(5,376)	83,827	66,056
Net position, beginning	-	15,972	15,947	13,473	37,625	83,017
Net position, ending	\$ -	\$ 875	\$ 18,649	\$ 8,097	\$ 121,452	\$ 149,073

SOMERSET COUNTY, MARYLAND

GENERAL FUND - TAXES RECEIVABLE

June 30, 2024

(Unaudited)

			Total Assessed Value of Taxable Property	Tax Levy	Collected		Balance June 30, 2024
	Tax Rate				Amount	Percent	
REAL AND PERSONAL PROPERTY TAXES							
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	15,188,255	100.00	487
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	14,297,328	100.00	478
2012-2013 Levy	G		1,457,734,602	12,897,185	12,898,084	100.01	(899)
2013-2014 Levy	H		1,416,724,050	12,976,836	12,982,149	100.04	(5,313)
2014-2015 Levy	H		1,361,394,961	12,472,354	12,471,899	100.00	455
2015-2016 Levy	I		1,371,604,952	13,759,300	13,758,807	100.00	493
2016-2017 Levy	I		1,365,856,317	13,711,958	13,711,598	100.00	360
2017-2018 Levy	I		1,360,065,960	13,678,468	13,677,083	99.99	1,385
2018-2019 Levy	I		1,354,589,599	13,639,083	13,638,241	99.99	842
2019-2020 Levy	I		1,379,191,280	13,827,136	13,825,228	99.99	1,908
2020-2021 Levy	I		1,381,675,594	13,863,510	13,860,687	99.98	2,823
2021-2022 Levy	I		1,415,486,817	14,195,812	14,190,451	99.96	5,361
2022-2023 Levy	I		1,463,072,772	14,670,802	14,633,214	99.74	37,588
2023-2024 Levy	I		1,542,988,555	15,412,452	14,634,191	94.95	778,261
							826,091

CORPORATE TAXES

2006-2007 Levy	D		64,167,890	1,520,906	1,520,906	100.00	-
2007-2008 Levy	D		65,157,950	1,511,292	1,511,292	100.00	-
2008-2009 Levy	E		67,770,460	1,538,019	1,538,019	100.00	-
2009-2010 Levy	F		59,364,950	1,541,422	1,541,422	100.00	-
2010-2011 Levy	G		67,314,350	1,486,601	1,486,601	100.00	-
2011-2012 Levy	G		68,712,250	1,518,309	1,518,309	100.00	-
2012-2013 Levy	G		66,886,140	1,478,987	1,478,987	100.00	-
2013-2014 Levy	H		67,554,650	1,547,526	1,547,526	100.00	-
2014-2015 Levy	H		72,477,610	1,652,028	1,652,028	100.00	-
2015-2016 Levy	I		76,183,980	1,897,500	1,894,204	99.83	3,296
2016-2017 Levy	I		78,783,510	1,970,352	1,965,827	99.77	4,525
2017-2018 Levy	I		75,445,340	1,883,027	1,877,632	99.71	5,395
2018-2019 Levy	I		141,146,080	3,539,598	3,527,187	99.65	12,411
2019-2020 Levy	I		140,910,710	3,576,429	3,556,575	99.44	19,854
2020-2021 Levy	I		160,950,390	4,023,760	3,997,269	99.34	26,491
2021-2022 Levy	I		170,876,060	4,271,902	4,256,854	99.65	15,048
2022-2023 Levy	I		171,810,390	4,295,260	4,275,850	99.55	19,410
2023-2024 Levy	I		182,072,640	4,551,816	4,395,351	96.56	156,465
							262,895
							1,088,986
Less: Allowance for doubtful accounts							-
							\$ 1,088,986

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, 2024

(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>
2024	I	\$ 1,725,061,195	\$ 19,964,268	\$ 19,029,542	95.32	\$ 883,761
2023	I	1,634,883,162	18,966,062	18,144,241	95.67	1,010,483
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
F Real property - tax rate \$.90		H Real property - tax rate \$.9150				
Personal property - tax rate \$2.25		Personal property - tax rate \$2.28750				
G Real property - tax rate \$.8837		I Real property - tax rate \$1.00				
Personal property - tax rate \$2.209		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>
\$	19,913,303	99.74	\$ 1,088,986	5.45
	19,154,724	100.99	1,038,021	5.47
	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, 2024

(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	
2024	\$ 1,533,643,594	\$ 7,880,401	\$ 1,464,560	\$ 123,785,250	\$ 58,287,390	1,725,061,195
2023	1,439,968,992	20,432,200	2,671,580	111,876,140	59,934,250	1,634,883,162
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, 2024
(Unaudited)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
General government	\$ 10,458,588	\$ 11,917,109	\$ 11,486,703	\$ 9,683,268	\$ 7,379,201
Public safety	12,632,957	10,837,321	9,024,794	8,215,555	9,134,834
Public works	8,938,661	7,479,597	6,977,735	5,719,571	8,423,291
Health	1,006,448	1,114,754	891,699	933,320	895,468
Social services	144,709	252,112	233,226	262,520	261,005
Education	71,457,966	70,697,098	61,014,817	61,059,336	62,263,051
Recreation and culture	2,354,499	3,755,962	1,746,331	2,674,766	5,017,854
Conservation of natural resources	71,098	72,450	69,462	63,714	75,491
Economic and community development	835,511	555,266	1,173,219	2,128,857	4,186,319
Intergovernmental	135,436	180,910	173,456	148,717	175,157
Debt service	2,256,963	2,589,062	2,681,167	2,892,390	6,721,569
Miscellaneous	-	-	-	-	-
	<u>\$ 110,292,836</u>	<u>\$ 109,451,641</u>	<u>\$ 95,472,609</u>	<u>\$ 93,782,014</u>	<u>\$ 104,533,240</u>

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

SOMERSET COUNTY, MARYLAND**STATEMENT OF REVENUE AND EXPENSES
ENTERPRISE FUND****Years Ended June 30, 2024 and 2023**

	<u>Primary Government Enterprise Fund Golf Course</u>	
	<u>2024</u>	<u>2023</u>
OPERATING REVENUE		
Charges for services:		
Green fees	\$ 420,009	\$ 388,863
Cart fees	178,167	168,521
Driving range	22,488	15,543
Membership dues	93,538	110,913
Concessions	57,267	62,550
Gift card revenue	6,901	8,586
Miscellaneous	466	502
Total operating revenue	778,836	755,478
OPERATING EXPENSES		
Salaries and related taxes	632,370	524,525
Repairs and maintenance	176,425	194,921
Supplies	142,142	143,299
Utilities	40,658	39,485
Insurance	87,895	72,433
Depreciation and amortization	128,488	128,282
Other operating	131,880	155,905
Total operating expenses	1,339,858	1,258,850
Net operating loss	(561,022)	(503,372)
NON-OPERATING REVENUE (EXPENSES)		
Financial expense, net	(6,177)	(1,911)
Operating transfers, net	367,576	441,000
Net non-operating revenue	361,399	439,089
Net loss	\$ (199,623)	\$ (64,283)

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, 2024, 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 March 24, 2025. Our report included a reference to other auditors who audited the financial statements of the Somerset County Sanitary District 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 or significant deficiencies 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 logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, followed by "LLP" in a smaller, sans-serif font.

Salisbury, Maryland
March 24, 2025



**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, 2024. 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, 2024.

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, cursive font, followed by "LLP" in a smaller, sans-serif font.

Salisbury, Maryland
March 24, 2025

SOMERSET COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

<u>Description</u>	<u>Federal Assistance Listing Numbers</u>	<u>Passthrough Grantor's Numbers</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>Department of Commerce</u>				
Direct Award - Economic Development Administration				
<i>Economic Development Cluster</i>				
COVID-19 ARPA Travel, Tourism and Outdoor Recreation				
Grant - Smith Island Road Project	11.307	EDA 01-79-15205	\$ 140,839	\$ -
<i>Total Economic Development Cluster</i>			140,839	-
Total Department of Commerce			140,839	-
<u>Department of Housing and Urban Development</u>				
Passed through Maryland Department of Housing and Community Development:				
CDBG - Housing Rehabilitation	14.228	MD-22-CD-24	54,121	-
CDBG - Blight Removal	14.228	MD-20-CD-25	67,748	-
Subtotal			121,869	-
Passed through Somerset County Health Department				
HSP Grant - Homeless Solutions Programs	14.267	N/A	11,322	-
Total Department of Housing and Urban Development			133,191	-
<u>Department of Homeland Security</u>				
Passed through State of Maryland Department of Emergency Management:				
Emergency Services - Homeland Security Grant	97.067	22-SR8857-02	25,181	-
Emergency Management Performance Grant	97.042	22-SR8857-01	60,934	-
Total Department of Homeland Security			86,115	-
<u>Department of Treasury</u>				
Direct Award				
COVID-19 Coronavirus Recovery Fund - American Rescue Plan	21.027	N/A	1,193,478	-
COVID-19 Local Assistance and Tribal Consistency Fund - ARPA	21.032	N/A	50,000	-
Total Department of Treasury			1,243,478	-
<u>Department of Health and Human Services</u>				
Passed through State of Maryland Department of Human Resources:				
States Attorney Child Support	93.563	CSEA/CRA-23-023	229,897	-
Total Department of Health and Human Services			229,897	-
<u>Department of Transportation</u>				
Direct Award				
Federal Aviation Administration (AIP)	20.106	3-24-0012-017	93,420	-
Subtotal			93,420	-
Passed through Maryland Department of Transportation - Motor Vehicle Administration				
Maryland Highway Safety Grant	20.600	LE 23-191	164	-
Maryland Highway Safety Grant	20.600	LE 23-192	521	-
Maryland Highway Safety Grant	20.600	LE 24-223	269	-
Maryland Highway Safety Grant	20.600	LE 24-224	612	-
Maryland Highway Safety Grant	20.600	LE 24-225	245	-
Maryland Highway Safety Grant	20.616	LE 23-252	168	-
Subtotal			1,979	-
Total Department of Transportation			95,399	-
Total Expenditures of Federal Awards			\$ 1,928,919	\$ -

SOMERSET COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

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, 2024. 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 minimis indirect cost rate as allowed under the Uniform Guidance.

SOMERSET COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

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:

21.027 - Coronavirus State and Local Fiscal Recovery Funds
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, 2024.

B. Findings - Financial Statement Audit

None

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

None