ATTACHMENT C

LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS

The Series A Bonds, together with any additional bonds issued under the Bond Resolution in the future (other than Subordinate Bonds), rank on a parity and are equally and ratably secured under the Bond Resolution. Under the Bond Resolution, all Bonds issued and outstanding thereunder are payable from payments made on Local Obligations by Local Governments. All Local Obligations (regardless of when they were entered into or from what Series of Bonds the Infrastructure Loan was made) and the payments made thereon are pledged to pay debt service on all Bonds issued under the Bond Resolution. Therefore, full and timely payment by each Local Government is required to provide sufficient Revenues with which to make payments on the Series A Bonds as well as all additional bonds issued and outstanding under the Bond Resolution.

The following chart contains an update, as of December 31, 2009, of information concerning the Local Governments that have received Infrastructure Loans from the proceeds of the Bonds. This information was originally set forth in Appendix C to the Official Statement for the 2002 Series A Bonds dated March 1, 2002, Appendix C to the Official Statement for the 2002 Series B Bonds dated October 1, 2002, Appendix C to the Official Statement for the 2003 Series A Bonds dated March 1, 2003, Appendix C to the Official Statement for the 2004 Series A Bonds dated April 22, 2004, Appendix C to the Official Statement for the 2004 Series B Bonds dated November 18, 2004, Appendix C to the Official Statement for the 2005 Series A Bonds dated May 26, 2005, Appendix C to the Official Statement for the 2006 Series A Bonds dated April 5, 2006, Appendix C to the Official Statement for the 2007 Series A Bonds dated May 31, 2007, and Appendix C to the Official Statement for the 2007 Series B Bonds dated November 14, 2007 (the “Official Statements”).

AMBAC Indenture (2002-Present)
Infrastructure Loans Financed with the Proceeds of the Bonds
(Outstanding Loans as of December 31, 2009)

Local Government	Location by County	Series of Bonds	Amount of Loan ($)	Remaining Loan Term (in years)	Purpose
Aberdeen	Harford	2002B	$2,330,600	13	Complete Ripken baseball complex and construct P.W.[1] facility
Aberdeen	Harford	2004B	$560,000	15	Complete construction on Department of Public Works Facility
Aberdeen	Harford	2007B	$2,872,000	18	Water plant & distribution system upgrades
Bel Air	Harford	2004A	$27,300	2	Refinance Sewer Agreement Loan
			$402,500	15	Refinance Sewer Agreement Loan
Berlin	Worcester	2004A	$2,703,000	25	Electric Utility System Upgrade
Berlin	Worcester	2007B	$270,800	6	Refinance LGIF[2] 1995 Series A Bond obligation
			$549,400	16	Refinance LGIF[2] 1995 Series A Bond obligation
			$1,165,100	18	Refinance LGIF[2] 1997 Series A Bond obligation
Centreville	Queen Anne's	2007A	$5,004,225	18	Street, water distribution, and waste water impts.
			$1,829,000	28	Water treatment system construction
Chesapeake Beach	Calvert	2007A	$2,390,825	18	Railway trail, streetscape, and storm water impts.
Crisfield	Somerset	2007A	$646,200	18	Refinance LGIF[2] 1997 Series A Bond obligation
Cumberland	Alleghany	2004A	$233,800	3	Refinance LGIF[2] 1992 Series A Bond obligation
Federalsburg	Caroline	2004B	$3,400,000	25	Refinance 3 Farmer's Home Loans and 1 bank loan
Frostburg	Allegany	2003A	$3,933,100	14	Refinance 2 USDA[3] Rural Development Loans
Garrett Park	Montgomery	2002A	$591,200	13	Renovate Penn Place, improve streets & lighting
Havre de Grace	Harford	2002B	$254,400	8	Construct P.W.[1] facility
Havre de Grace	Harford	2003A	$1,159,000	9	Refinance 2 USDA[3] Rural Development Loans
Havre de Grace	Harford	2004A	$496,600	15	Complete construction on Department of Public Works Facility
Havre de Grace	Harford	2006A	$180,000	2	Vehicle and equipment purchases
			$369,000	7	City pier replacement project
			$358,000	17	Park improvements program
La Plata	Charles	2006A	$560,900	7	Refinance LGIF[2] 1996 Series A Bond obligation
			$2,159,300	17	Purchase property, street impts., and engineer and construct wells
Laurel	Prince George's	2004A	$608,900	5	Fleet purchases and I.T.[4] Program purchase
			$2,079,300	10	Facility maintenance and street improvements

AMBAC Indenture (2002-Present)

Infrastructure Loans Financed with the Proceeds of the Bonds

(Outstanding Loans as of December 31, 2009)

Local Government	Location by County	Series of Bonds	Amount of Loan ($)	Remaining Loan Term (in years)	Purpose
Laurel	Prince George's	2007B	$7,541,400	13	Street and facility improvements; park improvements and fleet purchases
Middletown	Frederick	2006A	$223,500	17	East Green Street extension and improvements
Middletown	Frederick	2007A	$754,750	8	Refinance LGIF[2] 1997 Series A Bond obligation
Mount Airy	Carroll & Frederick	2002A	$1,777,400	23	Water system improvements
Myersville	Frederick	2002A	$2,916,500	23	Construct community facility & fire station
New Carrollton	Prince George's	2005A	$855,500	16	Bridge repairs and street improvements
North East	Cecil	2003A	$1,540,000	14	Refinance 2 USDA[3] Rural Development Loans
Perryville	Cecil	2002A	$21,500 $350,700	3 13	Refinance bank loan Refinance bank loan
Perryville	Cecil	2004B	$250,000	15	Street improvements
Princess Anne	Somerset	2005A	$513,000	16	Facility repairs and street improvements
St. Mary's Metropolitan Commission	St. Mary's	2006A	$427,700 $540,500	11 12	Refinance LGIF[2] 1995 Series A Bond obligation Refinance LGIF[2] 1996 Series A Bond obligation
St. Mary's Metropolitan Commission	St. Mary's	2007B	$10,141,300	18	Water and sewer line impts., pump station, road re-alignment, maintenance facility construction, well and water tower construction
Salisbury	Wicomico	2003A	$4,287,900	14	Construct sewer extension, renovate fire station, design fire station & purchase site, construct PW[1] facility, and stabilize Beaver Creek
Salisbury	Wicomico	2004A	$409,200 $3,680,400	5 15	Purchase fire trucks Construct a new fire station, and perform shoreline protection project
Somerset County Sanitary District	Somerset	2004A	$1,448,500	15	Refinance LGIF[2] 1994 Series A Bond obligation
Sykesville	Carroll	2002A	$250,200	8	Construct parking lots
Sykesville	Carroll	2005A	$254,700	11	Construct a police station
Takoma Park	Montgomery	2002A	$1,511,400	13	Construct community center
Takoma Park	Montgomery	2005A	$2,215,500	16	Complete construction of community center

AMBAC Indenture (2002-Present)
Infrastructure Loans Financed with the Proceeds of the Bonds
(Outstanding Loans as of December 31, 2009)

Local Government	Location by County	Series of Bonds	Amount of Loan ($)	Remaining Loan Term (in years)	Purpose
Taneytown	Carroll	2004A	$360,500	25	Renovate City Hall
Thurmont	Frederick	2006A	$2,706,100	17	Refinance LGIF[2] 1996 Series A Bond obligation
Westminster	Carroll	2002A	$1,886,100	13	Construct parking structure
Westminster	Carroll	2005A	$4,326,300	21	Facility maintenance, work on Green St., and reimbursement
		Total:	**$88,325,000**		

Footnotes:

[1] **Public Works Facility**

[2] **Local Government Infrastructure Finance Program**

[3] **U.S. Department of Agriculture**

[4] **Information Technology**

Reznick Group

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
(AMBAC INSURED)

JUNE 30, 2009 AND 2008

Community Development Administration
Local Government Infrastructure Bonds (Ambac Insured)

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Community Development Administration Local Government Infrastructure Bonds (Ambac Insured) (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2009 and 2008 as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Community Development Administration Local Government Infrastructure Bonds (Ambac Insured) and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Local Government Infrastructure Bonds (Ambac Insured) of the Department of Housing and Community Development of the State of Maryland as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Reznick Group, P.C.

Baltimore, Maryland
September 24, 2009

Community Development Administration
Local Government Infrastructure Bonds (Ambac Insured)

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2009 and 2008

	2009	2008
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 17,422	$ 30,769
Community facilities loans	4,545	4,400
Accrued interest receivable	331	214
Total restricted current assets	22,298	35,383
Restricted long-term assets		
Community facilities loans, net of current portion	83,672	88,207
Total restricted assets	$ 105,970	$ 123,590
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued interest payable	$ 296	$ 309
Bonds payable	4,545	4,400
Due to local governments	17,065	30,326
Total current liabilities	21,906	35,035
Long-term liabilities		
Bonds payable, net of current portion	83,780	88,325
Advance trustee fees	16	14
Total long-term liabilities	83,796	88,339
Total liabilities	105,702	123,374
NET ASSETS		
Restricted	268	216
Total liabilities and net assets	$ 105,970	$ 123,590

See notes to financial statements

Community Development Administration
Local Government Infrastructure Bonds (Ambac Insured)

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
(in thousands)

Years ended June 30, 2009 and 2008

	2009	2008
Operating revenue		
Interest on community facilities loans	$ 3,708	$ 3,503
Interest income on cash equivalents	4	33
Fee income	38	40
	3,750	3,576
Operating expenses		
Interest expense on bonds	3,698	3,492
Operating income	52	84
Changes in net assets	52	84
Net assets - restricted at beginning of year	216	132
Net assets - restricted at end of year	$ 268	$ 216

See notes to financial statements

Community Development Administration
Local Government Infrastructure Bonds (Ambac Insured)

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Principal and interest received on community facilities loans	$ 7,990	$ 7,728
Origination of community facilities loans	(13,261)	(10,285)
Advance trustee fees received	38	36
Trustee fees paid	(36)	(34)
Loan fees received	28	29
Net cash used in operating activities	(5,241)	(2,526)
Cash flows from investing activities		
Interest received on cash equivalents	5	36
Net cash provided by investing activities	5	36
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	-	24,575
Payments on bond principal	(4,400)	(4,260)
Interest on bonds	(3,711)	(3,425)
Net cash (used in) provided by noncapital financing activities	(8,111)	16,890
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	(13,347)	14,400
Cash and cash equivalents on deposit with trustee at beginning of year	30,769	16,369
Cash and cash equivalents on deposit with trustee at end of year	$ 17,422	$ 30,769

(continued)

Community Development Administration
Local Government Infrastructure Bonds (Ambac Insured)

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2009 and 2008

	2009	2008
Reconciliation of operating income to net cash used in operating activities		
Operating income	$ 52	$ 84
Adjustments to reconcile operating income to net cash used in operating activities		
Decrease (increase) in community facilities loans	4,400	(20,315)
Increase in accrued interest receivable	(117)	(32)
(Decrease) increase in accrued interest payable	(13)	67
(Decrease) increase in due to local governments and other liabilities	(13,259)	14,292
Amortization of deferred income on loans	(10)	(11)
Interest received on cash equivalents	(5)	(36)
Interest on bonds	3,711	3,425
Net cash used in operating activities	$ (5,241)	$ (2,526)

See notes to financial statements

Community Development Administration
Local Government Infrastructure Bonds (Ambac Insured)

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2009 and 2008

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) is authorized to issue Local Government Infrastructure Bonds (Ambac Insured) pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland to provide a mechanism for financing the infrastructure needs of local governments. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying financial statements only include CDA's Local Government Infrastructure Bonds (Ambac Insured) (the Fund). CDA's other Funds are not included.

The Fund was established to issue bonds to provide funds for construction and permanent financing to local governments for public facilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Local Government Infrastructure Bonds (Ambac Insured) is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). CDA has adopted GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. Consequently, CDA applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBS of the Committee on Accounting Procedure issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CDA has adopted GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis*. Under GASB Statement No. 34, net assets should be reported as restricted when constraints placed on net asset use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all net assets of the Fund are restricted as to their use as all net assets are pledged to bondholders.

The Annual Financial Report may include a Management's Discussion and Analysis. Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not required in these financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these financial statements.

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2009 and 2008, all of the Fund's cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

Community Facilities Loans

Community facilities loans are carried at their unpaid principal balances, net of unamortized loan fees. See Note 4 for additional information on community facilities loans.

Allowance for Loan Losses

Community facilities loans are secured by the full faith and credit of the applicable local government. Therefore, CDA has determined that no allowance for loan losses was necessary as of June 30, 2009 and 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Interest Receivable

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2009 and 2008, all loans were current. Therefore, all accrued interest on loans was recorded during the year.

Bonds Payable

Bonds payable are carried at their unpaid principal balances. There are no premiums or discounts to amortize. See Notes 5, 6, 7 and 8 for additional information.

Due to Local Governments

CDA records the total loan amount when the loan closes and collects interest from the local government on this full loan amount from the date of closing. Due to local governments represents the undrawn loan amount which is held by CDA as an escrow until the funds are needed by the local government.

Fee Income

CDA receives financing fees at loan origination. These fees are deferred and amortized over the life of the loan.

Administrative Support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund and are reported in the financial statements of CDA's Revenue Obligation Funds. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

The employees of CDA are covered by the Maryland State Retirement and Pension System and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note 9 for additional information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in conformity with GASB Statement No. 34. Operating revenue and expenses are identified as those activities that are directly related to financing public facilities for local governments. All of the Fund's activities are considered to be operating.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains and losses during the reporting periods. Actual results could differ from these estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE

Proceeds from bonds and revenues from loans are invested in authorized investments as defined in the Local Government Infrastructure Bonds (Ambac Insured) Resolution (the Resolution) and in CDA's Investment Policy until required for financing projects, redeeming outstanding bonds, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, investment agreements, money market funds and any other investment as defined by the Resolution.

As of June 30, 2009 and 2008, the Fund had $17,422 and $30,769 invested, respectively, in a money market mutual fund (Federated Treasury Obligations Fund) which is classified as cash and cash equivalents. The following represents the GASB Statement No. 40 evaluation of this asset for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

NOTE 3 - CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA's Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

The Federated Treasury Obligations Fund invests primarily in repurchase agreements collateralized by Treasury securities and U.S. Treasuries. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As of June 30, 2009 and 2008, the cost of this money market mutual fund approximated fair value and its maturity is less than one year.

Credit Risk and Concentration of Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution requires investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution, securities must be rated at the highest investment grade by any national rating agency. U.S. dollar denominated accounts and bankers' acceptances which have a rating on their short-term certificates of deposit must be in the two highest ratings by any nationally recognized rating agency. GASB Statement No. 40 requires disclosure by amount and investment issuer if investments in any one issuer represent 5 percent or more of total investments. Investments in mutual funds are excluded from this requirement.

As of June 30, 2009 and 2008, the Federated Treasury Obligations Fund was rated AAAm by Standard and Poor's and Aaa by Moody's Investors Service.

NOTE 3 - CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2009 and 2008, the Fund's investments were not subject to custodial credit risk under GASB Statement No. 40. This money market fund is held in trust by the trustee, kept separate from the assets of the bank and from other trust accounts and is held in CDA's name.

NOTE 4 - COMMUNITY FACILITIES LOANS

Community facilities loans are secured by the full faith and credit of the applicable local government. As such, no allowance for loan losses was necessary as of June 30, 2009 and 2008. Interest rates on such loans range from 2.73% to 4.87%. As of June 30, 2009 and 2008, remaining loan terms range from approximately 2 to 28 years and 3 to 29 years, respectively.

NOTE 5 - BONDS PAYABLE

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the Resolution. These bonds do not constitute debt of and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision.

The provisions of the Resolution require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of community facilities loans. All outstanding bonds are subject to redemption at par, at the option of CDA, in whole or in part at any time, after certain dates, as specified in the respective series resolutions. All bonds have fixed interest rates and all are tax-exempt.

(in thousands)

NOTE 5 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2009 and the bonds payable as of June 30, 2009:

	Issue Dated	Range of Interest Rates	Range of maturities	Bonds Payable at 6/30/2008	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bonds Payable at 6/30/2009
Local Government Infrastructure Bonds (Ambac Insured)							
2002 Series A	03/01/02	3.70% - 5.00%	2009 - 2032	$ 9,700	$ -	$ (395)	$ 9,305
2002 Series B	10/01/02	2.875% - 4.375%	2009 - 2022	2,745	-	(160)	2,585
2003 Series A	03/01/03	3.00% - 4.50%	2009 - 2023	11,560	-	(640)	10,920
2004 Series A	04/22/04	2.75% - 4.875%	2009 - 2034	13,270	-	(820)	12,450
2004 Series B	11/18/04	3.00% - 4.50%	2009 - 2034	4,335	-	(125)	4,210
2005 Series A	05/26/05	3.75% - 4.40%	2009 - 2030	8,475	-	(310)	8,165
2006 Series A	04/05/06	3.50% - 4.25%	2009 - 2026	8,015	-	(490)	7,525
2007 Series A	05/31/07	3.75% - 4.25%	2009 - 2037	11,050	-	(425)	10,625
2007 Series B	11/14/07	3.50% - 4.25%	2009 - 2027	23,575	-	(1,035)	22,540
Total				$ 92,725	$ -	$ (4,400)	$ 88,325

The following is a summary of the bond activity for the year ended June 30, 2008 and the bonds payable as of June 30, 2008:

	Issue Dated	Range of Interest Rates	Range of maturities	Bonds Payable at 6/30/2007	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bonds Payable at 6/30/2008
Local Government Infrastructure Bonds (Ambac Insured)							
2002 Series A	03/01/02	3.50% - 5.00%	2008 - 2032	$ 10,080	$ -	$ (380)	$ 9,700
2002 Series B	10/01/02	2.625% - 4.375%	2008 - 2022	2,900	-	(155)	2,745
2003 Series A	03/01/03	2.75% - 4.50%	2008 - 2023	12,185	-	(625)	11,560
2004 Series A	04/22/04	2.45% - 4.875%	2008 - 2034	14,070	-	(800)	13,270
2004 Series B	11/18/04	3.00% - 4.50%	2008 - 2034	4,455	-	(120)	4,335
2005 Series A	05/26/05	3.75% - 4.40%	2008 - 2030	8,775	-	(300)	8,475
2006 Series A	04/05/06	3.50% - 4.25%	2008 - 2026	8,485	-	(470)	8,015
2007 Series A	05/31/07	3.75% - 4.25%	2008 - 2037	11,460	-	(410)	11,050
2007 Series B	11/14/07	3.50% - 4.25%	2008 - 2027	-	24,575	(1,000)	23,575
Total				$ 72,410	$24,575	$ (4,260)	$ 92,725

(in thousands)

NOTE 6 - DEBT SERVICE REQUIREMENTS

As of June 30, 2009, the required principal payments for bonds (including mandatory sinking fund payments) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2010	$ 3,557	$ 4,545
2011	3,404	4,710
2012	3,240	4,770
2013	3,070	4,845
2014	2,891	5,035
2015 - 2019	11,507	25,785
2020 - 2024	6,118	24,185
2025 - 2029	2,023	10,575
2030 - 2034	505	3,565
2035 - 2039	26	310
Total	$ 36,341	$ 88,325

As of June 30, 2008, the required principal payments for bonds (including mandatory sinking fund payments) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

Years ended June 30,	Interest	Principal
2009	$ 3,710	$ 4,400
2010	3,557	4,545
2011	3,404	4,710
2012	3,240	4,770
2013	3,070	4,845
2014 - 2018	12,511	25,545
2019 - 2023	7,210	25,840
2024 - 2028	2,593	13,215
2029 - 2033	694	4,035
2034 - 2038	63	820
Total	$ 40,052	$ 92,725

(in thousands)

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2009 and 2008 were as follows:

	2009	2008
Bonds payable		
Beginning balance	$ 92,725	$ 72,410
Additions	-	24,575
Reductions	(4,400)	(4,260)
Ending balance	88,325	92,725
Less due within one year	(4,545)	(4,400)
Total long-term bonds payable	83,780	88,325
Other liabilities - advance trustee fees		
Beginning balance	14	12
Additions	38	36
Reductions	(36)	(34)
Ending balance	16	14
Total long-term other liabilities - advance trustee fees	16	14
Total long-term liabilities	$ 83,796	$ 88,339

NOTE 8 - BOND INSURANCE

All outstanding bonds of the Fund are insured by Ambac Assurance Corporation. The provisions of the policy require the insurer to pay that portion of the principal and interest on the bonds which become due for payment but are not paid by CDA. The insurance generally extends for the term of the bonds and cannot be canceled by the insurer. See Note 5 for list of outstanding bonds.

NOTE 9 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only liability for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.state.md.us.

NOTE 10 - SUBSEQUENT EVENTS

CDA has evaluated subsequent events through September 24, 2009 which is the date of this report. There were no subsequent events as of the report date.

Financial Information of Local Governments

Each County, Municipality, and special district in the State is required (i) to maintain the uniform system of financial reporting provided by the State's Department of Legislative Services; (ii) pursuant to Article 19, §40 of the Annotated Code of Maryland, to have its books, accounts, records and reports examined at least once each fiscal year by a certified public accountant and to file a copy of the audit report with the Legislative Auditor, and (iii) pursuant to Article 19 §37 of the Annotated Code of Maryland, to file with the State Department of Legislative Services not later than November 1 of each year the Uniform Financial Report (Forms F-65(MD-2) or F-65(MD-2A)) for the fiscal year ending on the immediately preceding June 30. The State Department of Legislative Services extracts information from the Uniform Financial Reports and publishes such information annually in a report to the Governor and General Assembly of Maryland.

The Uniform Financial Reports and the annual report of the Department of Legislative Services are available for public inspection in the offices of the Department of Legislative Services, 90 State Circle, Annapolis, Maryland. Copies of the Uniform Financial Reports or the annual report of the Department of Legislative Services may be obtained by writing to the State Department of Legislative Services, 90 State Circle, Room 226, Annapolis, Maryland 21401, or by calling (410) 946-5030.

The following information on each Local Government which will receive an Infrastructure Loan from the proceeds of the Bonds, combines data extracted from the Uniform Financial Reports and data submitted by each Local Government. This information has been certified by each Local Government as to its accuracy. This information does not represent all of the information contained in the Uniform Financial Reports, which are available as noted in the preceding paragraph. The Administration has not verified the information on the following pages and makes no representation as to the accuracy or completeness thereof or the financial condition of any Local Government, County, or Municipality (if any) guaranteeing the Local Obligations of its agency or instrumentality described in this Appendix.

Description and Location:	The City of Laurel is located in the center of three major cities; Annapolis, Baltimore, and Washington, DC. Adjacent to Interstate 95. The city is approx. 22 miles southwest of Baltimore

Population: 19,960 (2000 Census)

The following General Fund Information is as of June 30, of the applicable fiscal year. All amounts shown below are in dollars.

Revenues:

	Total Local Taxes	Total Licenses & Permits	Total Intergov-ernmental Revenues	Total Service Charges	Total Fines & For-feitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2009	$20,514,165	$970,949	$1,696,942	$692,412	$633,436	$339,497	$78,096	$24,925,497
2008	$18,371,795	$1,134,453	$2,048,319	$1,057,124	$246,217	$627,232	$409,029	$23,894,169
2007	$15,855,584	$1,856,301	$2,135,453	$687,874	$245,235	$714,510	$52,673	$21,547,630
2006	$14,349,628	$1,695,547	$1,790,754	$698,865	$269,141	$663,009	$0	$19,466,944
2005	$13,115,961	$1,165,102	$1,383,616	$707,449	$216,971	$832,923	$311,735	$17,733,757

Expenditures:

	Total General Govt.	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Economic Dev. & Opportunity	Total Debt Service	Total Miscel-laneous	Total Expendi-tures
2009	$5,089,368	$6,383,910	$3,179,086	$1,607,950	$0	$0	$2,855,835	$3,572,961	$22,689,110
2008	$4,309,129	$5,389,408	$2,875,718	$1,317,290	$0	$0	$3,051,122	$4,422,690	$21,365,357
2007	$3,952,742	$5,287,567	$2,997,908	$1,275,198	$0	$0	$1,980,632	$3,026,315	$18,520,362
2006	$3,383,481	$4,763,447	$2,865,519	$1,109,341	$0	$0	$1,957,429	$3,311,541	$17,390,758
2005	$3,230,116	$4,638,691	$2,738,059	$1,060,785	$0	$0	$2,047,687	$3,368,806	$17,084,144

Assets & Liabilities:

	2009	2008	2007	2006
Cash and Investments	$14,163,609	$10,644,941	$10,334,825	$6,969,038
Total Assets	$16,749,185	$13,028,449	$12,407,236	$9,132,517
Total Liabilities	$9,393,925	$6,540,576	$6,181,260	$3,579,451
Total Fund Balance	$7,355,260	$6,487,873	$6,225,976	$5,553,066
Unreserved/Undesignated Fund Balances	$4,459,330	$4,053,781	$4,107,434	$3,675,278

Property Taxes and Taxes Receivable: Real Property

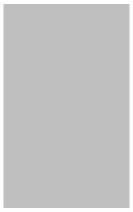
	Total assessed Value of Taxable Property[1]	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2009	$2,266,334,444	0.7200	$16,317,608	$16,198,192	$119,416
2008	$2,000,020,694	0.7200	$14,400,149	$14,233,368	$166,781
2007	$1,710,866,250	0.7200	$12,318,237	$12,056,213	$262,024
2006	$1,461,928,889	0.7200	$10,525,888	$10,379,540	$146,348
2005	$1,294,860,548	0.7300	$9,452,482	$9,421,615	$30,867

City of Laurel cont.

Property Taxes and Taxes Receivable: Personal Property

	Total assessed Value of Taxable Property[1]	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2009	$93,594,911	1.6900	$1,581,754	$845,092	$736,662
2008	$95,167,515	1.6900	$1,608,331	$1,536,984	$71,347
2007	$90,089,172	1.6900	$1,522,507	$1,479,967	$42,540
2006	$86,022,485	1.6900	$1,453,780	$1,404,761	$49,019
2005	$87,682,545	1.6900	$1,481,835	$1,418,721	$63,114

2005
$6,071,887
$7,453,871
$3,203,591
$4,250,280
$2,097,410



CITY OF LAUREL, MARYLAND
FINANCIAL STATEMENTS
JUNE 30, 2009

CITY OF LAUREL
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JUNE 30, 2009

Lindsey + Associates LLC
Certified Public Accountants

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Independent Auditor's Report

Honorable Mayor
Members of the City Council
City of Laurel, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Maryland (the City), as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the City as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, the City has adopted a Special Revenue fund effective July 1, 2008.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laurel as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management discussion and analysis, pension trust fund – analysis of funding, other post-employment benefits plan – schedule of funding progress, other post-employment benefits plan – schedule of employer contributions, and budgetary comparison information on pages 3 through 10, 46 through 49, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laurel, Maryland's basic financial statements. The supplemental schedules on pages 50 through 54 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 29, 2009

Lindsey & Associates, LLC

Financial Highlights

- At June 30, 2009, the assets of the City of Laurel exceeded the liabilities by $27,119,590 (net assets). Unrestricted net assets were $9,775,773.
- Net assets increased by $4,255,445 or 19% from June 30, 2008 to June 30, 2009. This was largely due to an increase in cash and investment account balances as well as the capitalization of completed road construction projects, park improvement projects and investment in equipment; the purchase of the Greenview Drive Recreation Complex.
- The fund balance of the general fund has increased by 13% from $6,487,873 at June 30, 2008 to $7,355,260 at June 30, 2009. This is due to the excess in revenues over expenditures; an increases in the reserve for encumbrances and the annual leave liability
- The total debt of the City of Laurel increased by $2,608,603. Debt service payments totaled $2,198,491; however the debt increased largely due to draws on funds issued through the Community Development Administration (CDA) Local Government Infrastructure Financing Program. Another addition was the note executed with the sellers of the Greenview Drive property.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The 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. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event causing the change occurs, regardless of the timing of related cash flows. Revenues and expenditures are reported in this statement for some items that will only result in cash flows in the future fiscal periods (i.e. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: general government, public safety, public works, and parks and recreation. Business-like activities are conducted by parks and recreation, public works and development management (within general government) by charging user and processing fees for various programs, sanitation fees and zoning applications, respectively.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City uses governmental funds (general, capital improvement program, long-term debt, and fixed assets) and the fiduciary fund for the retirement plans' financial records.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to allow readers to compare government funds and governmental activities.

Government-wide Financial Analysis

The City's total net assets as of June 30, 2009 were $27,119,590. The largest portion of net assets, 56%, is the investment in capital assets, net of related debt, in the amount of $15,239,893. The unrestricted portion, 36%, of net assets can be used to meet the needs of serving the citizens and obligations to creditors.

The following is a condensed statement of net assets:

City of Laurel, Maryland
Schedule of Net Assets

	Governmental Activities	
	2009	2008
Current and other assets	$ 17,988,268	$ 14,542,275
Capital assets	29,073,067	23,901,706
Total Assets	47,061,335	38,443,981
Long-term liabilities	10,535,083	9,355,268
Other liabilities	9,406,662	6,224,568
Total Liabilities	19,941,745	15,579,836
Net assets		
Invested in capital assets, net of related debt	15,239,893	12,677,097
Restricted	2,103,924	1,955,011
Unrestricted	9,775,773	8,232,037
Total Net Assets	$ 27,119,590	$ 22,864,145

Governmental Activities

Governmental activities increased the City's net assets by $4,255,445 or 19% over June 30, 2008. Property taxes comprised 79% of the total revenue, while the next highest source of revenue, intergovernmental funds, is 13% of the $22,702,467 general revenue. The remaining 8% of revenue is received from licenses, permits, interest operating grants, charges for services, fines and forfeitures, and miscellaneous items.

	Governmental Activities	
	2008	2009
Revenue		
Program Revenue		
Charges for services	$ 958,033	$ 1,383,073
Operating grants/contributions	2,214,548	2,173,963
Capital grants/contributions	-	-
General Revenue		
Property taxes	16,426,980	17,989,097
Income taxes	2,311,920	2,858,020
Other taxes	430,891	343,908
Licenses/permits	1,134,453	925,574
Interest	380,959	189,893
Miscellaneous	1,158,916	395,975
Total Revenue	25,016,700	26,259,503
Expenses		
General government	4,542,069	4,940,614
Public safety	5,994,973	7,030,314
Parks & recreation	1,529,956	1,625,894
Public works	3,461,031	3,864,564
Miscellaneous	3,413,069	3,885,328
Debt service	668,319	657,344
Total Expenses	19,609,417	22,004,058
Increase in net assets	5,407,283	4,255,445
Net assets, beginning of year	17,456,862	22,864,145
Net assets, ending	$ 22,864,145	$ 27,119,590

Financial Analysis of the Government's Funds

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources.

The general fund is the chief operating fund of the City of Laurel. At the end of the current fiscal year, the total general fund balance is $7,355,260. There is $2,895,930 reserved from the fund balance for encumbrances (open purchase orders), inventory, and annual leave; and designated fleet and street reserves (for emergency repairs and replacements). Unreserved fund balance represents 20% of total general fund expenditures, while total fund balance represents 32% of that same amount.

The fund balance of the general fund has increased by 13% from $6,487,873 at June 30, 2008 to $7,355,260 at June 30, 2009. This is due to the increase in the reserve for encumbrances and the annual leave liability and increases to the fleet and street maintenance reserves from interest earned on the Certificates of Deposit.

The capital projects fund balance increased by 30% from the prior fiscal year. This is due to a significant amount of funding transferred from the general operating budget for additional projects and to supplement existing funding.

Fiduciary funds. The retirement plans of the City of Laurel employees are held in trust to provide future retirement benefits and death and disability benefits to participating employees and their beneficiaries. The net assets for the pension fund decreased by 14% from June 30, 2008 to June 30, 2009. The City's contribution met the actuarial recommendation and the employee payroll deductions increased due to the increase in the pay plans. However, there was an investment loss of $2,476,558 due to the decline of the stock market.

Budgetary Highlights. The General Operating Budget of FY2009 was amended four times. There were unanticipated savings from health insurance premiums; workers compensation insurance premiums and disposal fees. These funds were appropriated for transfer to the capital improvement program budget for additional funding for the renovations to the new police department; debt reduction and to compensate for shortfalls in permit revenues, Highway User Revenues, and investment interest revenues.

Where possible, these amendments were proposed and approved in order to lessen the impact of the Capital Improvement Program and debt service on future operating budgets. In particular, funds were appropriated to retire the $515,000 note executed for the purchase of the Greenview Drive property which saved the City about $35,000 in interest payments.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets of $29,073,067 (net of accumulated depreciation) includes land and land improvements, infrastructure, buildings, and machinery, equipment and tools. This is a 22% increase from the prior fiscal year. The $5.17 million in increases were due to purchases of equipment and vehicles as well as the purchase of purchase of recreation property on Greenview Drive; the completion of the expansion project of McCullough Field; the improvements to the Duniho-Nigh Community Park; the addition of the Bruce Morley Dog Park at Leo Wilson Community Park; the replacement of the play structure at Discovery Park; and the reconstruction of eight streets.

In FY2009, $680,797 in equipment was purchased between the general fund and the capital improvement program. This includes computers and other electronic equipment as well as guns and office equipment. $838,355 in park improvements were made using grant funds and operating transfers to the capital improvement program. Infrastructure improvements totaled $1,953,513 funded through the Local Infrastructure Financing Program. At June 30, 2009 there was just over $4,000,000 in construction in progress, $3,585,898 of which is the renovations to 811 Fifth Street for the relocation of the Laurel Police Department pending completion by June 30, 2010.

The following table displays the City's capital assets:

City of Laurel, Maryland
Capital Assets
(Net of depreciation)

Description	Governmental Activities
Land	$ 6,519,205
Construction-in-progress	4,063,667
Buildings and improvements	7,677,045
Machinery, tools, equipment	2,861,891
Land improvements	1,483,809
Infrastructure	6,467,450
TOTAL	$ 29,073,067

Long-term debt. At the end of the current fiscal year, the City had total long-term liabilities outstanding of $15,260,253. This amount is comprised of the 1996 Public Improvement Bond (PIB) of $4,380,000; $9,453,174 notes payable; $546,000 in OPEB liability and $881,079 in accrued vacation leave. This is an increase of $3,311,219 from the FY2008 balance. FY2009 draws on the CDA funds of $4,093,671 and $197,781 and the execution of the note with the seller of the Greenview Drive recreation property exceeded the debt service payments made during the year and added to the outstanding debt. Though funds were appropriated in Ordinance No. 1640 to pay off the note with Patuxent Greens, LLC, the check was not issued until August 4, 2009. Additionally, the implementation of the GASB 45 and the increase in the accrued leave liability add to the outstanding debt balance. Outstanding debt does not include the total of $8,406,000 issued through the CDA program just the amount of the draw downs of $4,759,088. However, the total of the issue is used when calculating debt leeway or disclosing the total amount of outstanding debt.

The following table reflects the City's long-term debt:

City of Laurel, Maryland
Long-term Debt

	Governmental Activities
General obligation bonds	$ 4,380,000
Notes payable	9,453,174
Accrued leave liability	881,079
OPEB Liability	546,000
Total	$ 15,260,253

Economic Factors and Activities

By the end of the first quarter of the City of Laurel's Fiscal Year 2009 the nation had entered a recession. The effects of a national recession typically "trickle down" and impact the City within 18 months. This situation was particularly unique in that the State of Maryland reduced Highway User Revenue (HUR) disbursements to local governments in order to address its budget issues; but the City was awarded two grants with Federal stimulus funds. Though this funding is not interchangeable in its application it allows flexibility in future budgets in order to make one-time purchases and the addition of three police officers.

Both luxury apartment complexes developed by Archstone have been completed. The mixed use development of the Patriot Group and the redevelopment of the Laurel Mall have been victims of the credit market and were the cause of major budgeting issues with the absence of the permit fees anticipated for receipt in FY2009. Patriot Group is looking to move ahead in Spring 2010, as the owners of the Laurel Mall continue to try to assemble their financing package. To that end, the City enacted legislation during

FY2009 establishing a Tax Increment Financing (TIF) area and the maximum value and term for the TIF. This legislation was enacted by the Mayor and City Council as a way to show the potential creditors the City's commitment to a key component of economic revitalization.

Additionally, the City Administrator and Director of Community Planning and Business Services remain active in the Maryland Military Installation Council in order to plan and prepare the City for the impacts of the Base Realignment and Closure (BRAC) at Ft. George G. Meade which is 5 miles outside the City of Laurel. An estimated 5,000-10,000 jobs are expected to be relocated to the base, so there are potential infrastructure implications in and around the City of Laurel.

The Department of Community Planning & Business Services, in addition to the distinction of the City of Laurel having its own zoning authority, Life Safety Review completes the one-stop shop for developers so all aspects of zoning, permitting and fire code review can be conducted by the City of Laurel. This operation has proven to be highly successful in the vastly reduced amount of time to review proposed projects for fire code compliance. This makes the City of Laurel an even more desirable and efficient place to do business than it already was.

The City has invested a great deal of money in improvements to existing infrastructure, including streets, park improvements and information technology. The City has also required the same from developers to reduce the impact of new development on existing taxpayers, including but not limited to providing funding for improved intersections; provide funding for new sworn personnel; and providing parkland dedication or fees in lieu of parkland.

These activities as well as the geographic location of the City of Laurel, outstanding services provided by the Nationally Accredited Laurel Police Department, Department of Public Works, Department of Parks & Recreation, and the responsiveness of elected officials and City Hall staff continue to attract new residents and businesses further improving the City's economy.

Because development has slowed a great deal in the City of Laurel, officials remain cautious regarding the national and state economies. Budgetary concerns regarding energy costs for City facility utilities and vehicle fuel has the full attention of elected officials and staff. Also of great concern are health insurance and workers compensation insurance costs and the impact of escalating economic issues on income tax and real estate tax revenues.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Budget & Personnel Services at 8103 Sandy Spring Road, Laurel, MD 20707.

CITY OF LAUREL, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Total
ASSETS		
Current Assets		
Equity in pooled cash and cash equivalents	$ 12,440,331	$ 12,440,331
Restricted cash	2,624,893	2,624,893
Taxes receivable, net of allowances	856,078	856,078
Notes receivable	30,356	30,356
Other receivables	231,016	231,016
Accounts receivable - income taxes	484,274	484,274
Due from other governments	860,954	860,954
Due from other funds	47,854	47,854
Inventory	131,396	131,396
Total Current Assets	17,707,152	17,707,152
Noncurrent Assets		
Notes receivable	281,116	281,116
Net capital assets	29,073,067	29,073,067
Total Noncurrent Assets	29,354,183	29,354,183
TOTAL ASSETS	$ 47,061,335	$ 47,061,335
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,738,584	$ 1,738,584
Accrued interest	5,343	5,343
Deposits	2,624,893	2,624,893
Unearned revenue	312,672	312,672
Current portion of long-term debt	4,725,170	4,725,170
Total Current Liabilities	9,406,662	9,406,662
Noncurrent Liabilities		
OPEB liability	546,000	546,000
Compensated absences	881,079	881,079
Loan payable - long-term	9,108,004	9,108,004
Total Noncurrent Liabilities	10,535,083	10,535,083
TOTAL LIABILITIES	19,941,745	19,941,745
NET ASSETS		
Invested in capital assets, net of related debt	15,239,893	15,239,893
Restricted		
Inventory	114,197	114,197
Fleet - general	509,554	509,554
Fleet - EMS	71,000	71,000
Street maintenance	528,094	528,094
Capital projects	-	-
Long-term debt	881,079	881,079
Unrestricted	9,775,773	9,775,773
TOTAL NET ASSETS	27,119,590	27,119,590
TOTAL LIABILITIES AND NET ASSETS	$ 47,061,335	$ 47,061,335

The accompanying notes to these financial statements are an integral part of these statements.

CITY OF LAUREL, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

			Program Revenues			Net (Expense) Revenue and Changes in Net Assets — Primary Government	
Functions/Programs	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary Government							
Governmental Activities:							
General government	$ 4,940,614	$ 947,106	$ 198,984	$ 39,095	$ -	$ (5,649,641)	$ (5,649,641)
Public safety	7,030,314	2,002,837	633,436	456,646	-	(7,943,069)	(7,943,069)
Parks and recreation	1,625,894	427,386	438,556	169,572	-	(1,445,152)	(1,445,152)
Public works	3,864,564	1,165,343	112,097	1,508,650	-	(3,409,160)	(3,409,160)
Miscellaneous	3,885,328	(3,885,328)	-	-	-	-	-
Interest	657,344	(657,344)	-	-	-	-	-
Total Governmental Activities	22,004,058	-	1,383,073	2,173,963	-	(18,447,022)	(18,447,022)
Total Primary Government	$ 22,004,058	$ -	$ 1,383,073	$ 2,173,963	$ -	$ (18,447,022)	$ (18,447,022)

	Governmental Activities	Total
General revenues:		
Taxes		
Income taxes	2,858,020	2,858,020
Property taxes	17,989,097	17,989,097
Other taxes	343,908	343,908
Licenses and permits	925,574	925,574
Interest and investment earnings	189,893	189,893
Miscellaneous	395,975	395,975
Total General Revenues	22,702,467	22,702,467
Transfers in (out)	-	-
Change in Net Assets	4,255,445	4,255,445
Net Assets, beginning of year	22,864,145	22,864,145
Net Assets, end of year	$ 27,119,590	$ 27,119,590

The accompanying notes to these financial statements are an integral part of these statements.

CITY OF LAUREL, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Capital Projects Fund	Non-Major Fund Special Taxing District	Total Governmental Funds
ASSETS				
Equity in pooled cash and cash equivalents	$ 11,538,716	$ 901,615	$ -	$ 12,440,331
Restricted cash	2,624,893	-	-	2,624,893
Taxes receivable, net of allowances	856,078	-	-	856,078
Notes receivable	311,472	-	-	311,472
Other receivables	229,281	1,735	-	231,016
Accounts receivable - income taxes	484,274	-	-	484,274
Due from other governments	525,221	191,000	-	716,221
Due from other funds	47,854	3,060,610	-	3,108,464
Inventory	131,396	-	-	131,396
TOTAL ASSETS	$ 16,749,185	$ 4,154,960	$ -	$ 20,904,145
LIABILITIES				
Accounts payable and accrued expenses	$ 1,738,584	$ -	$ -	$ 1,738,584
Accrued interest	5,343	-	-	5,343
Deposits	2,624,893	-	-	2,624,893
Due to other funds	3,060,610	-	-	3,060,610
Deferred revenue	1,480,221	-	-	1,480,221
Deferred revenue - income taxes	484,274	-	-	484,274
TOTAL LIABILITIES	9,393,925	-	-	9,393,925
FUND BALANCES				
Reserved	2,014,851	4,154,960	-	6,169,811
Unreserved - designated	881,079	-	-	881,079
Unreserved, undesignated	4,459,330	-	-	4,459,330
TOTAL FUND BALANCES	7,355,260	4,154,960		11,510,220
TOTAL LIABILITIES AND FUND BALANCES	$ 16,749,185	$ 4,154,960	$ -	$ 20,904,145

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total Governmental Fund Balances	$ 11,510,220
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	29,073,067
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(15,260,253)
Deferred income tax revenues are recorded on the modified accrual basis in the fund finanical statements.	484,274
Certain receivables are offset by deferred revenue in the governmental funds since they are not available to pay for current period expenditures. This is the amount of deferred revenue related to those receivables.	1,167,549
Receivables are recorded on the modified accrual basis in the fund financials. This the difference in receivables between modified accrual and full accrual.	144,733
Net Assets of Governmental Activities	$ 27,119,590

The accompanying notes to these financial statements are an integral part of these statements.

CITY OF LAUREL, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Capital Projects Fund	Non-Major Fund Special Taxing District	Total Governmental Funds
REVENUES				
Taxes	$ 18,140,419	$ -	$ 89,735	$ 18,230,154
Intergovernmental	3,991,036	675,238	-	4,666,274
Licenses and permits	925,574	-	-	925,574
Charges for services	749,637	-	-	749,637
Fines and forfeitures	633,436	-	-	633,436
Miscellaneous	485,395	-	-	485,395
Total Revenues	24,925,497	675,238	89,735	25,690,470
EXPENDITURES				
Current Operations				
General government	4,816,346	-	-	4,816,346
Public safety	6,776,459	-	-	6,776,459
Parks and recreation	1,589,299	-	-	1,589,299
Public works	3,401,104	-	-	3,401,104
Miscellaneous	3,250,067	39,261	50,000	3,339,328
Capital projects	-	5,892,915	-	5,892,915
Debt Service				
Principal	2,198,491	-	-	2,198,491
Interest	657,344	-	-	657,344
Total Expenditures	22,689,110	5,932,176	50,000	28,671,286
Excess of revenues over (under) expenditures before other financing sources (uses)	2,236,387	(5,256,938)	39,735	(2,980,816)
Other financing sources (uses)				
Loan proceeds	-	4,807,094	-	4,807,094
Operating transfers in (out)	(1,369,000)	1,408,735	(39,735)	-
Total other financing sources (uses)	(1,369,000)	6,215,829	(39,735)	4,807,094
Excess of revenue and other financing sources over (under) expenditures and other financing sources (uses)	867,387	958,891	-	1,826,278
Fund balance, beginning of year	6,487,873	3,196,069	-	9,683,942
Fund balance, end of year	$ 7,355,260	$ 4,154,960	$ -	$ 11,510,220

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net Change in Fund Balances - Total Governmental Funds	$ 1,826,278
Repayment of debt principal is reported in governmental funds, however, in the statement of activities, it is recorded as a reduction in long-term debt. This is the amount of principal debt repayment.	2,198,491
Proceeds from new debt is considered an other financing source in the governmental funds, but is recorded as an increase in long-term debt in the statement of activities. This is the amount of the proceeds from new debt.	(4,807,094)
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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,207,570
Increases in deferred state income taxes do not provide current financial resources and are not reported as revenues in the governmental funds.	484,274
Difference in accounting for compensated absences between modified accrual and accrual accounting.	(156,624)
Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to fianance current expenditures. Accrual-basis recognition is not limited by availability. This is the difference in revenue recorded under modified accrual and accrual basis per the Statement of Activities.	84,759
OPEB contributions are long-term liabilities and the related expense is not reported in the funds.	(546,000)
Loss on disposal of fixed asset	(36,209)
Change in Net Assets of Governmental Activities	$ 4,255,445

The accompanying notes to these financial statements are an integral part of these statements.

CITY OF LAUREL, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND - PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2009

ASSETS		
Cash and cash equivalents	$	74,484
Investments, at fair value		14,749,872
Contributions receivable		4,385
Other assets		2,353
TOTAL ASSETS	$	14,831,094
LIABILITIES		
Accounts payable	$	212
Due to general fund		47,854
Total liabilities		48,066
NET ASSETS		
Held in trust for pension benefits		14,783,028
TOTAL LIABILITIES AND NET ASSETS	$	14,831,094

The accompanying notes to these financial statements are an integral part of these statements.

CITY OF LAUREL, MARYLAND
STATEMENT OF CHANGES IN NET ASSETS
AGENCY FUND - PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2009

ADDITIONS	
Contributions	
Employer	$ 1,002,594
Plan member	506,973
Total contributions	1,509,567
Investment Income	
Interest income	10,100
Dividends	695,248
Net change in fair value of investments	(3,181,906)
Net investment income (loss)	(2,476,558)
Total additions	(966,991)
DEDUCTIONS	
Distributions	1,373,615
Administrative expenses	66,535
	1,440,150
Net decrease	(2,407,141)
Net assets held in trust for pension benefits, beginning of year	17,190,169
Net assets held in trust for pension benefits, end of year	$ 14,783,028

The accompanying notes to these financial statements are an integral part of these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Laurel, Maryland, was incorporated on April 4, 1870, under the provisions of the laws of the State of Maryland. The City operates under a Mayor/Council form of government and provides the following services: general government, public safety, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Mayor and City Council exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statements No. 14. and No. 39. Based on those criteria, there are no component units. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the City) and activities for which the primary government is financially accountable. Financial accountability exists if a primary government appoints a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, the City's basic financial statements include the City of Laurel Police Retirement Plan, the City of Laurel Employees (Administrative and Maintenance) Retirement Plan, and all departments, funds and account groups operated by the City. The activity of the City's retirement plans is reported in the Pension Trust Fund in the accompanying basic financial statements.

The financial activities of the Laurel Volunteer Fire Department and the Laurel Volunteer Rescue Squad are not considered part of the City's reporting entity. These are separate entities for which the City is not financially accountable.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to government units.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The City's governmental funds include the General Fund and the Capital Projects Fund.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities.

The Special Revenue Fund accounts for financial resources of a special taxing district.

The City has one fiduciary fund. It is used to account for pension assets held by the City in a trustee capacity.

Basis of Accounting

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The City has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, including the reclassification or elimination of internal activity (between funds). This is the same approach used in the preparation of the proprietary fund financial statements, if any, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The government-wide statement of activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the City, if any, and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect costs are allocated to programs. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City. Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Separate financial statements are provided for governmental funds, proprietary funds, if any, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

Governmental Funds

City activities pertaining to general government, public safety, public works, parks and recreation, and debt service are reported in the governmental funds. All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within two months of year-end and available to pay obligations of the current period). These include property taxes, franchise taxes, investment earnings, charges for services and intergovernmental revenues.

Some revenues, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, some revenues are recorded as receivables and deferred until they become available.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which has not matured, are recognized when paid.

Allocations of costs, such as depreciation and amortization, are not recognized in the governmental activities.

The major governmental funds are:

- General Fund is the City's primary operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund.

- The Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities.

The City has a nonmajor Special Revenue Fund to account for a special taxing district. These funds are to be used to ensure continued bus services in the District and for infrastructure operations and maintenance in the District.

Fiduciary Fund

The City has one fiduciary fund. The Pension Trust Fund is used to account for pension assets held by the City in a trustee capacity. This fund is accounted for and reported in a manner similar to proprietary funds, since capital maintenance is critical.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Budgetary Accounting and Control

The City follows these procedures in establishing the budgetary data reflected on page 49:

1. On or by May 1 of each year, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimates of anticipated revenue and uses of fund balance, which shall equal or exceed the total proposed expenditures.

2. Before adopting a budget, the City Council holds a public hearing to obtain taxpayer comments. Time and location of this hearing are advertised at least two weeks in advance. The Council has historically held two public hearings.

3. Prior to July 1, the budget is legally enacted through passage of an ordinance.

4. From the date of budget enactment, proposed expenditures become appropriations authorized by the City Council. Any transfer of funds between major appropriations, by the Mayor, requires approval of the City Council.

5. Formal budgetary integration is employed as a management control device during the year for the general fund. The policy established by the Mayor and City Council of Laurel, with respect to the City budget (budgetary basis), does not conform to generally accepted accounting principles (GAAP basis). The differences between budgetary and GAAP basis are shown in footnote 19.

Budget amounts are as adopted by the Mayor and City Council. Individual amendments were not material in relation to the original budgeted amounts. The department level is the level of control which may not be legally exceeded.

Unencumbered appropriations of the operating budget lapse at the end of each fiscal year. Appropriations in the capital budget continue as authority for subsequent period expenditures, and lapse in the year of completion of the capital project.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments," investments held at June 30, 2009 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Receivables

Receivables at June 30, 2009 consist of real estate taxes, personal property taxes, highway user revenue, and other receivables. Taxes, special assessments, utility charges and accrued interest are deemed collectible in full.

Inventory of Supplies

Inventories, if any, are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds, if any, when used.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital Assets and Depreciation

Capital assets consist of infrastructure, land, buildings and equipment with an initial individual cost of more than $500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at an estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed, and costs of uncompleted projects are accumulated in construction-in-progress, which is carried at the lower of cost or market.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Infrastructure	20 years
Land improvements	15 years
Buildings and improvements	40 years
Equipment	5 – 15 years

Restricted Reserves

The City uses restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Deferred Income Tax Revenue

At June 30, 2009, the City was advised by the State of Maryland that $484,274 of the Local Tax Reserve Fund was allocable to the City. In accordance with the provision of GASB No. 33, the City recorded receivable and deferred income tax revenue in the amount of $484,274 in the fund financial statements. This amount has been reflected as income tax revenue in the government-wide financial statements in accordance with full accrual accounting.

Interest Expense

Interest is expensed as incurred except when interest is incurred during the construction period and is capitalized as part of the cost of the asset.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compensated Absences

Unused annual leave is adjusted to current salary cost at June 30. Annual leave in excess of 40 days is converted to sick leave on July 1. There is no limit on annual leave payable upon termination or retirement. The City classifies as a current liability the portion expected to be paid from expendable financial resources within the next fiscal year.

City employees are permitted to accumulate compensatory time, limited to five days, in accordance with the Fair Labor Standards Act of 1985 based on employment status. Unused compensatory time is paid to employees upon separation from service.

Personal leave is accrued and unused hours in excess of 10 hours are forfeited on July 1. The City does not reimburse employees for the accumulated personal leave upon termination or retirement. It is not practicable to estimate the portion of such amount which will ultimately be paid because payment is contingent upon future employment. Management expects the City's commitment to provide personal leave to be met during the normal course of activities over the working lives of its employees.

Sick leave is accrued based on varying factors per employee group. The City does not reimburse employees for the unused accumulated sick leave upon termination or retirement, but it may be factored into an employee's retirement benefit.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Net Assets

The government-wide statement of net assets reports $2,103,924 of restricted net assets which is either restricted by enabling legislation or restrictions determined to be legally enforceable.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that were used.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Equity Classifications

Equity is classified as net assets and is displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as needed.

Change in Accounting

Effective July 1, 2008, the City has adopted the use of a Special Revenue fund to account for all financial resources pertaining to the City's special taxing district.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

Annual budgets are adopted for all City funds. The City Council may subsequently amend the budget and the budget was amended during fiscal year 2009. For day-to-day management control, expenditures may not exceed budget at the department level. The City prepares an annual operating budget on a basis not consistent with generally accepted accounting principles. Refer to footnote 19 for a reconciliation to a GAAP basis.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposit Policies

Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptance, and other available bank investments provided that approved securities are pledged to secure those funds deposited in an amount equal to the amount of those funds. In addition, the City can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law and can invest in the State of Maryland Local Government Investment Pool.

The City's deposits are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City.

Pooling of Cash

The City pools all individual fund cash balances. Income is distributed to the funds based on contribution to the pool.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by collateral valued at 102 percent of principal and accrued interest. Collateral is to be held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City.

At year-end, the carrying amounts of the City's deposits were $1,818,388 and the bank balances totaled $1,862,917. Of the bank balances, the entire amount was insured by Federal Depository Insurance Corporation (FDIC). At year end, the City's bank balances were not exposed to any custodial credit risk because all deposits were fully collateralized. Restricted cash consisted of the following at June 30, 2009:

Escrow deposits	$2,624,893
	$2,624,893

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in bankers' acceptances and commercial paper to the highest letter and numerical rating by at least one nationally recognized statistical rating organization. The Maryland Local Government Investment Pool (the Pool) is duly chartered, administered and subject to regulatory oversight by the State of Maryland. The Pool is managed in a "Rule 2(a)-7 like" manner and has an S&P rating of AAAm. The Pool was created under Maryland State Law and is regulated by the Maryland State Treasurer's Office. It is maintained exclusively to assist eligible participants, as defined by Articles 95 and 22 of the Annotated Code of Maryland. The Pool may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established by Section 6-222 of the State Finance and Procurement Article. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the Pool are valued daily on an amortized cost basis, which approximates market value, and are held to maturity under normal circumstances.

Investments in money market funds are valued at the closing net asset value per share on the day of valuation. The fair value of the position in the Pool is the same as the value of the pool net assets (shares).

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy is to limit its interest rate risk by primarily investing in securities with maturity dates under one year.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is to diversify its investments by security type and institution. With the exception of direct purchases of U.S. Treasury instruments, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution unless the portfolio value is less than $100,000.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's investment policy requires that deposits must have, at all times, collateral with a market value that meets or exceeds the City's deposits with the financial institution that are not covered by deposit insurance.

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

Investments

Generally, the City's investing activities are managed by the Controller and the City Council. The City has adopted an investment policy which will provide the highest reasonable investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all State and local statutes governing the investment of public funds. Permissible investments include any obligation for which the United States has pledged its full faith and credit for the payment of principal and interest; any obligation that a federal agency issues in accordance with an act of Congress; bankers' acceptance; repurchase agreements; certificates of deposit; certain money market mutual funds; the Maryland Local Government Investment Pool (MLGIP); and commercial paper. The City's policy and State law require that the underlying repurchase agreements and certificates of deposit's collateral must have a market value of at least 102 percent of the cost plus accrued interest of the investments. Investment with financial institutions chartered in a foreign country is prohibited.

The City's policy further limits the percentage of the total portfolio that can be invested in certain investment types at the date of purchase. These investment types and the maximum percentage of the portfolio that can be invested in each are: investment in the debt of other federal agencies and/or instrumentalities, 25%; bankers' acceptance, 25%; certain money market mutual funds, 25%; and MLGIP, 50%. State law places no limits on these types of investments. The City also limits its investment in commercial paper to 5%, which matches State law.

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

As of June 30, 2009, the City had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings	Weighted Average Days to Maturity
MLGIP	$ 2,944,288	$ 2,944,288	AAAm	50
Repurchase agreements	7,657,674	7,657,674	N/A	1
Money market funds	1,598,504	1,598,504	AAAm	34
Certificates of Deposit:				
Fleet Reserve	509,554	509,554	N/A	132
Street Maintenance Reserve	528,094	528,094	N/A	132
	$ 13,238,114	$ 13,238,114		
Agency Fund -				
Repurchase agreements	470,648	470,648	N/A	1
Mutual funds	14,279,224	14,279,224		
	$ 14,749,872	$ 14,749,872		

Notes: 1- Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.
2- **Interest Rate Risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

A reconciliation of cash and cash equivalents per the Statement of Net Assets totaling $15,065,224 ($12,440,331 unrestricted and $2,624,893 restricted) to investments, deposits and petty cash follows.

Investments	$ 13,238,114
Deposits	1,818,388
Petty cash	8,722
	$ 15,065,224

NOTE 4 – TAXES RECEIVABLE

Taxes receivable are comprised of the following as of June 30, 2009.

Personal property	$	736,795
Real estate		119,283
	$	856,078

NOTE 5 – NOTES RECEIVABLE

The City has made advances to the volunteer fire department and the volunteer rescue squad for purchases of equipment owned and used by the volunteer fire department and the volunteer rescue squad. These advances are evidenced by signed note agreements. Detail of notes receivable at June 30, 2009 are as follows:

Entity	Interest rate at June 30, 2009	Maturity date	Repayment term		Amount due
Vol. Fire Dept.	4.21%	February, 2018	Monthly	$	311,472
Vol. Rescue Squad	3.55%	January, 2010	Monthly		-
				$	311,472

NOTE 6 – OTHER ACCOUNTS RECEIVABLE

Other accounts receivable are comprised of the following as of June 30, 2009.

Cable franchise fee	$	115,721
Grass cutting receivable		22,820
Refuse - residential		16,249
Parks & recreation receivable		15,967
Various		60,259
	$	231,016

NOTE 7 – DEFERRED/UNEARNED REVENUES

Government funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds all defer revenue recognition in connection with resources that have been received but not earned.

NOTE 7 – DEFERRED/UNEARNED REVENUES - continued

At the end of the current fiscal year, the deferred revenues and unearned revenues reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Income taxes, General Fund	$ 484,274	$ -	$ 484,274
Property taxes, General Fund	856,077	-	856,077
Loan receivable, General Fund	311,472	-	311,472
Impact fees, General Fund	-	245,756	245,756
Other unearned revenues	-	66,916	66,916
	$ 1,651,823	$ 312,672	$ 1,964,495

NOTE 8 – INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at June 30, 2009 are as follows:

Fund	Interfund receivables	Interfund payables
General fund	$ 47,854	$ 3,060,610
Capital projects fund	3,060,610	-
Pension trust fund	-	47,854
	$ 3,108,464	$ 3,108,464

Interfund receivables and payables are utilized when payments are made on behalf of another fund. All amounts are expected to be paid within one year. The interfund receivable and payable between the general fund and the capital projects fund are eliminated in the Statement of Net Assets.

NOTE 9 – PROPERTY TAX

The City's real property tax is levied each July 1, on the assessed value for all property located within City boundaries. Real property tax revenue is recognized when received. Assessed values are established by the Maryland State Department of Assessments and Taxation based on estimates of fair market value, multiplied by that year's assessment rate. The rate per $100 of assessed value was $.71 in 2009.

NOTE 9 – PROPERTY TAX - continued

Taxes are due on July 1; however, they do not become delinquent until after September 30. Property on which taxes are not paid by the following March 1, may be sold at tax sale. Current tax collections for the year ended June 30, 2009, were 98% of the levy.

The City's real property rate for the special taxing district was $.03 per $100 assessed value in 2009.

The City's personal property taxes are levied monthly by the City on a rotating basis. Assessed values are established by the Maryland State Department of Assessments and Taxation based on estimates of fair market value multiplied by that year's assessment rate. The rate per $100 of assessed value was $1.69 in 2009. Personal property tax revenue is recognized when received.

NOTE 10 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	$ 5,584,378	$ 934,827	$ -	$ 6,519,205
Construction in progress	2,022,406	2,041,261	-	4,063,667
Subtotal	7,606,784	2,976,088	-	10,582,872
Depreciable capital assets:				
Infrastructure	19,535,639	1,953,513	1,569,841	19,919,311
Land improvements	1,765,102	838,356	-	2,603,458
Buildings and improvements	13,561,090	15,338	-	13,576,428
Machinery, tools and equipment	8,367,018	681,347	498,282	8,550,083
Subtotal	43,228,849	3,488,554	2,068,123	44,649,280
Total capital assets	50,835,633	6,464,642	2,068,123	55,232,152
Accumulated depreciation:				
Infrastructure	14,808,419	200,678	1,557,236	13,451,861
Land improvements	1,051,293	68,356	-	1,119,649
Buildings and improvements	5,594,326	305,057	-	5,899,383
Machinery, tools and equipment	5,479,889	682,981	474,678	5,688,192
Subtotal, accumulated depreciation	26,933,927	1,257,072	2,031,914	26,159,085
Net capital assets	$ 23,901,706	$ 5,207,570	$ 36,209	$ 29,073,067

NOTE 10 – CAPITAL ASSETS AND DEPRECIATION - continued

Depreciation was charged to functions as follows:

General government	$	173,127
Public safety		347,095
Parks and recrecation		181,521
Public works		555,329
	$	1,257,072

The City has construction commitments of approximately $3,464,697 as of June 30, 2009.

NOTE 11 – LONG-TERM DEBT

General obligation bonds consist of the following at June 30, 2009:

$13,280,000 – public improvement bonds, 1996 Series A; due in annual installments of $155,000 to $1,530,000 through October 1, 2011; interest varies from 4.10% to 5.5% and is due semiannually on April 1 and October 1. Interest paid on the bonds for the year ended June 30, 2009 was $254,975. Balance due on June 30, 2009 was $4,380,000.

On November 1, 1996, the City issued $13,280,000 in bonds with a varying interest rate from 4.10% to 5.50%, A portion of the bonds advance refunded $10,875,000 of outstanding 1991 public improvements bonds with a varying interest rate from 6.25% to 7.00%. Of the $13,280,000, $12,177,200 was deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded portion of the 1991 public improvement bonds. As a result, a portion of the 1991 bonds are considered to be defeased and the associated liability has been removed from the balance sheet. The City completed the advance refunding to reduce its debt service payments over the next 16 years by $271,201 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $251,362. The bonds defeased and removed from the balance sheet consisted of 1991 public improvement bonds totaling $10,875,000, maturing in 2011, with a redemption price of 102% and a call date of July 1, 2002.

NOTE 11 – LONG-TERM DEBT – continued

Redemption

Optional Redemption

Bonds which mature on or before October 1, 2006, are not subject to redemption prior to their maturities. Bonds which mature on or after October 1, 2007, are subject to redemption commencing on October 1, 2006, as a whole at any time or in part on any interest payment date, at the option of the City, at the following redemption prices, expressed as a percentage of the principal amount of bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption:

Periods during which redeemable (both dates inclusive)	Redemption Price
October 1, 2006 to September 30, 2007	101.0%
October 1, 2007 to September 30, 2008	100.5%
October 1, 2008 and thereafter	100.0%

$8,406,000 - Public improvement bonds, 2007 Series B; due in annual installments of $599,561 to $759,105 through May 1, 2022; interest varies from 1.88% to 2.07%. The semiannual interest payments are offset by interest on the undrawn proceeds held in an escrow account by and in the name of the CDA. Interest paid on the bond for the year ended June 30, 2009 was $217,882 less interest income of $84,977. The outstanding principal balance and balance of undrawn proceeds on June 30, 2009 were $3,894,488 and $3,646,912 respectively.

Notes payable consists of the following at June 30, 2009:

Note payable to PNC Bank (the Bank) on behalf of the Laurel Volunteer Fire Department in the amount of $350,000 for the purchase of a new fire truck. The note is payable to the Bank in monthly principal and interest payments of $3,589 through February 12, 2018, with interest at 4.21%. Total interest paid on the note payable was $13,973. As of June 30, 2009 the outstanding principal balance is $311,472.

NOTE 11 – LONG-TERM DEBT – continued

Note payable to the Community Development Administration ("CDA"), an agency in the Division of Development Finance of the Maryland Department of Housing and Community Development ("DHCD") in the amount of $4,043,500 to finance certain infrastructure and fleet projects. The note is payable to CDA in annual principal payments ranging from $260,400 to $331,900 and semiannual interest payments with rates ranging from 2.000% to 4.375%. The semiannual interest payments are offset by interest earned on the undrawn proceeds of the note held in an escrow account by and in the name of CDA. As of June 30, 2009, the outstanding principal balance and undrawn proceeds on the note is $2,688,200 and $796,700 respectively. Interest expense of $109,687, net of interest income of $2,037 was incurred and paid as of June 30, 2009.

Note payable to Citizens National Bank (the Bank) in the amount of $2,500,000 to finance the purchase of a building to be used by the Laurel Police Department. The note is interest only maturing in June 2010 with interest at 3.55%. As of June 30, 2009, the outstanding principal balance on the note is $2,043,372. Interest paid on the note for the year ended June 30, 2009 was $60,173.

Note payable to Patuxent Greens Golf, LLC. in the amount of $515,642 for the purchase of property in the City. The note is due in two payments. The first payment of $257,821 plus accrued interest is due on January 23, 2010. The remaining balance of $257,821 plus accrued interest is due on January 23, 2011. The interest rate on the note is 7.0%. The balance outstanding at June 30, 2009 is $515,642. Interest paid on the note for the year ended June 30, 2009 was $0.

The changes in governmental long-term debt for the year ended June 30, 2009 are summarized below.

	Beginning Balance	Additions	Retirements	Ending Balance	Amount due in one year
General obligation bonds	$ 5,705,000	$ -	$ (1,325,000)	$ 4,380,000	$ 1,390,000
Bank loans	2,505,735	515,642	(150,891)	2,870,486	2,589,370
CDA loan	3,013,836	4,291,452	(722,600)	6,582,688	745,800
Total	$ 11,224,571	$ 4,807,094	$ (2,198,491)	$ 13,833,174	$ 4,725,170
Compensated absences	$ 724,455	$ 156,624	$ -	$ 881,079	$ -
OPEB liability	$ -	$ 546,000	$ -	$ 546,000	$ -

NOTE 11 – LONG-TERM DEBT - continued

The following is a schedule by years of future principal and estimated interest payments required to amortize all debt outstanding as of June 30, 2009. Estimated interest payments were based on rates in effect at June 30, 2009 and do not include the effect of interest earned on undrawn proceeds of the note payable, if any.

	Bank Loans		CDA Loans (A)	
Year ended June 30,	Principal	Interest	Principal	Interest
2010	2,589,370	104,431	745,800	386,856
2011	31,677	11,385	772,100	362,204
2012	33,029	10,034	799,900	335,929
2013	34,493	8,569	829,100	307,932
2014	35,996	7,067	861,400	249,857
2015-2019	145,921	11,976	4,120,800	931,938
2020-2024	-	-	2,100,500	713,285
Total	$ 2,870,486	$ 153,462	$ 10,229,600	$ 3,288,001

	General Obligation Bonds		Total	
Year ended June 30,	Principal	Interest	Principal	Interest
2010	1,390,000	186,405	4,725,170	677,692
2011	1,460,000	113,730	2,263,777	487,319
2012	1,530,000	38,250	2,362,929	384,213
2013	-	-	863,593	316,501
2014	-	-	897,396	256,924
2015-2019	-	-	4,266,721	943,914
2020-2024	-	-	2,100,500	713,285
Total	$ 4,380,000	$ 338,385	$ 17,480,086	$ 3,779,848

(A) This payout schedule assumes the remaining $3,646,912 of undrawn proceeds are drawn down.

NOTE 12 – CONCENTRATION OF CREDIT RISK

The City derives most of its revenues from the citizens of the City. The City is located in Prince George's County, Maryland.

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and related disasters. The City is a capital member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML), and the Maryland Association of Counties.

LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability, environmental liability, and property coverage.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessments. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members. Annual premiums are assessed for the various policy coverages. During fiscal year 2009, the City paid premiums of $262,280 to the trust. The agreement for the formation of LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of annual premiums. Settled claims, if any resulting from these risks, have not exceeded commercial insurance coverage in the past fiscal year.

Premiums are charged to the appropriate City's General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments for the last three fiscal years.

NOTE 14 – DEFERRED COMPENSATION PLAN

The City Council established two deferred compensation plans in accordance with Internal Revenue Code Section 457. These plans, available to all full-time and part-time employees, elected officials and auxiliary employees, permit them to defer any portion of their salary until future years. The City does not contribute to these plans.

All amounts of compensation deferred under the plans, and all related income are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose.

In compliance with the Internal Revenue Code Section 457(g), all assets and income of the plans are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, in accordance with Governmental Accounting Standards Board Statement No. 32, "Accounting and Financial Reporting for the Internal Revenue Code 457 Deferred Compensation Plan," the investments designated for compensation benefits are not reflected in the City's financial statements.

NOTE 14 – DEFERRED COMPENSATION PLAN - continued

ITT Hartford is the plan administrator and the trustee for one plan, and ING (formerly Aetna Life Insurance and Annuity Company) is the plan administrator and the trustee for the other plan.

NOTE 15 – PENSION PLAN

Plan Description

The City contributes to the City of Laurel Police Retirement Plan and the City of Laurel Employee (Administrative and Maintenance) Retirement Plan (Plans). Both Plans contain virtually the same provisions and the valuation of each of the Plans uses virtually the same assumptions. Accordingly, for ease of disclosure and understanding, they are presented here as one plan, except as indicated. The Plans are single-employer defined benefit plans which provide retirement benefits and death and disability benefits to participating employees and their beneficiaries. All full-time and part-time employees of the City must participate in the applicable Plan. A participant becomes fully vested in his or her accrued benefit after 5 years of credited service. Credited service is determined for any participant as the years and completed months during which the participant shall have been in the employment of the City. Additionally, credited service includes credited service transferred from other government employers in the State of Maryland or purchased for military service or government service anywhere in the United States, not to exceed 5 years. Administrative and Maintenance employees are eligible to receive retirement benefits as of the participant’s 65th birthday and the completion of 5 years of credited service or upon the completion of 30 years of credited service regardless of age. Police employees are eligible to receive retirement benefits the earlier of the participant’s 65th birthday and the completion of 5 years of credited service or upon completion of 20 years of credited service regardless of age. All participants under the Plans as of June 30, 1998, are entitled to a minimum benefit as of such date determined under the provisions of the plan then in effect. Employees may elect to receive their pension benefits in the form of a single life annuity, a period certain and continuous annuity, a joint and survivor annuity or a Social Security annuity. Administrative and Maintenance employee’s normal retirement allowance consists of 1.67% of final average compensation multiplied by credited service not greater than 30 years. Police employee’s normal retirement allowance consists of 2.5% of final average compensation for each of the first 20 years of credited service plus 1.5% of final average compensation for each of the next 5 years of credited service. The Plans allow the City to grant a cost of living increase to participants or beneficiaries annually. The most recent cost of living adjustment was an increase of 2.5% effective July 1, 1998.

NOTE 15 – PENSION PLAN - continued

The Plans may be amended by the City Council, and the Plans were amended as of January 1, 2005 to include provisions for a Deferred Retirement Option Plan ("DROP"). Under the DROP, participants eligible to participate may elect to defer the commencement of his or her retirement benefits from a minimum period of one year to a maximum period of seven years. The period of participation automatically ends when a participant terminates employment for any reason. Election to participate in the DROP ends December 31, 2009.

The Plans were further amended as of March 28, 2005 to include a provision stating that if the present value of a retired participant's vested accrued benefit exceeds $1,000 such lump sum distribution shall be made only after the retired participant completes the appropriate distribution forms.

The Police Plan was amended again as of June 30, 2006 to allow police employees to participate in the DROP at 20 years of service rather than 25 years. As a result of this amendment, the actuarially determined contribution for FY 2008 increased.

Funding Policy

As a condition of employment, employees must contribute 4.5% (Administrative and Maintenance) and 8.8% (Police) of base earnings, excluding bonuses, commissions, overtime payments and other additional compensation. The City's funding policy is to make annual contributions to the Plans as calculated by the actuary in amounts sufficient to provide the benefits of the Plans. The City does not calculate a net pension obligation, but develops an annual required contribution as a percent of payroll. The annual pension cost is equal to the annual required contribution. The contribution rate applied to actual payroll is actuarially determined and consists of a normal cost component and an unfunded actuarial component. The City had annual required contributions of $1,037,594 $980,853 and $922,940, for the fiscal years ended June 30, 2009, 2008, and 2007. The City has made all annual required contributions. The contributions made to the Plans for fiscal year 2009 were made in accordance with the actuarial valuation for the plan year ending June 30, 2008. The contributions consisted of amounts contributed by the employees of $506,973 and amounts contributed by the City of $1,091,979.

The plans invest in mutual funds.

NOTE 15 – PENSION PLAN – continued

The number of employees covered and current membership classifications as of June 30, 2008 are as follows:

Active participants	160
Terminated vested participants	12
Retirees and beneficiaries	65
Total participants	237

Administrative and Maintenance employees are assumed to retire following the earlier of (i) attainment of age 65, or (ii) the completion of 30 years of service.

Police employees are assumed to retire based on years of service as follows:

Years of Service	Percentage Retiring
20	20.0%
21	12.5%
22	28.5%
23	40.0%
24	33.3%
25	100.0%

NOTE 15 – PENSION PLAN – continued

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the accrued actuarial liability.

Actuarial valuation date:	July 1, 2008
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar
Remaining amortization period:	25 years - Police Plan
	30 years - Employee Plan
Asset valuation method:	Asset smoothing
Actuarial assumptions:	
Investment rate of return	7.5% compounded annually
Projected salary increases	5.0% compounded annually
Cost of living adjustments	4.0% compounded annually
Inflation rate	3.5% compounded annually
Contribution rates:	
Police	8.8%
Employees	4.5%
Mortality: healthy lives	RP-2000 Combined Mortality Table of Males and Females
Mortality: disabled lives	Healthy life mortality set forward 10 years

The amount shown as the "actuarial accrued liability" is a standard disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess, on a going concern basis, the funding status of the Plan to which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 15 – PENSION PLAN – continued

PENSION TRUST FUND - ANALYSIS OF FUNDING

Actuarial Valuation Date July 1, 2008	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Employees Plan						
2008	$ 8,756,381	$ 11,340,351	$ 2,583,970	77.21%	$ 4,016,384	64.34%
Police Plan						
2008	9,551,099	15,721,489	6,170,390	60.75%	2,468,075	250.01%

Refer to Required Supplementary Information on page 46 for additional information regarding these plans. There are no separately issued financial statements for these plans.

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City pays up to $300 per month for life for each retiree's health insurance. The retiree may use this money to obtain health insurance coverage from other carriers, or use the City's insurance provider. The City reimburses the costs for coverage for the retiree only, not dependents, for $300 of premiums per month.

Funding Policy

The City has not established an OPEB trust as of June 30, 2009 and has not made a contribution for the year ended June 30, 2009.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the Plan and the City's net OPEB obligation as of June 30, 2009, the year of the initial actuarial valuation.

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) - continued

Annual required contribution (ARC)	$	546,000
Less: Contributions made		-
Increase in net OPEB obligation		546,000
Net OPEB obligation - beginning of year		-
Net OPEB obligation - end of year	$	546,000
Percentage of annual OPEB cost contributed		0.00%

Funded Status

As of July 1, 2009, the initial actuarial valuation date, there was not an OPEB trust. The actuarial accrued liability for benefits was $6,119,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $6,119,000. The ratio of the actuarial value of assets to the actuarial accrued liability was 0%. The covered payroll (annual payroll of active employees covered under the Plan) was $9,178,525 and the ratio of the UAAL to the covered payroll was 66.67%.

Actuarial Methods and Assumptions

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 healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of July 1, 2009.

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – continued

Actuarial cost method	Projected Unit Credit
Asset valuation method	Not applicable
Rate of return on investments	4.00%
Aggregate salary growth	3.50%
Healthcare cost trend rate	Medical and prescription: 8.50% for FYE 2009 and 2010 trending down to 5.20% in FYE 2080
Amortization method	Level percentage of projected payroll
Amortization period	30 years
Status of period	To be determined (closed or open)

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Grants

The City receives grants from time-to-time. Expenditures from certain grants are subject to audit by the grantor, and the City is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the City's management, no material refunds will be required as a result of disallowed expenditures.

Litigation

In the normal course of business the City is a defendant in several lawsuits which management is vigorously defending. No contingency has been established because neither the outcome of the cases nor the amount of an award, if any, can be determined. The City's attorney and the insurance carrier are defending these matters.

NOTE 18 – RISKS AND UNCERTAINTIES

The Plans invest in various investment securities. Investment securities are exposed to various risks such as interest risk, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

NOTE 19 – RECONCILIATION OF NON-GAAP BUDGET TO GAAP BUDGET

The financial statements and notes conform to GAAP. The budget is prepared on a basis not consistent with GAAP. The reconciliation between the non-GAAP budget and GAAP follows:

Excess of revenue over expenditures, encumbrances and other financing sources (uses) - non-GAAP budgetary basis - general fund	$	-
Increase (decrease) due to:		
Expenditures of amounts encumbered during prior year		(104,679)
Reserved encumbrances (GAAP basis) at June 30, 2009, but recognized as expenditures for budgetary purposes		792,006
Excess of revenue over expenditures and other financing sources (uses) - GAAP	$	687,327

NOTE 20 – FUND BALANCE REPORTING

GASB No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” is effective for the year ended June 30, 2011. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The City has not determined the financial statement effect of GASB No. 54.

CITY OF LAUREL, MARYLAND

PENSION TRUST FUND - ANALYSIS OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS - REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Actuarial Valuation Date July 1, 2008	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Employees Plan						
2008	8,756,381	11,340,351	2,583,970	77.21%	4,016,384	64.34%
2007	8,371,476	10,541,991	2,170,515	79.41%	3,628,886	59.81%
2006	7,414,713	9,734,544	2,319,831	76.17%	3,497,546	66.33%
2005	6,736,632	9,238,960	2,502,328	72.92%	3,527,433	70.94%
2004	6,118,691	8,245,176	2,126,485	74.21%	3,034,120	70.09%
2003	5,570,783	7,332,541	1,761,758	75.97%	2,915,206	60.43%
Police Plan						
2008	9,551,099	15,721,489	6,170,390	60.75%	2,468,075	250.01%
2007	8,804,646	15,022,820	6,218,174	58.61%	2,237,874	277.86%
2006	7,606,070	13,784,982	6,178,912	55.18%	1,982,730	311.64%
2005	6,648,724	12,026,102	5,377,378	55.29%	2,343,249	229.48%
2004	5,834,671	11,197,428	5,362,757	52.11%	2,074,954	258.45%
2003	5,200,000	9,991,988	4,791,988	52.04%	1,807,801	265.07%

The following schedule gives information on employer required contributions.

Years ended June 30,	Annual required contribution (ARC)	Percentage of ARC contributed
2009	1,037,594	105.24%
2008	980,853	125.64%
2007	922,940	123.84%
2006	837,239	114.46%
2005	722,073	126.68%
2004	561,872	137.52%
2003	378,987	100.00%
2002	248,429	100.63%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

CITY OF LAUREL, MARYLAND

OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Actuarial Valuation Date July 1,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2009	$ -	$ 6,119,000	$ 6,119,000	0.00%	9,178,525	66.67%

Information for prior years not available

CITY OF LAUREL, MARYLAND

OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

		Percentage Contributed	
Year Ended June 30,	Annual Required Contribution (ARC)	Employer Contribution	Total
2009*	$ 546,000	0.00%	0.00%

Information for prior years not available.

CITY OF LAUREL, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund			
	Original Budget	**Final Budget**	**Actual**	**Variance**
Revenues				
Taxes	$ 17,924,282	$ 18,140,348	$ 18,140,419	$ 71
Intergovernmental	3,821,106	4,005,176	3,991,036	(14,140)
Licenses and permits	1,655,391	929,421	925,574	(3,847)
Charges for services	708,536	714,485	749,637	35,152
Fines and forfeitures	342,341	478,514	633,436	154,922
Miscellaneous	542,297	338,676	407,299	68,623
Loan repayments	78,048	78,048	78,096	48
Total Revenues	$ 25,072,001	$ 24,684,668	$ 24,925,497	$ 240,829
Expenditures				
General government	$ 5,272,132	$ 4,894,477	$ 4,816,346	$ 78,131
Public safety	6,851,169	6,726,863	6,776,459	(49,596)
Parks and recreation	1,530,090	1,598,821	1,589,299	9,522
Public works	3,960,696	3,436,493	3,401,104	35,389
Miscellaneous	4,409,699	4,536,799	3,250,067	1,286,732
Debt service	3,048,215	3,491,215	2,855,835	635,380
Total Expenditures	$ 25,072,001	$ 24,684,668	$ 22,689,110	$ 1,995,558

SUPPLEMENTAL SCHEDULES

CITY OF LAUREL, MARYLAND
SCHEDULE OF REVENUES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES				
Taxes				
Real and personal property	$ 17,674,282	$ 17,877,348	$ 17,899,362	$ 22,014
Local - admissions	190,000	160,000	135,308	(24,692)
Penalties and interest	60,000	103,000	105,749	2,749
Total Taxes	17,924,282	18,140,348	18,140,419	71
Intergovernmental				
State and Federal Grants				
Other federal and state grants	4,497	9,497	21,191	11,694
Police protection	335,000	335,000	260,394	(74,606)
Police aid supplement	54,862	54,862	51,519	(3,343)
Total state and federal grants	394,359	399,359	333,104	(66,255)
State Shared Taxes				
Local income tax	2,000,000	2,370,000	2,373,746	3,746
Race track impact fees	76,200	56,200	52,950	(3,250)
Developer impact fees	-	-	1,748	1,748
Highway user	940,541	769,611	799,407	29,796
Hotel/motel taxes	200,000	200,000	208,600	8,600
Total state shared taxes	3,216,741	3,395,811	3,436,451	40,640
County Grants				
Financial corporations	6,362	6,362	6,362	-
M-NCPPC grants	165,644	165,644	169,572	3,928
Highway safety grant	23,000	23,000	34,005	11,005
Other grants	15,000	15,000	11,542	(3,458)
Total county grants	210,006	210,006	221,481	11,475
Total Intergovernmental	3,821,106	4,005,176	3,991,036	(14,140)

CITY OF LAUREL, MARYLAND
SCHEDULE OF REVENUES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Licenses and permits				
Liquor	$ 13,000	$ 13,000	$ 7,964	$ (5,036)
Amusement permits	14,000	14,000	3,495	(10,505)
Building permits	647,267	376,267	375,699	(568)
Cable TV	273,074	273,074	273,672	598
Traders licenses	50,000	50,000	59,288	9,288
Other permits and licenses	658,050	203,080	205,456	2,376
Total licenses and permits	1,655,391	929,421	925,574	(3,847)
Charges for services				
Passport execution fees	56,000	56,000	47,697	(8,303)
Zoning fees	20,000	20,000	53,800	33,800
Refuse collection	104,000	104,000	112,097	8,097
Recreation fees	443,150	449,099	438,556	(10,543)
Facility rentals	50,950	50,950	58,973	8,023
Other	34,436	34,436	38,514	4,078
Total charges for services	708,536	714,485	749,637	35,152
Fines and forfeitures				
Red light camera tickets	219,787	355,960	503,356	147,396
Parking tickets	70,000	70,000	71,080	1,080
False alarm fines	30,371	30,371	20,510	(9,861)
Release fee - impound	22,183	22,183	35,965	13,782
Other	-	-	2,525	2,525
Total fines and forfeitures	342,341	478,514	633,436	154,922

CITY OF LAUREL, MARYLAND
SCHEDULE OF REVENUES
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Miscellaneous				
Rental	$ 42,000	$ 42,000	$ 45,375	$ 3,375
Interest on investments	371,000	129,827	189,893	60,066
Disposal rebate	60,728	60,728	60,856	128
Sale of property	20,393	20,393	20,396	3
Other	48,176	85,728	90,779	5,051
Total miscellaneous	542,297	338,676	407,299	68,623
Loan repayments				
Fire department repayments	43,034	43,034	43,063	29
Rescue squad repayments	35,014	35,014	35,033	19
Total loan repayments	78,048	78,048	78,096	48
Total Revenue	$ 25,072,001	$ 24,684,668	$ 24,925,497	$ 240,829

CITY OF LAUREL, MARYLAND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
General Government				
City council	$ 93,155	$ 89,295	$ 89,013	$ 282
Clerk to the council	165,287	164,147	166,597	(2,450)
Mayor	502,720	427,720	398,222	29,498
City administrator	539,741	499,844	496,417	3,427
Registration and elections	9,335	9,335	9,066	269
Budget and personnel services	689,671	605,671	589,411	16,260
Planning and zoning	1,000,092	858,192	872,696	(14,504)
Information technology and community services	1,031,109	966,109	973,686	(7,577)
Facilities and grounds	1,187,182	1,220,324	1,167,854	52,470
Community promotion	53,840	53,840	53,384	456
Total general government	5,272,132	4,894,477	4,816,346	78,131
Public Safety				
Police department	6,401,280	6,329,832	6,364,380	(34,548)
Emergency services management	400,989	375,649	392,431	(16,782)
Police department facility	48,900	21,382	19,648	1,734
Total public safety	6,851,169	6,726,863	6,776,459	(49,596)
Parks and recreation				
Greenview drive	-	61,563	57,262	4,301
Parks and recreation administration	482,100	561,551	561,837	(286)
Recreation	361,759	258,403	256,996	1,407
Laurel municipal pool	137,271	147,164	147,109	55
Laurel community center programs	242,784	247,026	244,629	2,397
Armory programs	128,358	139,533	139,520	13
Gude lakehouse programs	13,876	13,876	13,151	725
Senior services programs	163,942	169,705	168,795	910
Total parks and recreation	1,530,090	1,598,821	1,589,299	9,522

CITY OF LAUREL, MARYLAND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Public Works				
Public works administration	$ 310,903	$ 320,800	$ 316,525	$ 4,275
Automotive maintenance	809,726	701,226	699,570	1,656
Waste collection and disposal	1,358,267	1,016,267	1,010,136	6,131
Recycling	148,707	156,707	155,203	1,504
Highways and streets	461,057	439,157	442,068	(2,911)
Snow and ice removal	79,605	72,805	41,938	30,867
Street lighting	332,000	284,900	285,921	(1,021)
Engineering and technical services	183,609	167,609	164,392	3,217
Traffic engineering	166,134	169,134	177,939	(8,805)
Tree management	110,688	107,888	107,412	476
Total public works	3,960,696	3,436,493	3,401,104	35,389
Miscellaneous				
Retirement pension	1,107,594	1,107,594	1,101,599	5,995
Employee training	73,428	55,728	55,053	675
Employee tuition	5,300	5,100	3,753	1,347
Insurance	2,470,377	1,999,377	1,993,704	5,673
Other	753,000	1,369,000	95,958	1,273,042
Total miscellaneous	4,409,699	4,536,799	3,250,067	1,286,732
Debt Service				
Principal	2,267,302	2,811,302	2,198,491	612,811
Interest	780,913	679,913	657,344	22,569
Total debt service	3,048,215	3,491,215	2,855,835	635,380
Total Expenditures	$ 25,072,001	$ 24,684,668	$ 22,689,110	$ 1,995,558

Lindsey + Associates LLC
Certified Public Accountants

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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 Honorable Members of the City Council
City of Laurel, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laurel, Maryland (the "City"), and as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report therein dated October 29, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Laurel's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Laurel's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the City of Laurel's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Laurel's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Laurel's financial statements that is more than inconsequential will not be prevented or detected by the City of Laurel's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Laurel's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Mayor, City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

October 29, 2009

Description and location:	St. Mary's County, Maryland's first County, straddles the mouth of the Potomac and Patuxent Rivers. It consists of 367 square miles with approximately 400 miles of shoreline. The population has increased nearly 13.5% since 1990.
Population:	101,578 as of July 1, 2008

The following General Fund Information is as of June 30, of the applicable fiscal year. All amounts shown below are in dollars.

Revenues:

	Total Local Taxes	Total Licenses & Permits	Total Intergov-ernmental Revenues	Total Service Charges	Total Fines & For-feitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2009	$155,911,354	$1,324,802	$19,053,734	$5,450,165	$299,214	$925,311	$1,778,443	$184,743,023
2008	$151,437,550	$1,438,858	$13,946,559	$5,712,489	$287,181	$3,343,598	$1,376,541	$177,542,776
2007	$140,354,183	$1,556,009	$13,700,019	$5,977,161	$373,000	$8,618,612	$2,505,138	$173,084,122
2006	$134,820,620	$1,267,425	$14,000,126	$5,258,972	$350,397	$7,522,082	$2,048,467	$165,268,089
2005	$125,186,832	$1,288,530	$12,070,433	$5,221,937	$295,292	$1,434,648	$476,958	$145,974,630

Expenditures:

	Total General Govt.	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Economic Dev. & Opportunity	Total Debt Service	Total Miscel-laneous	Total Expendi-tures
2009	$20,030,382	$34,008,339	$8,215,494	$3,835,443	$1,366,689	$2,574,452	$0	$10,529,571	$179,158,063
2008	$19,655,375	$31,222,327	$7,048,420	$3,818,176	$1,210,838	$2,518,020	$0	$11,249,693	$165,067,380
2007	$19,069,536	$28,481,278	$10,522,716	$3,249,667	$1,140,623	$2,428,487	$0	$4,785,410	$149,194,897
2006	$21,327,794	$24,514,116	$9,354,171	$3,006,349	$902,306	$2,866,549	$0	$1,038,067	$136,439,690
2005	$15,545,119	$21,836,826	$8,076,202	$2,606,795	$811,271	$2,595,244	$0	$809,481	$121,249,753

Assets & Liabilities:

	$2,009	2008	2007	2006	2005
Cash and Investments	$91,486,230	$81,772,634	$82,159,988	$85,855,071	$64,226,557
Total Assets	$482,386,888	$479,765,282	$469,936,311	$451,814,461	$290,121,901
Total Liabilities & Investment in Fixed Assets	$397,374,246	$389,102,133	$378,822,065	$364,880,524	$260,261,533
Total Fund Balance	$85,012,642	$90,663,149	$91,114,246	$86,933,937	$29,860,368
Unreserved / Undesignated Fund Balances	$8,989,564	$11,088,383	$11,472,561	$14,479,802	$12,188,643

Property Taxes and Taxes Receivable: Real Property

	Total assessed Value of Real Property[1]	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2009	$9,519,657,176	0.857	$81,127,162	$78,397,442	$2,729,720
2008	$8,939,652,042	0.857	$71,903,000	$69,969,850	$1,933,150
2007	$7,514,028,938	0.875	$63,879,525	$62,318,733	$1,560,792
2006	$6,665,206,193	0.872	$57,672,799	$56,461,159	$1,211,640
2005	$6,060,658,656	0.878	$52,738,574	$51,662,438	$1,076,136

St. Mary's County cont.

Property Taxes and Taxes Receivable: Personal Property

	Total assessed Value of Personal Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2009	$6,595,846	2.1425	$141,316	$124,555	$16,761
2008	$8,117,200	2.1425	$173,911	$151,379	$22,532
2007	$7,365,648	2.1425	$157,809	$135,277	$22,532
2006	$7,749,771	2.18	$168,945	$146,413	$22,532
2005	$7,162,415	2.20	$157,788	$135,256	$22,532

Property Taxes and Taxes Receivable: Railroads & Public Utilities Property

	Total assessed Value of Railroads & Public Utilities Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2009	$120,431,832	2.1425	$2,580,252	$2,580,252	$0
2008	$123,341,470	2.1425	$2,642,591	$2,642,591	$0
2007	$74,715,193	2.1425	$1,600,773	$1,600,773	$0
2006	$122,892,156	2.18	$2,679,049	$2,679,049	$0
2005	$119,942,896	2.20	$2,642,342	$2,642,342	$0

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

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2009

Murphy & Murphy, CPA, LLC

The County Commissioners for St. Mary's County

June 30, 2009

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The County Commissioners for St. Mary's County

June 30, 2009

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Murphy & Murphy

CPA, LLC

Independent Auditor's Report

County Commissioners for St. Mary's County, Maryland
Leonardtown, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the fiduciary fund activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County Commissioners for St. Mary's County, Maryland, as of and for the year ended June 30, 2009, which collectively comprise the County Commissioners for St. Mary's County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's Commissioners for St. Mary's County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the St. Mary's County Public Schools, which represents 39% and 48%, respectively, of the assets and revenues of the total reporting entity. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions on the financial statements, insofar as they relate to the amounts included for the St. Mary's County Public Schools, are based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the fiduciary fund activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners for St. Mary's County, Maryland, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2009, on our consideration of the County Commissioners for St. Mary's County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis, the statement of revenues, expenditures, encumbrances and other financing sources and uses – budget (NON-GAAP) basis and actual – general fund, and the schedules of employer contributions and funding progress for the Sheriff's Office Retirement Plan and the Retiree Health Benefit Plan on pages 3-13, 108 and 109-110, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County Commissioners for St. Mary's County, Maryland's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements on pages 111 and 112 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of revenues and other financing sources - budgetary (Non-GAAP) basis and actual - general fund presented on pages 113 and 114, and the schedule of expenditures and other financing uses - budgetary (Non-GAAP) basis and actual - general fund presented on pages 115 through 119 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

La Plata, Maryland
November 16, 2009

Murphy & Murphy CPA, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Annual Financial Report of St. Mary's County, Maryland presents a narrative overview and analysis of the financial activities of St. Mary's County Government for the fiscal year ended June 30, 2009. We encourage readers to use the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- The assets of St. Mary's County Government exceeded its liabilities at the close of the most recent fiscal year by $200 million (*net assets*). Approximately $15 million, or 7.5%, is attributable to the County's enterprise funds, which include business-type activities for Solid Waste and Recycling (SW&R), Medical Adult Daycare Services (MADS), Recreation and Parks recreation activities, and the Wicomico Golf Course. Approximately 24.8% of the total net assets, or $49.7 million (*unrestricted net assets*), may be used to meet ongoing obligations to citizens and creditors. Unrestricted net assets related to governmental activities are $50.2 million. The unrestricted net assets for the enterprise funds (*business-type activities*) reflect a deficit of $543,473, as both the SW&R and MADS enterprise funds posted operating shortfalls. Other components of the net assets are $19.5 million of restricted net assets and approximately $130.9 million of net investment in capital assets. The net investment in capital assets represents the capitalized assets, net of accumulated depreciation and outstanding debt.

- The Government's overall net asset position reflects an increase of $1.2 million over the prior year.

- As of June 30, 2009, the County's governmental funds reported combined fund balances of $48.3 million, a decrease of $26.7 million over the prior year. The general fund and the capital projects fund reflected decreases of $8.7 and $18 million, respectively, both of which were planned and budgeted.. The fund balance for the non-major funds increased $363,549. The County's governmental fund balances at June 30, 2009 include $19.2 million for capital projects, $28.7 million in general funds, and $363,549 for the other non-major funds. The general fund balance includes $1.8 million that is reserved, the largest components of which are encumbrances and inventory. In addition, the general fund reflects designations of approximately $18 million, including a bond rating reserve of $11.9 million and a Rainy Day Fund of $1.625 million. Of the remaining $4.5 million, designations include $3 million for the FY2010 operating budget, as well as transfers budgeted in FY2010 in the amount of $600,000 to MADS to address its deficit issues and $500,000 for pay-go funding for capital projects. The County's undesignated fund balance is slightly less than $9 million, including both the FY2009 results as well as the FY2008 fund balance that was intentionally not applied to the FY2010 budget, in order to retain resources to address the likely State cuts in allocations to the County in FY2011 and FY2012. This will be addressed as a part of the FY2011 budget process. The non-major funds are special purpose funds that correspond to special assessments, the Emergency Services Support Fund, and a revolving loan fund set up to assist volunteer fire and rescue squads in their acquisition of capital assets. The special assessments fund reflects a deficit because expenditures are incurred by the County and then are reimbursed by various entities pursuant to written agreements over varying periods of time, which correspond to the underlying asset. The decrease in the capital projects fund balance was expected since the County deferred the sale of bonds until FY2010, and it also reflects the fact that expenditures, which were planned, utilized resources that had been accumulated, such as transfer taxes and impact fees, which are dedicated to capital projects.

- The business-type operating activities reflect a decrease in net assets of $443,193. Fee-based recreation activities posted an increase of $39,286. This fund is an accumulation of a large number of recreation activities, and fees will be adjusted so that the fund, over the long term, breaks even, with no significant net assets being accumulated. Additionally, the County is providing an annual general fund subsidy of $50,000, as support of these services, which are largely directed to the youth of the County. Fee-based solid waste and recycling activities posted a decrease of $279,927, despite a General fund subsidy of $872,675. At the time that the transfer station is constructed and operational, the County expects to implement fee changes to better match the operational costs. FY2009 results were worse than budgeted due to the duplication of components of the annual environmental/solid waste fee; this was corrected in the FY2010 budget. The Wicomico Golf Course reflects a decrease of $321,042, due principally to the transfer of the assets under construction, for which debt had been taken out in FY2007. As planned, the asset was transferred from the Capital Projects fund to the Wicomico Golf Course Fund and placed in service in FY2009. The net assets of the Medical Adult Daycare Services Fund increased $118,490, entirely due to the $480,235 subsidy from the General fund. This increase was planned as it is the County's intention to eliminate the accumulated deficit, and such additional funding is included in the FY2010 budget. As a part of the FY2010 budget process, the County determined that it would cease to operate the MADS as a County program, transitioning it to private operation.

- At June 30, 2009, the unreserved fund balance for the general fund (primary operating fund) was $28.7 million, or 15% of general fund expenditures, excluding pass-throughs. Designated fund balance of the general fund was $18 million, or 66.7% of unreserved fund balance.

- St. Mary's County Government's total general obligation indebtedness, including general obligation bonds and Water Quality loans, decreased by $9.6 million during the fiscal year ended June 30, 2009. Additions included $200,000 in State loans for capital projects, as well as a net increase in the accrual for compensated absences of $363,901. Payments on the debt totaled $9.8 million, with another reduction in the amount of $200,000, representing the revision of estimated post-closure costs of the landfill.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to St. Mary's County Government's basic financial statements. St. Mary's County Government's basic financial statements comprise three components:
1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required and non-required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of St. Mary's County Government's finances, in a manner comparable to a private-sector business.

The *statement of net assets* presents information on all of St. Mary's County Government's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of St. Mary's County Government is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of St. Mary's County Government that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of St. Mary's County Government include general government, public safety, public works, health, social services, economic development, agricultural land preservation and recreation and parks, community services, planning and zoning, and permits and inspections. The business-type activities of St. Mary's

County Government include the Medical Adult Daycare Services, Wicomico Golf Course, Solid Waste and Recycling Activities and the Recreation Activities, including an indoor swimming pool.

The government-wide financial statements include not only St. Mary's County Government itself (known as the *primary government*), but also legally separate component units. St. Mary's County Government has the following component units: St. Mary's County Public Schools, St. Mary's County Board of Library Trustees, the Metropolitan Commission, and the Building Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 14 to 17 of this report.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. St. Mary's County Government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of St. Mary's County Government can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

St. Mary's County Government maintains five individual governmental funds: general, capital projects, special assessments, fire and rescue revolving funds, and emergency support. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, capital projects and non-major funds (special assessments, fire and rescue revolving, and emergency support funds). The detail for the non-major funds is presented as part of supplementary information following the notes to the financial statements.

St. Mary's County Government adopts an annual appropriated budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund, the County's primary fund. The basic governmental fund financial statements can be found on pages 18 to 19 of this report.

Proprietary funds: Proprietary funds, also known as *Enterprise funds*, are used to report the same functions presented as *business-type activities* in the government-wide financial statements. St. Mary's County Government uses enterprise funds to account for its Medical Adult Daycare Services, the Wicomico Golf Course, and fee-based Solid Waste and Recycling Activities and Recreation Activities. The proprietary fund financial statements can be found on pages 21 to 23 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support St. Mary's County Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary Funds are established for retiree benefit trusts, specifically the Sheriff's Office Retirement plan and the Retiree Benefit Trust of St. Mary's County, Maryland, which addresses the County's retiree health benefits. The basic fiduciary fund financial statements can be found on pages 24 to 27 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are part of the basic financial statements and can be found on pages 28 to 107 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning St. Mary's County Government's progress in funding its obligations to retiree benefits. Required supplementary information can be found on pages 108 to 110 of this report. Other supplementary information can be found on pages 111 to 121.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial condition and position. In the case of St. Mary's County, assets exceeded liabilities by $200 million at the close of the current fiscal year. St. Mary's County Government's net assets are divided into three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Approximately 65.4% of the County's net assets reflect its investment in capital assets net of depreciation (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net assets represent 9.8% of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used. Unrestricted net assets of the government have a balance of $49.7 million (24.8% of total net assets) which may be used to meet the government's ongoing obligations to citizens and creditors.

ST. MARY'S COUNTY GOVERNMENT'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
ASSETS						
Current Assets	$104,051,832	$126,316,492	$ 1,122,811	$ 2,390,991	$105,174,643	$128,707,483
Other Non-Current Assets	20,222,377	21,496,045	0	0	20,222,377	21,496,045
Capital Assets, net of accumulated depreciation	208,027,170	193,261,478	17,309,849	16,920,487	225,337,019	210,181,965
Total Assets	$332,301,379	$341,074,015	$18,432,660	$19,311,478	$350,734,039	$360,385,493
LIABILITIES						
Current Liabilities	$ 33,544,209	$ 33,545,594	$ 1,478,386	$ 1,281,740	$ 35,022,595	$ 34,827,334
Non-current Liabilities	113,555,162	124,388,090	2,003,195	2,264,438	115,558,357	126,652,528
Total Liabilities	$147,099,371	$157,933,684	$ 3,481,581	$ 3,546,178	$150,580,952	$161,479,862
NET ASSETS						
Invested in Capital Assets, net of related debt	$115,400,807	$ 90,843,291	$15,494,552	$14,822,415	$130,895,359	$105,665,706
Restricted	19,548,718	36,326,286	0	747,128	19,548,718	37,073,414
Unrestricted	50,252,483	55,970,754	(543,473)	195,757	49,709,010	56,166,511
Total Net Assets	$185,202,008	$183,140,331	$14,951,079	$15,765,300	$200,153,087	$198,905,631
Total Liabilities and Net Assets	$332,301,379	$341,074,015	$18,432,660	$19,311,478	$350,734,039	$360,385,493

At June 30, 2009 St. Mary's County Government reports positive balances in all three categories of net assets as a whole.

The following table indicates the changes in net assets for governmental and business-type activities:

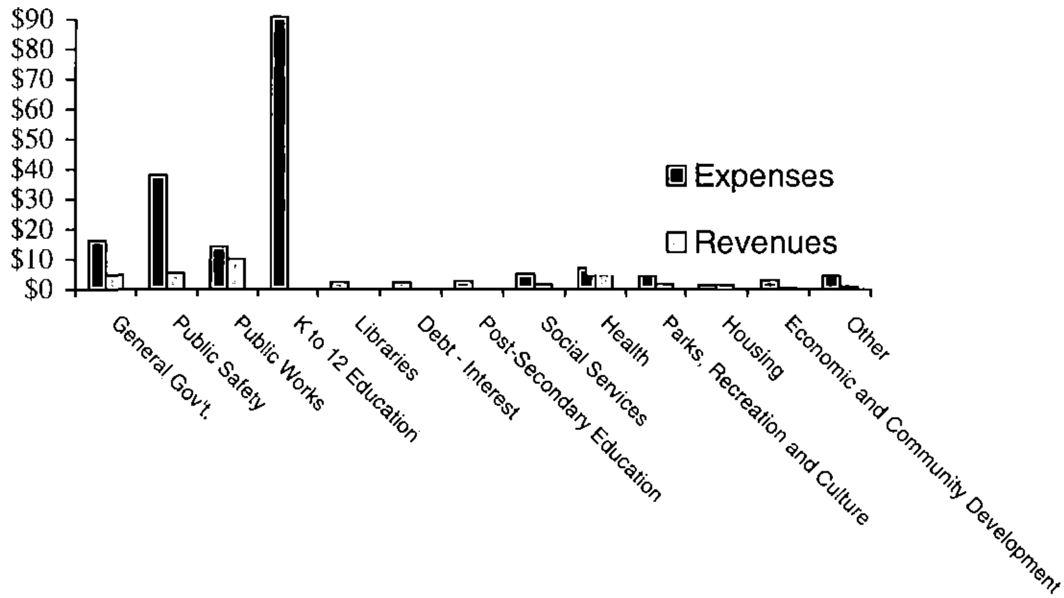
ST. MARY'S COUNTY GOVERNMENT'S CHANGES IN NET ASSETS
Years Ended June 30, 2009 and 2008

	Governmental Activities		Business -Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program Revenues:						
Charges for Services	$ 8,592,477	$10,684,183	$ 3,900,654	$ 3,953,431	$ 12,493,131	$ 14,637,614
Environment/Solid Waste Fees	0	0	2,272,980	2,277,540	2,272,980	2,277,540
Operating Grants and Contributions	21,644,726	16,245,566	381,871	346,544	22,026,597	16,592,110
Capital Grants and Dedicated Fees or Taxes	2,833,220	1,308,781	0	0	2,833,220	1,308,781
General Revenues:						
Property Taxes	87,183,424	77,889,130	0	0	87,183,424	77,889,130
Income Taxes	61,471,674	62,829,665	0	0	61,471,674	62,829,665
Other Taxes	13,309,660	17,965,403	0	0	13,309,660	17,965,403
Investment Earnings	628,327	3,001,001	9,062	51,706	637,389	3,052,707
Construction in Progress-Wicomico Clubhouse	0	(1,570,909)	0	1,570,909	0	0
Transfer Capital Assets-Solid Waste Facilities	0	(776,663)	0	776,663	0	0
Debt Transfer	0	575,508	0	(575,508)	0	0
Gain/Loss on Disposals and/or Transfers	0	0	0	3,931	0	3,931
Transfer of Capital Assets net of accumulated depreciation	0	0	0	12,020,143	0	12,020,143
Transfer to OPEB Trust	0	(3,439,138)	0	0	0	(3,439,138)
Subsidies to Enterprise Funds	(1,402,910)	(1,810,994)	1,402,910	1,810,994	0	0
Roads Developed by Third Parties	5,140,269	0	0	0	5,140,269	0
Exempt Financing Proceeds - Vehicles	1,778,443	0	0	0	1,778,443	0
Capital Projects Funding	2,624,064	0	0	0	2,624,064	0
Miscellaneous	146,119	5,889,138	30	32	146,149	5,889,170
Total Revenues	$203,949,493	$188,790,671	$ 7,967,507	$22,236,385	$211,917,000	$ 211,027,056
Program Expenses:						
General Government	15,847,731	10,613,195	0	0	15,847,731	10,613,195
Public Safety	38,256,966	32,998,160	0	0	38,256,966	32,998,160
Public Works	14,428,668	12,032,412	3,811,523	3,920,107	18,240,191	15,952,519
Health	6,991,219	1,815,133	0	0	6,991,219	1,815,133
Social Services	5,132,079	4,407,680	0	0	5,132,079	4,407,680
Primary and Secondary Education	90,733,752	85,119,750	0	0	90,733,752	85,119,750
Post-Secondary Education	2,791,419	2,628,285	0	0	2,791,419	2,628,285
Parks, Recreation, and Culture	7,858,709	5,002,944	4,599,177	4,314,039	12,457,886	9,316,983
Housing	1,366,689	1,210,838	0	0	1,366,689	1,210,838
Libraries	2,417,419	2,443,366	0	0	2,417,419	2,443,366
Conservation of Natural Resources	365,678	379,302	0	0	365,678	379,302
Economic Development and Opportunity	3,110,950	3,321,142	0	0	3,110,950	3,321,142
Interest on Debt	2,372,161	2,833,088	0	0	2,372,161	2,833,088
Other, principally Retirees' Health	10,585,404	11,303,489	0	0	10,585,404	11,303,489
Total Expenses	$202,258,844	$176,108,784	$ 8,410,700	$ 8,234,146	$210,669,544	$184,342,930
Increase/(Decrease) in Net Assets	1,690,649	12,681,887	(443,193)	14,002,239	1,247,456	26,684,126
Net Assets - Beginning	183,140,331	170,458,444	15,765,300	1,763,061	198,905,631	172,221,505
Prior Period Adjustment	371,028	0	(371,028)	0	0	0
Net Assets - Ending	$185,202,008	$183,140,331	$14,951,079	$15,765,300	$200,153,087	$198,905,631

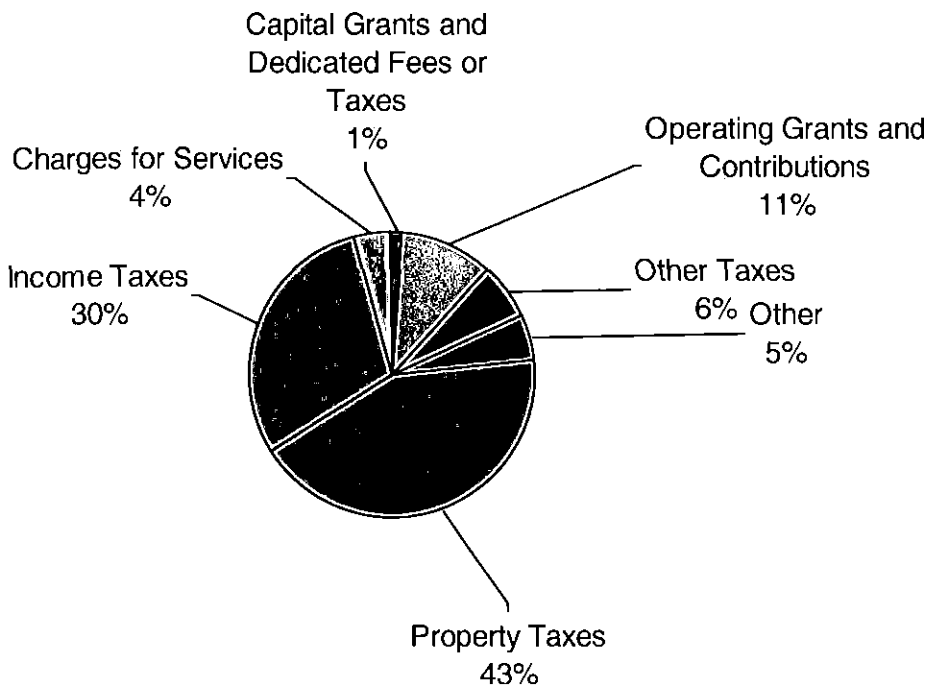
Governmental activities: Governmental activities reflected an increase in net assets of $1.7 million. The governmental funds reflected a net decrease of $26.7 million, reflecting the planned use of fund balances for capital projects as well as non-recurring expenditures such as supplemental transfers to fund OPEB trusts.

Business-type activities: Business-type activities reflected a decrease in net assets of $.4 million. Wicomico Course fee-based activities and Solid Waste and Recycling fee-based activities posted decreases while the Medical Adult Daycare and Recreation and Parks posted increases.

Expenses and Program Revenues – Governmental Activities
(in millions)



Revenues By Source – Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, St. Mary's County Government uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of St. Mary's County Government's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing St. Mary's County Government's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2009, St. Mary's County Government's governmental funds reported combined ending fund balances of $48.3 million, a decrease of $26.7 million over the prior year. Approximately $28.7 million, or 59.3% of this total, constitutes *unreserved fund balance*, which is available for spending at the government's discretion, including designations of $4.1 million for the 2010 budget, $11.9 million for the Bond Rating reserve, and $1.625 million for the Rainy Day fund. The application of fund balance to the subsequent year's budget and these designations are discussed elsewhere in this section. Reserved fund balance includes $18.5 million for capital projects as well as approximately $1.8 million committed to liquidate encumbrances, for inventories, or dedicated for a variety of restricted purposes. The reserved fund balance does not significantly affect the availability of fund resources for future use.

The general fund is the chief operating fund of St. Mary's County Government and is central to the budget process and management of current resources. At June 30, 2009, unreserved fund balance of the general fund was $27 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and *total fund balance to total fund expenditures. Unreserved fund balance represents 14.1% of total general fund* expenditures, excluding pass-throughs, while total fund balance represents 15% of that same amount.

In addressing the budget to actual variances, this section focuses generally on comparisons to the original approved budget. The "other supplementary information" on pages 113 through 119 reflects the original and revised budgets as well as the actual results, in more detail. The County experienced positive variances for property taxes, which came in about $1.7 million more than the original budget. However, the State's allocations as well as general economic conditions are reflected in other revenues, such as income taxes and recordation taxes, which were below budget by $2.3 and $3.2 million, respectively. Fees, permits, and charges for services, many of which relate to real estate-related transactions, though individually small, generally reflected amounts significantly less than budgeted. The effects of this deterioration were mitigated by actions that the County took to reduce its expenses. Generally, turn-over savings were generated almost across the board, as a "soft freeze" was imposed. Additionally, the County implemented a number of risk management efforts that yielded significant cost savings, including liability premium savings in excess of $400,000 as well as significantly improved experience and corresponding cost decreases of almost $500,000 related to workers compensation costs, which are a direct result of the transition to a self-insured program effective July 1, 2008. The volatility of the prior year in utility and fuel costs had resulted in a budget that was higher than was actually needed for FY2009, generating some savings as well.

In addition, throughout all departments, there is an accumulation of individually small positive expense variances. This reflects the County's disciplined approach to budgeting, including adherence to budgeted activities, judicious review of supplemental budget requests, use of an encumbrance-based approach, continued focus on efficiency and effectiveness, and prudent fiscal management at all levels. There was also neither a significant snowfall nor other unplanned event that required the use of significant emergency reserve funds.

Additionally, the County had planned a bond sale for FY2009, which was deferred to FY2010 in light of cash flow needs as well as the economic and market conditions. Deferral meant that almost $900,000 of payments on the new issue that were budgeted in FY2009 were not expended.

The Board's philosophy is to build a budget based on sustainable levels of revenues, and use any excess generated in one year to fund non-recurring items in a subsequent budget. Given the various scenarios for the State's balancing of its own budget as well as the general economic conditions, these funds may be used to bridge funding gaps that may occur due to reductions in funding from sources such as the State or from grants as well as to bridge the gap for selected revenues that may be temporarily lower than normal due to unusual economic conditions. With the low property tax rate and an income tax rate that is less than the maximum allowed by the State, the County has maintained ample capacity for revenue enhancement, should future needs arise. The positive fund balance generated in FY2009 will be considered in the FY2011 budget process. This will be combined with the $6,988,383 of FY2008 fund balance that was intentionally retained to address the likely continued revenue volatility and State cuts in FY2011 and beyond.

The fund balance of St. Mary's County Government's general fund decreased by $8.7 million during the fiscal year ended June 30, 2009. This reduction was less than the $11 million that was planned, largely due to the factors identified previously.

The capital projects fund has a total fund balance of $19.2 million, including $662,112 which has been designated in reserve, available at the direction of the Board of County Commissioners, to cover unanticipated costs, through a supplemental budgetary process. The balance of $185 million reflects the accumulated unspent balances of impact fees, recordation taxes, transfer taxes, and pay-go, which has been appropriated for specific projects, but remains unspent as of June 30, 2009. These funds have been budgeted and the capital projects are in progress.

Proprietary funds: St. Mary's County Government's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, unrestricted net assets of the Wicomico Golf Course Fund accounted for $138,253. The Recreation Activities Fund reflected a deficit of $102,008, the Solid Waste and Recycling fund reflected a deficit of $340,962, and the Medical Adult Daycare Services reflected a deficit of $238,756. On a combined basis, there was a $.35 million decrease in unrestricted net assets. Factors concerning these funds' finances are addressed in the discussion of St. Mary's County Government's business-type activities.

General fund Budgetary Highlights

The final budget for the General fund was approximately $2 million less than the original budget. Revisions were made to address some of the lowered revenue expectations, such as recordation and interest income, as well as adjustments for changes in grants. During the year, revenues and expenditures were generally below budget, as the County managed its way through the deteriorating revenue picture through a variety of expense control measures described previously, including use of the $1.3 million budget stabilization reserve which was set up out of recurring revenues when the FY2009 budget was originally adopted, in anticipation of softening revenues, though specifics were not identified.

Capital Asset and Debt Administration

- **Capital assets:** St. Mary's County Government's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to $225.3 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure and land development rights. The net increase in St. Mary's County Government's investment in capital assets for the fiscal year ended June 30, 2009 was $15.2 million. It should be noted that the capital asset balances include the County's infrastructure (i.e., roads), as the County has fully implemented the requirements of the Governmental Accounting Standards Board (GASB) Statement 34.

ST. MARY'S COUNTY GOVERNMENT'S CAPITAL ASSETS
(At Cost, Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$31,061,709	$24,805,834	$1,078,666	$1,078,666	$32,140,375	$25,884,500
Building and Improvements	61,692,793	54,783,177	3,166,849	752,380	64,859,642	55,535,557
Facilities Under Construction	4,796,374	8,462,494	0	1,818,447	4,796,374	10,280,941
Solid Waste Facilities	0	0	11,522,871	11,522,871	11,522,871	11,522,871
Infrastructure	97,590,641	92,995,165	264,471	281,165	97,855,112	93,276,330
Vehicles	4,548,881	3,408,181	1,256,421	1,450,950	5,805,302	4,859,131
Equipment	8,336,772	8,806,627	20,570	16,008	8,357,342	8,822,635
	$208,027,170	$193,261,478	$17,309,848	$16,920,487	$225,337,018	$210,181,965

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

- $4.6 million in improvements were placed in service in FY2009, including Patuxent Beach Road Revetment and asphalt overlay project.
- $6.2 million in new buildings were completed in FY2009, including the Chesapeake Building, Wicomico Clubhouse.
- Renovations to Piney Point Lighthouse Museum as well as its shore erosion control project, totaling $.9 million.
- Approximately $8 million in roads were added to the County system, including projects developed by third parties.
- Several park improvements were completed and capitalized in FY2009, including Three Notch Trail, tennis court replacements and parking lot expansions, totaling approximately $1.4 million.
- Vehicles were purchased to replace aging vehicles for the Sheriff's Department, St. Mary's Transit System, and other government activities.
- Land purchases principally relating to the future creation of parks and schools were added to our capital asset base in FY2009, including the purchase of the Hayden property, which is expected to be the site of two new schools, a new library, park amenities and park land acquisition.

Additional information on St. Mary's County's capital assets can be found in Note 4 of this report.

Long-term debt: At June 30, 2009, St. Mary's County Government had the following total general obligation bonded debt, and other similar obligations outstanding, as set forth in the table below. The full faith and credit and unlimited taxing power of the County are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds.

ST. MARY'S COUNTY GOVERNMENT'S GENERAL OBLIGATION DEBT

Primary Government

	June 30, 2008	June 30, 2009	Amounts due within one year
General Obligation Bonds(GOB) – County	$ 89,935,000	$ 82,200,000	$ 7,260,000
Less: Amount Deferred on Refunding	(1,759,662)	(1,747,217)	(12,890)
Water Quality Loan	5,163,120	4,644,158	527,549
State Loans	1,789,103	1,905,283	81,006
Surplus Property Transfer of Debt	241,664	196,389	47,407
Exempt Financing (Equipment & Vehicles)	5,048,967	3,627,750	1,395,977
	$100,418,192	$ 90,826,363	$ 9,299,049
GOB sold on behalf of St. Mary's Hospital	$ 18,190,000	$ 16,785,000	$ 880,000

Business-Type Activities

	June 30, 2008	June 30, 2009	Amounts due within one year
Exempt Financing (Equipment)	$2,098,072	$1,815,294	$274,665

St. Mary's County Government's total general obligation bonded debt decreased by a net $9.6 million, principally due to principal payments, offset by draws for exempt financing of vehicles and equipment, State loans for capital projects, and adjustments of accruals for compensated absences. Repayments include $1,405,000 for the Hospital loans; the Hospital fully reimburses the County for costs and debt service payments related thereto; the debt service is not funded by general funds of the County.

St. Mary's County Government has maintained an "AA" rating from both Standard and Poors and Fitch Ratings and an "Aa3" rating from Moody's Investors Service, Inc. The debt affordability guidelines for St. Mary's County Government were previously set by the Board of County Commissioners, on the advice of the County's financial advisor. The policy adopted by the Board provides that the ratio of debt to assessed value not exceed 2%, and debt service as a percent of current general fund revenue not exceed 10%. The County is well within these parameters, and monitors capital budgets and 5-year plans to ensure it remains within the limitations.

Additional information on St. Mary's County Government's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

- The FY2010 budget incorporated 2.4% growth in income tax revenue. The 2007 data indicated that the County's net taxable income increased 9.8% over the prior year, with a 5-year average increase of 8.6%, but a more modest percentage increase was used in light of the economic conditions.
- Property tax income estimates for the FY2010 budget were approximately 9% higher than the FY2009 budget, and were based on State estimates of the County's assessable base of $10.5 billion, almost $900 million higher than the prior fiscal year. Initial billings for FY2010 are comparable to the estimates.
- Though the County may be negatively impacted by the State budget situation as well as the general economic situation, the activities and operations of the Patuxent Naval Air Base have a stabilizing effect. The number of

jobs and related services are relatively stable, and number and diversity of technology companies increases each year. This stability, and even modest growth for Base related jobs is projected to continue.
- The population growth for the County is the 2nd highest in the State for the 2000-2008 period; the County now exceeds 100,000 in population.
- The County ranks first in the State for growth in the labor force, 4th in the State for average weekly wages, and consistently posts unemployment rates that are well below State averages. County median household income is 14.3% above the State average. These factors indicate a solid economy.
- Department of Defense capital investment within St. Mary's County continues to occur, providing a sound foundation for the County's economy.
- Tourism continues to grow and diversify, with increases in the number of visitors and hotel rooms. This reflects promotion of the County's assets through the Welcome Center and media campaigns such as Maryland's 375th. At a time when accommodation tax revenues for the State declined by 5%, the County experienced an increase.
- New mixed use development is proceeding, helping to diversify the County's tax base.

Each budget cycle includes reviews of both the operating and capital spending plans for sustainability and affordability. The County's debt policy is conservative and is a significant consideration in budget deliberations. The County has used its fund balance in the previous years to pay for capital projects, rather than borrow, and also to pre-pay its retiree health obligations. Each of these actions served to reduce future annual expenditures.

The FY2010 budget was adopted at a level below that of FY2009, as the County came to grips with the reduced allocations from the State. In order to avoid disruption to citizen services, the County used about one-third of its available unreserved undesignated fund balance at June 30, 2008, to replace cuts made by the State in its allocation of highway user fees. Anticipating continued fiscal pressure, the County retained the balance of almost $7 million as a reserve to address similar shortfalls in the FY2011 and FY2012 budget. The FY2010 budget included a revenue stabilization reserve as well as funding for an emergency reserve, while still maintaining its bond rating reserve and fully funding its annual required contribution for OPEB.

The Board intends to continue its use of multi-year outlooks and sustainability reviews as a part of the budget process, but also throughout the year on a more limited basis to address and respond to the implications of the State's budget challenges as well as changing conditions in the local economy. These reviews are not focused simply on the operating budget, but include the review of capital projects that can often have significant operational impacts beyond the debt service needed to repay any related borrowings. Given the State's budget situation and the economy, the Board recognizes that its plan must be scalable to accommodate the economic conditions of the near term. With conservative financial practices, continued focus on cost-saving measures during regular financial reviews, and tight expenditure controls, the County retains the flexibility and capacity to manage through these difficult times. Tax rates for FY2009 remained unchanged from FY2008, and property tax rates are among the lowest in the State. Additionally, given the historical application of a 5% cap on primary residential property assessment increases, the County retains flexibility and capacity for the future, even given the potential declines in the full value assessments. However, it is the goal to manage our way through these tough times through a variety of measures. The continued focus will be to assure that adequate and sustainable resources are identified to address prioritized needs – both capital and operating – now and for the future.

Requests for Information

This financial report is designed to provide a general overview of St. Mary's County Government's finances for all those with an interest in the Government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, St. Mary's County Government, P.O. Box 653, Leonardtown, Maryland 20650, or via email at Finance@co.saint-marys.md.us.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Units			
	Governmental Activities	Business-Type Activities	Total	Public Schools	Library	Metropolitan Commission	Building Authority
ASSETS							
Cash and cash equivalents	$54,665,376	$183,365	$54,848,741	$33,352,019	$238,365	$8,119,670	$377
Internal balances	(707,482)	707,482	0	0	0	0	0
Restricted cash and investments	0	0	0	0	100,616	0	0
Taxes receivable	3,629,447	0	3,629,447	0	0	0	0
Income tax reserve, funds held by the State	16,365,391	0	16,365,391	0	0	0	0
Due from other governments	0	0	0	12,739,936	293,630	0	204,513
Notes receivable, Fire and Rescue loans	435,308	0	435,308	0	0	0	0
Accounts receivable	12,679,943	175,742	12,855,685	826,537	113,683	1,090,559	608,942
Inventory	779,632	56,222	835,854	160,576	0	128,555	0
Prepaid, post-retirement benefit	16,171,623	0	16,171,623	0	109,721	283,984	0
Other prepaid expenses	32,594	0	32,594	8,750	0	16,240	0
Mortgages receivable from St. Mary's Hospital	16,785,000	0	16,785,000	0	0	0	0
Deferred and unamortized bond issuance costs	0	0	0	0	0	515,612	278,564
Fire and Rescue loans receivable, net of short-term portion	1,926,206	0	1,926,206	0	0	0	0
Special tax assessments receivable, net of short-term portion	1,511,171	0	1,511,171	0	0	0	0
Capital assets	324,472,600	20,880,080	345,352,680	326,309,517	4,302,461	115,241,314	17,532,782
Accumulated depreciation	(116,445,430)	(3,570,231)	(120,015,661)	(90,096,492)	(3,084,186)	(36,454,057)	(8,503,094)
Capital assets, net of accumulated depreciation	$208,027,170	$17,309,849	$225,337,019	$236,213,025	$1,218,275	$78,787,257	$9,029,688
Total Assets	$332,301,379	$18,432,660	$350,734,039	$283,300,843	$2,074,290	$88,941,877	$10,122,084

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Units			
	Governmental Activities	Business-Type Activities	Total	Public Schools	Library	Metropolitan Commission	Building Authority
LIABILITIES							
Accounts payable	$4,008,083	$330,885	$4,338,968	$7,090,566	$71,998	$762,855	$0
Compensation-related liabilities	2,867,138	855,219	3,722,357	14,460,878	54,988	0	0
Deferred income tax distribution	16,365,391	0	16,365,391	0	0	0	0
Deferred revenue	4,921,151	279,668	5,200,819	849,239	0	334,023	0
Other liabilities	4,884,303	12,614	4,896,917	154,319	0	1,243,734	154,505
Due to other governments	498,143	0	498,143	208,692	0	0	0
Non-current liabilities							
Due within one year	10,204,525	274,664	10,479,189	1,379,234	0	1,607,490	1,140,000
Due in more than one year	103,350,637	1,728,531	105,079,168	9,365,609	101,118	18,916,914	5,155,000
Total Liabilities	$147,099,371	$3,481,581	$150,580,952	$33,508,537	$228,104	$22,865,016	$6,449,505
NET ASSETS							
Invested in capital assets, net of related debt	$115,400,807	$15,494,552	$130,895,359	$231,777,120	$1,218,275	$58,262,853	$2,734,688
Restricted	19,548,718	0	19,548,718	86,080	107,333	3,151,341	204,890
Unrestricted	50,252,483	(543,473)	49,709,010	17,929,106	520,578	4,662,667	733,001
Total Net Assets	$185,202,008	$14,951,079	$200,153,087	$249,792,306	$1,846,186	$66,076,861	$3,672,579
Total Liabilities and Net Assets	$332,301,379	$18,432,660	$350,734,039	$283,300,843	$2,074,290	$88,941,877	$10,122,084

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

		Program Revenues			
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Dedicated Fees or Taxes	Total Revenues
General Government	$15,847,731	$3,927,079	$837,615	$0	$4,764,694
Public Safety	38,256,966	1,496,917	3,563,482	462,257	5,522,656
Public Works	14,428,668	834,803	9,201,036	0	10,035,839
Health	6,991,219	0	5,730,882	0	5,730,882
Social Services	5,132,079	1,725	1,649,321	0	1,651,046
Primary and Secondary Education	90,733,752	0	0	0	0
Post -Secondary Education	2,791,419	0	0	0	0
Parks, Recreation, and Culture	7,858,709	318,274	31,933	1,474,010	1,824,217
Libraries	2,417,419	0	0	0	0
Conservation of Natural Resources	365,678	0	0	701,361	701,361
Housing	1,366,689	1,179,841	213,520	0	1,393,361
Economic Development and Opportunity	3,110,950	69,352	416,937	0	486,289
Debt Interest	2,372,161	0	0	0	0
Other	10,585,404	764,486	0	195,592	960,078
TOTAL GOVERNMENTAL ACTIVITIES	$202,258,844	$8,592,477	$21,644,726	$2,833,220	$33,070,423
Business - Type Activities					
Recreation Activity	$2,113,553	$2,065,102	$37,709	$0	$2,102,811
Wicomico	1,663,077	1,332,971	0	0	1,332,971
Medical Adult Daycare	822,547	116,640	344,162	0	460,802
Solid Waste/Recycling	3,811,523	2,658,921	0	0	2,658,921
TOTAL BUSINESS-TYPE ACTIVITIES	$8,410,700	$6,173,634	$381,871	$0	$6,555,505
TOTAL PRIMARY GOVERNMENT	$210,669,544	$14,766,111	$22,026,597	$2,833,220	$39,625,928
Component Units:					
Public Schools	$209,077,529	$3,734,669	$34,080,911	$20,663,001	$58,478,581
Library	3,278,600	229,970	895,486	0	1,125,456
MetCom	13,032,060	14,747,913	0	0	14,747,913
Building Authority	762,944	1,394,843	0	0	1,394,843
	$226,151,133	$20,107,395	$34,976,397	$20,663,001	$75,746,793

General Revenues:
Property Taxes
Income Taxes
Other including energy, recordation and transfer taxes
Investment Earnings
Grants and Contributions Not Restricted to Specific Purposes
Subsidies to enterprise funds
Miscellaneous, principally capital projects funding
Total General Revenues

Increase/(Decrease) in Net Assets

Net Assets - Beginning
Prior Period Adjustment
Net Assets - Ending

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net (Expense) Revenue and Changes in Net Assets						
Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Public Schools	Library	MetCom	Building Authority
($11,083,037)	$0	($11,083,037)				
(32,734,310)	0	(32,734,310)				
(4,392,829)	0	(4,392,829)				
(1,260,337)	0	(1,260,337)				
(3,481,033)	0	(3,481,033)				
(90,733,752)	0	(90,733,752)				
(2,791,419)	0	(2,791,419)				
(6,034,492)	0	(6,034,492)				
(2,417,419)	0	(2,417,419)				
335,683	0	335,683				
26,672	0	26,672				
(2,624,661)	0	(2,624,661)				
(2,372,161)	0	(2,372,161)				
(9,625,326)	0	(9,625,326)				
($169,188,421)	$0	($169,188,421)				
$0	($10,742)	($10,742)				
0	(330,106)	(330,106)				
0	(361,745)	(361,745)				
0	(1,152,602)	(1,152,602)				
$0	($1,855,195)	($1,855,195)	$0	$0	$0	$0
($169,188,421)	($1,855,195)	($171,043,616)				
$0	$0	$0	($150,598,948)	$0	$0	$0
0	0	0	0	(2,153,144)	0	0
0	0	0	0	0	1,715,853	0
0	0	0	0	0	0	631,899
$0	$0	$0	($150,598,948)	($2,153,144)	$1,715,853	$631,899
$87,183,424	$0	$87,183,424	$0	$0	$0	$0
61,471,674	0	61,471,674	0	0	0	0
13,309,660	0	13,309,660	0	0	0	0
615,986	9,062	625,048	428,603	12,656	78,573	2
0	0	0	164,602,994	2,224,799	0	0
(1,402,910)	1,402,910	0	0	0	0	0
9,701,236	30	9,701,266	1,657,687	57,375	5,642,564	0
$170,879,070	$1,412,002	$172,291,072	$166,689,284	$2,294,830	$5,721,137	$2
$1,690,649	($443,193)	$1,247,456	$16,090,336	$141,686	$7,436,990	$631,901
$183,140,331	$15,765,300	$198,905,631	$233,701,970	$1,704,500	$58,639,871	$3,040,678
371,028	(371,028)	0	0	0	0	0
$185,202,008	$14,951,079	$200,153,087	$249,792,306	$1,846,186	$66,076,861	$3,672,579

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Capital Projects	Non-Major	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$46,877,605	$0	$0	$46,877,605
Due from other funds	0	18,707,724	1,030,251	19,737,975
Taxes receivable	3,560,861	0	66,229	3,627,090
Income tax reserve, funds held by the State	16,365,391	0	0	16,365,391
Special tax assessments receivable	0	0	2,357	2,357
Notes receivable, Fire and Rescue loans	0	0	435,308	435,308
Accounts receivable	10,964,592	1,715,351	0	12,679,943
Inventory	779,632	0	0	779,632
Other	31,594	0	0	31,594
Fire and Rescue loans receivable, net of short-term portion	0	0	1,926,206	1,926,206
Special tax assessments receivable, net of short-term portion	0	0	1,511,171	1,511,171
Total Assets	$78,579,675	$20,423,075	$4,971,522	$103,974,272
LIABILITIES				
Accounts payable	$2,797,335	$1,199,390	$11,358	$4,008,083
Compensation-related liabilities	2,867,353	0	0	2,867,353
Deferred income tax distribution	16,365,391	0	0	16,365,391
Deferred revenue	1,027,072	20,000	3,874,079	4,921,151
Other liabilities	4,884,303	0	0	4,884,303
Due to other funds	21,395,849	0	686,870	22,082,719
Due to other governments	498,143	0	0	498,143
Total Liabilities	$49,835,446	$1,219,390	$4,572,307	$55,627,143
FUND BALANCES				
Reserved	$1,781,583	$18,541,573	($638,487)	$19,684,669
Unreserved, designated	17,973,082	662,112	1,037,702	19,672,896
Unreserved, undesignated	8,989,564	0	0	8,989,564
Total Fund Balances	$28,744,229	$19,203,685	$399,215	$48,347,129
Total Liabilities and Fund Balances	$78,579,675	$20,423,075	$4,971,522	$103,974,272

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Capital Projects	Non-Major	Total
REVENUES				
Property Taxes	$87,183,424	$0	$0	$87,183,424
Income Taxes	61,471,674	0	0	61,471,674
Energy Taxes	1,472,360	0	0	1,472,360
Recordation Taxes	4,800,507	459,916	0	5,260,423
Transfer Taxes	0	4,389,061	0	4,389,061
Agricultural/Development Taxes	0	31,614	0	31,614
Impact Fees	0	2,000,562	0	2,000,562
Other Local Taxes	983,389	0	0	983,389
Highway User Revenues	6,564,822	0	0	6,564,822
Licenses and Permits	1,324,802	0	0	1,324,802
Intergovernmental	12,488,912	3,698,181	352,372	16,539,465
Charges for Services	5,450,165	0	0	5,450,165
Fines and Forfeitures	299,214	0	0	299,214
Special Assessments	0	0	195,592	195,592
Other Revenues	925,311	0	1,645,070	2,570,381
Sub-total	182,964,580	10,579,334	2,193,034	195,736,948
Pass-Throughs	923,208	0	0	923,208
TOTAL GENERAL FUND REVENUES	$183,887,788	$10,579,334	$2,193,034	$196,660,156
EXPENDITURES				
General Government	$20,030,382	$10,866,337	$0	$30,896,719
Public Safety	34,008,339	219,491	1,927,144	36,154,974
Public Works	8,215,494	4,758,689	0	12,974,183
Health	6,991,219	0	0	6,991,219
Social Services	4,458,381	692	0	4,459,073
Primary and Secondary Education	82,185,104	8,535,239	0	90,720,343
Post -Secondary Education	2,749,134	0	0	2,749,134
Parks, Recreation, and Culture	3,793,443	1,755,200	0	5,548,643
Libraries	2,224,799	0	0	2,224,799
Conservation of Natural Resources	365,678	0	0	365,678
Housing	1,366,689	0	0	1,366,689
Economic Development and Opportunity	2,184,050	1,900,031	0	4,084,081
Debt Service - Principal and Interest	11,924,790	0	230,224	12,155,014
Other	10,585,351	0	0	10,585,351
Sub-total	191,082,853	28,035,679	2,157,368	221,275,900
Pass-Throughs	923,208	0	0	923,208
TOTAL GENERAL FUND EXPENDITURES	$192,006,061	$28,035,679	$2,157,368	$222,199,108
Excess of Revenues Over (Under) Expenditures	($8,118,273)	($17,456,345)	$35,666	($25,538,952)
OTHER FINANCING SOURCES AND USES				
Exempt financing proceeds	$1,778,443	$0	$0	$1,778,443
State Loans	0	907,555	0	907,555
Capital Projects - General Fund Transfer	(1,000,000)	1,000,000	0	0
Construction in Progress - Wicomico Clubhouse	0	(2,494,798)	0	(2,494,798)
Subsidies to Enterprise Funds	(1,402,910)	0	0	(1,402,910)
Other/Private Funding Sources	40,047	25,876	0	65,923
Total Other Financing Sources / Uses	($584,420)	($561,367)	$0	($1,145,787)
Net Increase/(Decrease) in Fund Balances	($8,702,693)	($18,017,712)	$35,666	($26,684,739)
FUND BALANCE				
Beginning of the Year	$37,446,922	$36,444,734	$363,549	$74,255,205
Prior Period Adjustment	0	776,663	0	776,663
End of Year	$28,744,229	$19,203,685	$399,215	$48,347,129

The accompanying notes to the financial statements are an integral part of this statement.

The County Commissioners for St. Mary's County
Reconciliations of the Governmental Funds to the Governmental Activities
For the Year Ended June 30, 2009

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

Fund Balance - Governmental Funds	$48,347,129
Capital assets, net of accumulated depreciation, are not reported in the Balance Sheet for Governmental Funds	208,027,170
Assets of interfunds are included in governmental activites in the statement of net assets	9,425,033
Prepaid OPEB is not reported in the Balance Sheet for governmental funds	16,172,623
Debt, including bonds, loans, capital leases and the long-term portion of compensated absences, is not reported in the Balance Sheet for Governmental Funds. The amount reflected here is net of mortgages receivable from St. Mary's Hospital of $16,785,000, but does include debt applicable to assets reported in the component unit for the Board of Education	(96,769,947)
Net Assets - Governmental Activities	$185,202,008

Amounts reported for change in Fund Balances - Governmental Funds are different from change in Net Assets of Governmental Activities because:

Net increase/(decrease) in fund balances - total governmental funds	($26,684,739)
Depreciation expense which is reported in the statement of activities, but not reflected as an expenditure for governmental activities	(8,040,395)
Issuance of long-term debt, excluding amounts which are offset by mortgages receivable from St. Mary's Hospital, and effect of refunding. This does include debt applicable to assets reported in the component unit for the Board of Education	(576,131)
Repayment of debt	10,004,274
Expenses of certain activities of interfunds are reported within governmental activities	(1,818,447)
Increase in prepaid OPEB is not reported with the Balance Sheet for governmental funds	6,000,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	22,806,087
Increase/(decrease) in net assets of governmental activities	$1,690,649

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2009

	Medical Adult Daycare	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
ASSETS					
Current assets					
Cash and cash equivalents	$0	$0	$183,365	$0	$183,365
Due from other funds	0	183,047	417,523	129,436	730,006
Accounts receivable	87,781	15,412	15,687	56,862	175,742
Inventory	0	0	56,222	0	56,222
Total Current Assets	$87,781	$198,459	$672,797	$186,298	$1,145,335
Non-current assets					
Capital assets (including capital assets transferred)	$0	$126,748	$6,409,244	$14,344,088	$20,880,080
Accumulated depreciation	0	(126,629)	(1,866,795)	(1,576,807)	(3,570,231)
Capital assets, net of accumulated depreciation	$0	$119	$4,542,449	$12,767,281	$17,309,849
Total Assets	$87,781	$198,578	$5,215,246	$12,953,579	$18,455,184
LIABILITIES					
Current liabilities					
Due to other funds	$22,524	$0	$0	$0	$22,524
Accounts payable	17,481	53,832	55,013	217,173	343,499
Compensation-related liabilities	260,432	88,777	277,330	228,680	855,219
Deferred revenue	1,392	157,858	120,418	0	279,668
Noncurrent Liabilities					
Due within one year	0	0	41,897	232,767	274,664
Due in more than one year	24,708	0	1,315,865	387,958	1,728,531
Total Liabilities	$326,537	$300,467	$1,810,523	$1,066,578	$3,504,105
NET ASSETS					
Invested in capital assets, net of related debt	$0	$119	$3,266,470	$12,227,963	$15,494,552
Unrestricted	(238,756)	(102,008)	138,253	(340,962)	(543,473)
Total Net Assets	($238,756)	($101,889)	$3,404,723	$11,887,001	$14,951,079
Total Liabilities and Net Assets	$87,781	$198,578	$5,215,246	$12,953,579	$18,455,184

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Medical Adult Daycare	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
OPERATING REVENUES					
Charges for Services	$116,640	$2,065,102	$1,332,971	$385,941	$3,900,654
Environmental/Solid Waste Fees	0	0	0	2,272,980	2,272,980
	$116,640	$2,065,102	$1,332,971	$2,658,921	$6,173,634
OPERATING EXPENSES					
Personal Services	$507,387	$1,179,823	$803,716	$969,834	$3,460,760
Operating Supplies	56,990	219,926	293,351	47,500	617,767
Professional Services	55,360	270,154	84,215	1,254,916	1,664,645
Communications	0	18,574	3,608	4,570	26,752
Transportation	191,149	7,066	48,299	67,660	314,174
Rentals	0	149,406	919	28,118	178,443
Public Utilities	9,660	247,044	70,749	14,667	342,120
Other Operating Costs	971	9,159	57,062	0	67,192
Tipping Fees	0	0	0	1,142,701	1,142,701
Retirees' Health Benefits	0	0	79,947	50,002	129,949
Interest Expense	0	0	86,332	23,879	110,211
Equipment	1,030	10,764	17,706	2,649	32,149
Depreciation	0	1,637	117,173	205,027	323,837
Total operating expenses	$822,547	$2,113,553	$1,663,077	$3,811,523	$8,410,700
Operating Income (Loss)	($705,907)	($48,451)	($330,106)	($1,152,602)	($2,237,066)
Non-Operating Revenue					
Other, principally interest income	$0	$28	$9,064	$0	$9,092
Grants revenue	344,162	37,709	0	0	381,871
General fund subsidy	480,235	50,000	0	872,675	1,402,910
Increase/(Decrease) in net assets	$118,490	$39,286	($321,042)	($279,927)	($443,193)
NET ASSETS					
Beginning of the Year	($357,246)	($141,175)	$3,725,765	$12,537,956	$15,765,300
Prior Period Adjustment	0	0	0	(371,028)	(371,028)
Beginning of the year restated	($357,246)	($141,175)	$3,725,765	$12,166,928	$15,394,272
End of Year	($238,756)	($101,889)	$3,404,723	$11,887,001	$14,951,079

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Medical Adult Daycare	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Charges for Services	$130,720	$2,056,958	$1,339,324	$2,660,813	$6,187,815
Personal Services	(462,012)	(1,186,827)	(747,908)	(878,279)	(3,275,026)
Other Expenses	(296,102)	(943,397)	(741,213)	(2,643,710)	(4,624,422)
Net Cash Provided (Used) By Operating Activities	($627,394)	($73,266)	($149,797)	($861,176)	($1,711,633)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES					
Net change in interfund loans	($197,003)	($14,471)	$615,492	$584,235	$988,253
Grant revenue	344,162	37,709	0	0	381,871
General Operating Subsidy	480,235	50,000	0	872,675	1,402,910
Net Cash Provided (Used) By Non-Capital and Related Financing Activities	$627,394	$73,238	$615,492	$1,456,910	$2,773,034
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Construction / purchase of capital assets	$0	$0	($713,199)	($371,028)	($1,084,227)
Principal payments on long-term debt	0	0	(58,070)	(224,706)	(282,776)
Net Cash Used by Capital and Related Financing Activities	$0	$0	($771,269)	($595,734)	($1,367,003)
CASH FLOWS FROM INVESTING ACTIVITIES					
Other, principally interest income	$0	$28	$9,064	$0	$9,092
Net Increase/(Decrease) in Cash	$0	$0	($296,510)	$0	($296,510)
CASH					
Beginning of Year	0	0	479,875	0	479,875
End of Year	$0	$0	$183,365	$0	$183,365

	Medical Adult Daycare	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	($705,907)	($48,451)	($330,106)	($1,152,602)	($2,237,066)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation	$0	$1,637	$117,173	$205,027	$323,837
(Increase) decrease in accounts receivable	15,070	(3,482)	3,362	1,892	16,842
(Increase) decrease in inventory	0	0	(33,425)	0	(33,425)
Increase (decrease) in accounts payable	12,697	(11,304)	25,451	(13,271)	13,573
Increase (decrease) in compensation-related liabilities	51,736	(7,004)	64,757	97,778	207,267
Increase (decrease) in deferred revenue	(990)	(4,662)	2,991	0	(2,661)
Net Cash Provided (Used) By Operating Activities	($627,394)	($73,266)	($149,797)	($861,176)	($1,711,633)

	Medical Adult Daycare	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES					
Total capital asset additions	$0	$0	($3,207,997)	$0	($3,207,997)
Less transfer of assets from other funds	0	0	2,494,798	0	2,494,798
Prior period adjustment	0	0	0	(371,028)	(371,028)
Net cash used for purchase of capital assets	$0	$0	($713,199)	($371,028)	($1,084,227)

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - SHERIFF'S OFFICE RETIREMENT PLAN
JUNE 30, 2009

	Sheriff's Office Retirement Plan
ASSETS	
Cash and cash equivalents	$5,538,898
Restricted cash and investments	23,567,840
Total Assets	$29,106,738
NET ASSETS	
Held in trust for pension benefits	$29,106,738
Total Net Assets	$29,106,738

The accompanying notes to the financial statements are an integral part of this statemen

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - SHERIFF'S OFFICE RETIREMENT PLAN
FOR THE YEAR ENDED JUNE 30, 2009

	Sheriff's Office Retirement Plan
ADDITIONS	
Contributions - Employer	$3,937,852
Contributions - Employee	898,116
	$4,835,968
Interest and Dividends	$926,159
Realized Loss	(1,718,717)
Net Unrealized Loss on Investments	(4,023,577)
	($4,816,135)
Net Additions	$19,833
DEDUCTIONS	
Benefits	($1,965,576)
Administrative	(245,593)
Total Deductions	($2,211,169)
Increase/(Decrease) in Net Assets	($2,191,336)
NET ASSETS	
Beginning of Year	31,298,074
End of Year	$29,106,738

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - RETIREE BENEFIT TRUST OF ST. MARY'S COUNTY, MARYLAND
JUNE 30, 2009

	Retiree Benefit Trust of St. Mary's County, Maryland
ASSETS	
Restricted cash and investments	$23,318,131
Total Assets	$23,318,131
NET ASSETS	
Held in trust for other post-employment benefits	$23,318,131
Total Net Assets	$23,318,131

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - RETIREE BENEFIT TRUST OF ST. MARY'S COUNTY, MARYLAND
YEAR ENDED JUNE 30, 2009

	Retiree Benefit Trust of St. Mary's County, Maryland
ADDITIONS	
Contributions to the Trust Account - Employer	$9,108,152
Payments to Retirees - Employer	1,649,723
Interest and Dividends	206,183
Net Additions	$10,964,058
DEDUCTIONS	
Benefits Paid Directly to Retirees	$1,649,723
Total Deductions	$1,649,723
Increase/(Decrease) in Net Assets	$9,314,335
NET ASSETS	
Beginning of Year	14,003,796
End of Year	$23,318,131

The accompanying notes to the financial statements are an integral part of this statement.

The County Commissioners for St. Mary's County

Index - Notes to Financial Statements

June 30, 2009

1. Reporting entity and summary of significant accounting policies

Reporting entity

St. Mary's County, the first Maryland county, was established in 1637. The Board of County Commissioners is composed of five Commissioners elected for four-year terms. Four Commissioners represent specific election districts while the President of the Commissioners runs at large. All Commissioners are elected by the voters of the entire County. The County operates under a line-organizational method, with a County Administrator being responsible for the general administration of the County government. The Chief Financial Officer is responsible for the accounting for financial reporting, debt management, investment management, procurement, and budgeting functions. The Treasurer is responsible for the collection of real and personal property taxes. The County provides the following services: public safety, highway and streets, health and social services, recreation, education, public improvements, planning and zoning, sewage and water treatment and general administrative services.

The financial statements of the reporting entity include those of St. Mary's County Government (the primary government) and its component units. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the County's reporting entity because of the significance of their operating or financial relationships with the County. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate
- the County Commissioners appoint a voting majority of the organization's board
- the County Commissioners have the ability to impose their will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- the organization is fiscally dependent on the County

Based on the application of these criteria, the four organizations identified on the following page are considered component units of St. Mary's County Government. Their financial data is discretely presented in separate columns in the government-wide financial statements. All discretely presented component units have a June 30 year-end.

Discretely presented component units

For financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *Defining the Governmental Reporting Entity*. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

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

Discretely presented component units (continued)

Except for the Board of Education of St. Mary's County, the governing bodies of all these component units are appointed by The County Commissioners for St. Mary's County.

St. Mary's County Public Schools – In Maryland, public schools are part of a statewide system of county school boards. The school boards' political boundaries conform to the county boundaries. The purpose of the Board of Education of St. Mary's County is to operate the local public school system in accordance with State and community standards. The school system does not have the authority to levy any taxes or incur debt. Schools are funded with local, State and Federal monies. St. Mary's County has oversight responsibility for approval and partial funding of the school system's operating budget.

St. Mary's County Metropolitan Commission is responsible for providing water and wastewater facilities and services within the jurisdiction of St. Mary's County, Maryland.

St. Mary's County Building Authority Commission was created by the Maryland General Assembly as an instrumentality of the County to acquire title to property within St. Mary's County for construction, renovation, or rehabilitation. The Building Authority Commission currently owns and leases property to the State of Maryland and St. Mary's Nursing Center, Inc.

Board of Library Trustees for St. Mary's County operates a main library in Leonardtown and branch libraries in Lexington Park and Charlotte Hall.

Financial statements of the individual component units can be obtained from their respective administrative offices.

St. Mary's County Public Schools
23160 Moakley Street
Leonardtown, Maryland 20650

St. Mary's County Metropolitan Commission
43990 Commerce Avenue
Hollywood, Maryland 20636

St. Mary's County Building Authority Commission
41770 Baldridge Street
P.O. Box 653, Chesapeake Building
Leonardtown, Maryland 20650

Board of Library Trustees for St. Mary's County
23250 Hollywood Road
Leonardtown, Maryland 20650

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

Financial Statements

The financial statements of the County Commissioners for St. Mary's County, Maryland, (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements include various agencies, department organizations and offices which are legally part of St. Mary's County (the Primary Government) and the County's Component Units. As defined in GASB Statement Number 14, component units are legally separate organizations for which the County is financially accountable or for which their relationship with the County is of such significance that exclusion would cause the County's financial statements to be misleading. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth in GASB Statement Number 14. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

The County's basic financial statements include government-wide financial statements (reporting on the County as a whole), fund financial statements (reporting the County's most significant funds), and fiduciary financial statements (reporting on the County's pension funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities are normally supported by taxes and intergovernmental revenues. The County's public safety, public transportation, health and social services, some parks and recreation activities, public works and general administrative services are classified as governmental activities. Business-type activities rely significantly on fees and charges for support. The County's Recreation and Parks, Medical Adult Daycare, the Wicomico Golf Course and Solid Waste and Recycling are classified as business-type activities.

Government-wide Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities.
In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts – (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use. When both restricted and unrestricted resources are available for use, the County utilizes restricted resources to finance qualifying activities first, then unrestricted resources as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property tax, income tax, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenues (property tax, income tax, intergovernmental revenues, interest income, etc.) which are properly not included among program revenues. The County has an indirect cost allocation plan which it uses (when applicable and allowed) to charge costs to special revenue (grant) programs. Indirect costs are not normally charged to general government activities.

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

Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. No major funds by category are summarized into a single column.

Governmental Funds

The measurement focus of the governmental fund financial statements is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County.

1. General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund.

2. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Funds of the County are non-major funds.

3. Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Capital Projects Fund is a major fund.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are similar to those applicable to businesses in the private sector. Proprietary (Enterprise) Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to cover similar costs.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus for fiduciary funds is on net assets and changes in net assets and accounting principles used are similar to proprietary funds.

The County's pension trust fund accounts for the retirement benefits for the St. Mary's County Maryland Sheriff's Office Retirement Plan. Since, by definition, these assets are held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Additionally, the County's pension trust fund accounts for the retirement benefits for the Retiree Health Benefit Plan. Since, by definition, these assets are held for the benefit of eligible retirees and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Both are presented in the fiduciary fund financial statements.

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

Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The measurement focus identifies which transactions should be recorded.

Basis of Accounting

a. Accrual Basis – Both governmental and business-type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

b. Modified Accrual Basis – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means knowing or able to reasonably estimate the amount. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year-end. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures (including capital outlay) are recorded when the related liability is incurred. However, debt service expenditures (principal and interest), as well as expenditures related to compensated absences and claims and judgments, are recorded only when due.

Measurement Focus

In the government-wide financial statements, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item (b.) below.

In the governmental fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. The fund financial statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

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

Accounting policies

The financial statements of The County Commissioners for St. Mary's County have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in the GAAP and used by the County are discussed below.

Fund accounting

The County uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

The amount of grant funds passed through the County to Walden Sierra, Inc., Three Oaks Homeless Shelter, So. MD Tri-County Community Action Committee, Catholic Charities, Department of Social Services, Tri-County Youth Services Bureau, Leah's House, Mechanicsville Volunteer Fire Department, and St. Mary's County Housing Authority for the fiscal year ended June 30, 2009 totaled $923,208. These pass-through grants are recorded as pass-through revenues and expenditures in the amount of $923,208 on the Statement of Revenues and Expenditures.

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

Budget and budgetary accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted (GAAP) in the United States of America. All annual operating appropriations lapse at fiscal year end. Project-length financial plans are adopted for the capital projects fund. The County follows these procedures in establishing the budgetary data reflected in the financial statements.

a. Prior to April 1 of each year, The County Commissioners for St. Mary's County shall have prepared a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. The budget is legally enacted through passage of an ordinance by June 1.

d. All revisions that alter the expenditures of each fund must be approved by The County Commissioners for St. Mary's County or the Chief Financial Officer.

e. Formal budgetary integration is employed as a management control device during the year for the general fund, special assessment fund and enterprise funds.

f. The budget for the general fund is adopted on a basis consistent with accounting principles generally accepted (GAAP) in the United States of America, except that appropriations of fund balance are treated as other financing sources. Budget comparisons presented for the general fund in this report are on a non-GAAP basis. The capital projects funds' budgets are prepared on a project-length basis, and accordingly, annual budgetary comparisons are not presented in the financial statements. The enterprise funds' budgets are flexible annual operating budgets. Budgetary comparisons are not presented in the financial statements for the enterprise funds.

g. The budgeted amounts are as adopted, including amendments, by The County Commissioners for St. Mary's County.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Cash, cash equivalents and investments

Cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired. State statutes authorize investments in obligations of the United States government, federal government agency obligations and repurchase agreements. Investments are stated at cost.

The operating cash balances for all funds are commingled and shown in the governmental activities on the statement of net assets and in the general fund on the governmental fund balance sheet.

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

Cash, cash equivalents and investments (continued)

Investments in both the Pension Trust Fund of the Sheriff's Department Retirement Plan and the Retiree Health Benefit Plan are carried at fair value as determined on June 30 of each year, based on appraisals or quotations by an independent investment counselor offset by a fund balance reservation, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Inventory and prepaid expenditures

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the general fund, special revenue funds and enterprise funds consists of expendable supplies held for consumption. Reported inventories and prepaid expenditures in the general fund are offset by a fund balance reservation, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Long-term receivables

Noncurrent portions of long-term receivables are reported on the balance sheet in spite of their spending measurement focus. The long-term portion of receivables is offset by a fund balance reservation, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Full-time employees can earn annual leave at a rate of from ten days per year (one through five years of service) up to a maximum of twenty-five days per year (if over twenty years of service). Leave for permanent part-time employees is prorated according to the number of hours worked.

There are no requirements that annual leave be taken; however, the maximum permissible accumulation to be carried into the new calendar year is forty-five days for full-time employees and twenty-two and one-half days for permanent part-time employees. At termination, employees are paid for any accumulated annual leave.

Full-time and permanent part-time employees earn sick leave based upon the number of hours worked, with a maximum of fifteen days earned per year. There is no limit to the accumulation of sick leave. At termination, employees are not paid for accumulated sick leave, nor is credit provided for employees that retire on early retirements. However, at regular retirement, employees who have been employed by the County for five years are eligible to receive service credit at a rate of one month for every twenty days of unused sick leave. Persons that are reinstated in the County service within one year from the time of their separation shall receive full credit for all sick leave accumulated at time of separation.

Full-time employees are entitled to compensatory time off for work performed in excess of the normal work period. Compensatory leave should be used within a reasonable period; however, the maximum permissible accumulation to be carried into the new calendar year is 240 hours for non-law enforcement employees and 480 hours for law enforcement employees and correctional officers. At termination, employees are paid for any accumulated compensatory leave at the higher rate of the average regular rate received by the employee during the last three years or the final regular rate received by such employee.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Budget basis of accounting

Actual results of operations are presented in the Statement of Revenues, Expenditures, Encumbrances, and Other Financing Sources and Uses - Budget (Non-GAAP Basis) and Actual - General Fund, in order to provide a meaningful comparison of actual results with budget estimates. Under the budget basis, encumbrances are recorded as the equivalent of expenditures, as opposed to only a reservation of fund balance as on a GAAP basis.

A reconciliation of the revenues and expenditures of the general fund from the budgetary basis to the GAAP basis is as follows:

	Net Change in Fund Balance	End of Year Fund Balance
Budgetary Basis – General Fund	$1,699,713	$26,197,490
Minor revolving funds and general financing that relate to activities resulting from fees, fines, and other revenue sources that are not an element of the budget basis reporting	26,272	696,387
Beginning of year encumbrances, rolled into FY2009	(692,160)	0
Appropriation from prior year rolled to FY2009 in order to cover the encumbrances. This is reflected in the revised budget appropriations for FY2009	692,160	692,160
Budgeted use of fund balance	(11,586,870)	0
Increase in bond rating reserve	501,416	501,416
End of year encumbrances included in budget basis expenditures, not included for GAAP	656,776	656,776
GAAP Basis	($8,702,693)	$28,744,229

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

Basis of presentation

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

Capital assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

With the implementation of GASB Statement No. 34, the County has recorded its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, etc.

The purpose of depreciation is to spread the cost of capital assets equitably among all uses over the lives of these assets. The amount charged to depreciation expense each year represents that year's prorata share of capital assets.

The method of depreciation being used for all governmental-type assets placed in service as a result of GASB Statement No. 34 is the straight-line half-year convention. Only assets greater than or equal to $5,000 will be depreciated.

Property, plant and equipment of the primary government and the component units are depreciated using the straight-line method (half-year convention) over the following estimated useful lives:

Primary Government

Buildings and improvements	50 years
Computer equipment	5 years
Other equipment	5-10 years
Vehicles licensed	5-8 years
Off-road vehicles	5-10 years
Miscellaneous equipment	5-10 years
Other infrastructure	10-50 years

Component Units

St. Mary's County Public Schools

Buildings and improvements	20-50 years
Furniture and equipment	5-15 years
Property under financing agreements	5-50 years

Board of Library Trustees for St. Mary's County

Furnishings and equipment	5 years
Vehicles	5 years
Books	7 years

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

Capital assets (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission

Utility plants	18-50 years
Water plant systems	18-50 years
Equipment	3-10 years
Capitalized interest	50 years
Buildings	25 years

St. Mary's County Building Authority Commission

Buildings	40 years
Furniture and equipment	10 years

Inventory

Inventory is valued at the lower of cost (first-in, first-out method) or market. The inventories are recorded as expenditures when consumed rather than when purchased. Governmental fund-type inventories are offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources," even though they are a component of net current assets.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities statement of net assets, or proprietary fund type balance sheet. Bond premiums and discounts, as well as issuance cost, are deferred and amortized over the life of the bond.

2. Deficit fund equity

Non-major governmental funds – The deficits in the non-major governmental funds arise primarily because of the application of accounting principles generally accepted in the United States of America to the financial reporting of such funds. Special assessments are recognized as revenue only to the extent that individual installments are considered current assets. Expenditures, however, are recognized at the time liabilities are incurred. The deficit will be reduced and eliminated as deferred assessment installments are assessed and collected.

Proprietary funds – As has been the case in prior fiscal years, the deficit in the Medical Adult Daycare Fund was again significantly reduced in FY 2009 by a budget transfer from the general fund of $480,235. The Board recognizes that additional and recurring funds will be required to subsidize this activity. The FY2010 approved budget includes $250,000 to address the deficit accumulated as of June 30, 2009, and also increases the subsidy budgeted for FY2010. Further, the Board has determined that County operation of the Medical Adult Daycare Center will cease, and the programs will be privatized by July 1, 2010.

3. Cash, cash equivalents and investments

Primary Government

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term securities and certificates of deposit with an original maturity of three months or less.

Investments held by the County, including the pension funds, are stated at fair value. Fair value is based on quoted market prices at year end or best available estimate. All investments not required to be reported at fair value are stated at cost or amortized cost.

Article 95, Section 22 of the Annotated Code of Maryland states that local governments are authorized to invest in the instruments specified in the State Finance and Procurement Article, Section 6-222 of the Code. In addition, Article 95, Section 22 requires that local government deposits with financial institutions be fully collateralized and that the collateral be of types specified in the State Finance and Procurement Article, Section 6-202. The County is charged with the responsibility for selecting depositories and investing the idle funds as directed by the State and County Codes. The County is further restricted as to the types of deposits and investments in accordance with the County's investment policy. Depository institutions must be Maryland banks and must be approved for use by the County Commissioners.

Cash Deposits

At year end, the carrying amount of the County's deposits was $41,841,209 and the collected bank balance was $42,896,985. Of the collected bank balance, $706,758 was covered by Federal Deposit Insurance Corporation (FDIC), and $42,190,227 was covered by collateral held either in the pledging bank's trust department or by the pledging bank's agent.

Investments

Statutes authorize the County to invest in short-term United States government securities or repurchase agreements fully secured by the United States government if the funds are not needed for immediate disbursement. The stated maturities of the investments may not exceed 270 days. Statutes also authorize the County to invest in the Local Government Investment Pool established by state law. Investments are subject to approval of the County Commissioners as to the amount available for investment and the acceptable securities or financial institutions used.

3. Cash, cash equivalents and investments (continued)

Primary Government (continued)

Investments (continued)

At year end, the County's investment balances were as follows:

Investment Type		Fair Value
U.S. government securities - Treasuries		$41,861,659
Maryland Local Government Investment Pool (MLGIP)		28,517,442
Retirement Benefit Trust (OPEB) – (MLGIP)		28,318,131
Pension investments – Sheriff's Office Retirement Plan		
Cash	5,538,899	
Fixed income		
Government and agencies	4,066,865	
Bond Funds	5,498,477	
Corporate bonds and notes	214,899	
Equity mutual funds	1,649,616	
Preferred stock	16,170	
Common stock	7,467,756	
Venture/Limited Partnership/Closely Held	4,654,056	
Subtotal – Sheriff's Office Retirement Plan		$ 29,106,738
Total investments		$127,803,970

Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments.

The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares.

None of the County's investments are subject to concentration of credit risk, interest rate risk or foreign currency risk.

3. Cash, cash equivalents and investments (continued)

Investments (continued)

Component Units

St. Mary's County Public Schools

Custodial credit risk

Custodial credit risk for deposits is the risk that in the event of bank failure, the School System's deposits may not be returned to it. Maryland State Law prescribes that local government units such as the School System must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2009, all of the School System's deposits were either covered by federal depository insurance or were covered by collateral held by the School System's agent in the School System's name.

Investments

Maryland State Law authorizes the School System to invest in obligations of the United States government, federal government obligations and repurchase agreements secured by direct government or agency obligations, or the State's sponsored investment pool.

At June 30, 2009 short-term investments consist primarily of deposits in the MLGIP. The MLGIP is rated "AAA" by Standard and Poor's (their highest rating). The carrying amount and market value were $27,727,081, $403,326, and $940,522 for governmental activities, business-type activities, and fiduciary responsibilities, respectively.

Board of Library Trustees for St. Mary's County

Cash deposits and investments

Statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

At June 30, 2009, the carrying amount of the Library's deposits was $7,067, and the bank balances totaled $6,717. The total bank balance was covered by federal deposit insurance.

Investments in the Maryland Local Government Investment Pool (MLGIP), an external investment pool, are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk.

	Carrying Amount	Market Value
Unrestricted:		
Investment in Maryland Local Government Investment Pool	$231,298	$231,298
Restricted:		
The Vanguard Group	$ 99,324	$ 99,324
PNC Bank – Savings account	1,292	1,292
Board - restricted fund	$100,616	$100,616

3. Cash, cash equivalents and investments (continued)

Component Units (continued)

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

None of the Library's investments are subject to concentration of credit risk, interest rate risk or foreign currency risk.

Statutes authorize the Library to invest in obligations of the United States government, federal government agency obligations, repurchase agreements secured by direct government or agency obligations, certificates of deposit, banks' acceptances, commercial paper, pooled investments and municipal bonds and municipal mutual funds.

St. Mary's County Metropolitan Commission

Deposits and investments

Deposits

The carrying amount of MetCom's deposits was $3,863,157 at June 30, 2009, and the bank balances were $3,771,506. Of the bank balances, $250,000 was covered by federal depository insurance at June 30, 2009, with the remaining $3,521,506 adequately covered by collateral. State statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

Cash and cash equivalents consisted of the following:

Investments	$ 4,256,063
Cash	3,863,157
Petty cash	450
	$ 8,119,670

Investments

State statutes authorize MetCom to invest in obligations of the United States government, federal government agency obligations, and repurchase agreements secured by direct government or agency obligations. All of the funds were invested in the Maryland Local Government Investment Pool (MLGIP) which qualifies under the statutes. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating).

Investments in the Maryland Local Government Investment Pool, an external investment pool, are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk.

None of MetCom's investments are subject to concentration of credit risk, interest rate risk or foreign currency risk.

	Carrying Amount	Market Value
MLGIP	$ 4,256,063	$ 4,256,063

4. Changes in capital assets

Primary Government

A summary of changes in capital assets is as follows:

	Balance June 30, 2008	Additions	Transfers	Disposals	Balance June 30, 2009
Governmental Activities					
Capital assets not being depreciated:					
Land	$24,805,834	$6,255,875	$0	$0	$31,061,709
Construction In Progress	8,462,494	0	(3,666,120)	0	4,796,374
911 system & equipment	1,423,733	0	0	0	1,423,733
Total capital assets not being depreciated	$34,692,061	$6,255,875	($3,666,120)	$0	$37,281,816
Capital assets being depreciated:					
Buildings & improvements	$85,698,615	$8,457,171	$0	$0	$94,155,786
Computer equipment	1,951,984	33,491	0	0	1,985,475
Other Equipment	251,481	0	0	0	251,481
Vehicles - licensed	9,722,391	1,977,003	0	(326,896)	11,372,498
Off-road vehicles	1,742,959	61,063	0	0	1,804,022
Miscellaneous equipment	2,801,847	398,850	0	0	3,200,697
Roads	123,643,527	8,043,775	0	0	131,687,302
Curbing	946,791	0	0	0	946,791
Sidewalks	917,168	0	0	0	917,168
Guardrails	851,050	136,834	0	0	987,884
Airport infrastructure	4,457,532	131,061	0	0	4,588,593
Airport equipment	514,808	0	0	0	514,808
Baseball fields	707,680	0	0	0	707,680
Bridges	4,934,791	131,800	0	0	5,066,591
Parks & recreation	11,463,832	845,284	0	0	12,309,116
Marinas & docks	7,956,153	0	0	0	7,956,153
Irrigation systems	179,714	0	0	0	179,714
Signage	475,433	0	0	0	475,433
Parking lots	234,644	0	0	0	234,644
911 system & equipment	7,848,948	0	0	0	7,848,948
Total capital assets being depreciated	$267,301,348	$20,216,332	$0	($326,896)	$287,190,784
Accumulated depreciation for:					
Buildings & improvements	($30,915,438)	($1,547,555)	$0	$0	($32,462,993)
Computer equipment	(1,575,355)	(189,499)	0	0	(1,764,854)
Other Equipment	(79,160)	(14,332)	0	0	(93,492)
Vehicles - licensed	(6,947,283)	(744,909)	0	326,896	(7,365,296)
Off-road vehicles	(1,109,886)	(152,457)	0	0	(1,262,343)
Miscellaneous equipment	(1,552,619)	(278,241)	0	0	(1,830,860)
Roads	(50,037,723)	(3,836,631)	0	0	(53,874,354)

4. Changes in capital assets (continued)

Primary Government (continued)

	Balance June 30, 2008	Additions	Transfers	Disposals	Balance June 30, 2009
Accumulated depreciation for: (continued)					
Curbing	($585,035)	($26,144)	$0	$0	($611,179)
Sidewalks	(364,398)	(21,371)	0	0	(385,769)
Guardrails	(349,373)	(21,057)	0	0	(370,430)
Airport infrastructure	(4,399,007)	(15,894)	0	0	(4,414,901)
Airport equipment	(514,808)	0	0	0	(514,808)
Baseball fields	(342,891)	(14,027)	0	0	(356,918)
Bridges	(1,941,410)	(100,826)	0	0	(2,042,236)
Parks & recreation	(1,938,525)	(373,027)	0	0	(2,311,552)
Marinas & docks	(3,242,977)	(255,834)	0	0	(3,498,811)
Irrigation systems	(97,601)	(3,716)	0	0	(101,317)
Signage	(356,203)	(16,112)	0	0	(372,315)
Parking lots	(118,007)	(8,639)	0	0	(126,646)
911 equipment	(2,264,232)	(420,124)	0	0	(2,684,356)
Total accumulated depreciation	($108,731,931)	($8,040,395)	$0	$326,896	($116,445,430)
Total capital assets being depreciated, net	$158,569,417	$12,175,937	$0	$0	$170,745,354
Governmental activities capital assets, net	$193,261,478	$18,431,812	($3,666,120)	$0	$208,027,170
Business-type Activities:					
Capital assets not being depreciated:					
Land	$1,078,666	$0	$0	$0	$1,078,666
Construction in progress	1,818,447	676,351	(2,494,798)	0	0
Solid waste facilities	11,522,871	0	0	0	11,522,871
Total capital assets not being depreciated	$14,419,984	$676,351	($2,494,798)	$0	$12,601,537
Capital assets being depreciated:					
Buildings & improvements	$1,841,974	$2,482,310	$0	$0	$4,324,284
Computer equipment	44,700	12,488	0	0	57,188
Other Equipment	39,359	0	0	0	39,359
Vehicles - Licensed	1,959,953	0	0	(9,330)	1,950,623
Off-road vehicles	1,008,149	36,848	0	0	1,044,997
Miscellaneous equipment	352,106	0	0	0	352,106
Irrigation systems	509,986	0	0	0	509,986
Total capital assets being depreciated	$5,756,227	$2,531,646	$0	($9,330)	$8,278,543
Accumulated depreciation for:					
Buildings & improvements	($1,089,594)	($67,841)	$0	$0	($1,157,435)
Computer equipment	(44,700)	(1,249)	0	0	(45,949)
Other Equipment	(37,726)	(130)	0	0	(37,856)
Vehicles - Licensed	(1,116,364)	(129,755)	0	9,330	(1,236,789)
Off-road vehicles	(400,788)	(101,621)	0	0	(502,409)
Miscellaneous equipment	(337,731)	(6,547)	0	0	(344,278)
Irrigation systems	(228,821)	(16,694)	0	0	(245,515)
Total accumulated depreciation	($3,255,724)	($323,837)	$0	$9,330	($3,570,231)
Total capital assets being depreciated, net	$2,500,503	$2,207,809	$0	$0	$4,708,312
Business-type activities capital assets, net	$16,920,487	$2,884,160	($2,494,798)	$0	$17,309,849

4. Changes in capital assets (continued)

Primary Government (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Government	$1,022,265
Public Safety	1,362,936
Public Works	4,706,367
Social Services	109,220
Primary and Secondary Education	13,410
Post -Secondary Education	42,285
Parks, Recreation, and Culture	586,361
Libraries	192,620
Economic Development and Opportunity	4,931
Total Depreciation - Governmental Activities	$8,040,395

Business-Type Activities	
Recreation Activity Fund	$ 1,637
Wicomico	117,173
Solid Waste/Recycling	205,027
Total Depreciation - Business-Type Activities	$323,837

4. Changes in capital assets (continued)

Component Units

St. Mary's County Public Schools

Capital Assets

Capital asset activity for the year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Additions/Transfers	Deletions/Transfers	Balance June 30, 2009
Governmental activities				
Capital assets not being depreciated:				
Land	$ 2,157,451	$ 0	$ 57,643	$ 2,215,094
Land under financing agreement	387,841	0	(57,643)	330,198
Facilities under construction	24,605,951	18,032,456	(19,180,659)	23,457,748
	27,151,243	18,032,456	(19,180,659)	26,003,040
Capital assets being depreciated:				
Buildings and improvements	270,363,873	0	19,647,040	290,010,913
Furniture and equipment	5,416,651	312,376	(77,840)	5,651,187
Furniture and equipment under financing agreements	3,994,703	0	(703,581)	3,291,122
	279,775,227	312,376	18,865,619	298,953,222
Accumulated depreciation for:				
Buildings and improvements, including facilities under capital lease	(79,480,930)	(6,370,113)	0	(85,851,043)
Furniture and equipment, including equipment under financing agreements	(3,164,770)	(572,414)	230,799	(3,509,685)
	(82,645,700)	(6,945,827)	230,799	(89,360,728)
Governmental activities capital assets, net	$224,280,770	$ 11,399,005	$ (84,241)	$235,595,534
Business-type activities				
Capital assets being depreciated:				
Furniture and equipment	$ 1,340,398	$ 12,857	$ 0	$ 1,353,255
Accumulated depreciation for:				
Furniture and equipment	(643,729)	(92,035)	0	(735,764)
Business-type activities capital Assets, net	$ 696,669	$ (79,178)	$ 0	$ 617,491

4. Changes in capital assets (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Capital Assets (continued)

Depreciation expense was charged in the Statement of Activities for the year ended June 30, 2009, as follows:

Governmental activities:	
Administration	$ 81,403
Mid-Level Administration	34,929
Other Instructional Costs	175,320
Special Education	10,563
Student Personnel Services	398
Student Transportation Services	135,816
Operation of Plant	6,503,518
Maintenance of Plant	3,880
Total governmental activities depreciation expense	$ 6,945,827
Business-type activities:	
Food Services	$ 92,035

Board of Library Trustees for St. Mary's County

Capital assets and depreciation

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets:				
Furnishings and Equipment	$ 916,628	$ 100,593	$ 0	$ 1,017,221
Vehicles	33,102	0	0	33,102
Books	2,831,901	420,237	0	3,252,138
	$ 3,781,631	$ 520,830	$ 0	$ 4,302,461

4. Changes in capital assets (continued)

Component Units (continued)

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

Capital assets and depreciation (continued)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Accumulated depreciation:				
Furnishings and Equipment	$ 843,454	$ 45,302	$ 0	$ 888,756
Vehicles	25,151	3,180	0	28,331
Books	1,845,724	321,375	0	2,167,099
	2,714,329	369,857	0	3,084,186
Net capital assets	$1,067,302	$ 150,973	$ 0	$1,218,275

Governmental activities depreciation expense of $369,857 was charged to Library services.

St. Mary's County Building Authority Commission

Capital assets

Capital assets at June 30, 2009 consisted of the following:

	Balance June 30, 2008	Additions	Balance June 30, 2009
Capital assets:			
Nursing Home building	$ 8,846,238	$ 0	$ 8,846,238
State Office building	8,673,157	0	8,673,157
Furniture and equipment	13,387	0	13,387
	$ 17,532,782	$ 0	$ 17,532,782
Accumulated depreciation:			
Nursing Home building	4,070,760	201,156	4,291,916
State Office building	3,980,962	216,829	4,197,791
Furniture and equipment	13,387	0	13,387
	$ 8,065,109	$ 437,985	$ 8,503,094
Net capital assets	$ 9,467,673	($ 437,985)	$ 9,029,688

Depreciation expense of $437,985 was charged to activities for the fiscal year ended June 30, 2009. There were no additions or deletions of capital assets during the fiscal year ended June 30, 2009.

4. Changes in capital assets (continued)

St. Mary's County Metropolitan Commission

Capital assets and depreciation

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets:				
Utility plants	$75,771,536	$ 4,027,139	$ 0	$79,798,675
Water plant systems	17,881,970	1,907,887	0	19,789,857
Equipment	5,730,349	836,926	321,404	6,245,871
Capitalized interest	818,201	0	0	818,201
Buildings	1,461,505	0	0	1,461,505
Subtotal	101,663,561	6,771,952	321,404	108,114,109
Not being depreciated:				
Utility plant construction in process	2,311,778	1,751,185	481,523	3,581,440
Water plant construction in process	1,030,256	2,201,168	283,696	2,947,728
Land/land rights	595,037	3,000	0	598,037
	105,600,632	10,727,305	1,086,623	115,241,314
Accumulated depreciation:				
Utility plants	25,496,815	1,634,564	0	27,131,379
Water plant systems	4,645,569	490,463	0	5,136,032
Equipment	3,113,108	486,576	321,404	3,278,280
Capitalized interest	220,914	16,364	0	237,278
Buildings	615,779	55,309	0	671,088
	34,092,185	2,683,276	321,404	36,454,057
Net capital assets	$71,508,447	$ 8,044,029	$ 765,219	$78,787,257

Depreciation expense of $2,683,276 was charged to activities as follows:

Sewer activities	$ 1,877,835
Water activities	666,204
Engineering activities	51,622
Administrative	87,615
Total	$ 2,683,276

5. Property tax

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied each July 1, and the taxpayer has the option to pay in full without interest by September 30 or elect a semiannual payment option. If a semiannual payment option is elected, the first payment is payable without interest by September 30 and the second payment, including a service charge, is payable without interest by December 31. Interest is charged for each month or fraction thereof that taxes remain unpaid beginning October 1 on accounts under the annual payment option or January 1 for accounts under the semiannual payment option. Maryland law grants the Treasurer of St. Mary's County the power to immediately advertise and sell any real property after the taxes are delinquent for a period of one year. Property taxes are levied at rates enacted by the Commissioners in the annual budget based on the assessed value of the property as determined by the Maryland State Department of Assessments and Taxation, an agency of the government of the State of Maryland. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and, then only after public hearings. The real property tax rate during the year ended June 30, 2009, was $.857 per $100 of assessed value based on the full valuation method. The personal property tax rate during the year ended June 30, 2009 was $2.1425 per $100 of assessed value. The County bills and collects all property taxes.

A 100% allowance for uncollectibles is established for prior year taxes receivable. County property tax receivable as of June 30, 2009, net of the allowance for uncollectibles of $445,682, is $3,015,677 (this amount does not include state and emergency services taxes receivable). On October 1, a 3% penalty is assessed, and interest begins accruing at a rate of 1% for each month that real and personal property taxes are delinquent (unless taxpayer has elected semiannual payment option as described above).

6. Special tax assessment receivable and deferred revenue

Primary Government

The special assessment receivable is composed of various special assessments levied by the County for completed projects funded by the County. The cost of the completed projects is billed to taxpayers over periods from 10 to 25 years and reported as a special assessment receivable and deferred revenue. In accordance with the modified accrual method of accounting, in subsequent periods, when revenue recognition criteria are met or when the government has a legal claim to the resources, the liability for the deferred revenue is removed from the balance sheet and revenue is recognized. The non-current portion of the receivable is offset by a fund balance reserve account, which indicates that this does not constitute available resources since this is not a component of net current assets. The current portion of the special assessment receivable is considered available spendable resources.

As of June 30, 2009, there were no delinquent special assessment receivables due from taxpayers.

Component Units

St. Mary's County Public Schools

General Fund

Deferred revenue consists primarily of the retrospective insurance premium refund and workers compensation insurance dividend totaling $105,052 which will be collected subsequent to June 30, 2009, but is not available soon enough to pay for the current period's expenditures, and therefore is deferred. The remaining deferred revenue consists of revenues received under restricted programs in excess of the expenditures under those programs at June 30, 2009, of $532,124, and summer school tuition of $39,000 which is collected in advance of the corresponding expenditures which do not occur until the following fiscal year.

6. Special assessment receivable and deferred revenue (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Enterprise Fund

Deferred revenue consists of commodities in the amount of $92,356, donated by the Federal government and included in inventory at June 30, 2009. The remaining deferred revenue of $74,115 represents student lunch ticket sales collected in advance for lunches which will be consumed by students in fiscal year 2010.

Capital Projects Fund

Deferred revenue consists of revenue received in advance from the County for expenditures associated with relocatable classrooms of $111,644.

7. Long-term obligations

Primary Government

Governmental Activities

	June 30, 2008	Additions	Deductions	Principal Repayment	June 30, 2009	Amounts due within one year
General Obligation Bonds - County	$89,935,000	$0	$0	($7,735,000)	$82,200,000	$7,260,000
Water Quality Loans	5,163,120	0	0	(518,962)	4,644,158	527,549
State Loans	1,789,103	200,000	0	(83,820)	1,905,283	81,006
Surplus Property Transfer of Debt	241,664	0	0	(45,275)	196,389	47,407
Exempt Financing	5,048,967	0	0	(1,421,217)	3,627,750	1,395,977
	$102,177,854	$200,000	$0	($9,804,274)	$92,573,580	$9,311,939
General Obligation Bonds, sold on behalf of St. Mary's Hospital	$18,190,000	$0	$0	($1,405,000)	$16,785,000	$880,000
Landfill Post-Closure Costs	$2,000,000	$0	$200,000	$0	$1,800,000	$0
Compensated Absences (Long-Term)	3,779,898	363,901	0	0	4,143,799	25,476
	$5,779,898	$363,901	$200,000	$0	$5,943,799	$25,476
Total	$126,147,752	$563,901	$200,000	($11,209,274)	$115,302,379	$10,217,415
Less: Amount Deferred on Refunding	($1,759,662)	$12,445	$0	$0	($1,747,217)	($12,890)
Amount Reported in Statement of Net Assets	$124,388,090	$576,346	$200,000	($11,209,274)	$113,555,162	$10,204,525

Business-Type Activities

	June 30, 2008	Additions	Deductions	Principal Repayment	June 30, 2009	Amounts due within one year
Exempt Financing	$2,098,072	$0	$0	($282,778)	$1,815,294	$274,664
Compensated Absences (Long-Term)	166,366	21,535	0	0	187,901	0
Amount Reported in Statement of Net Assets	$2,264,438	$21,535	$0	($282,778)	$2,003,195	$274,664

For governmental activities, compensated absences are generally liquidated by the governmental fund to which the liability relates.

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities

General obligation bonds

The County issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds have been issued for both general government and proprietary activities. These bonds, therefore, are reported in the proprietary funds if they are expected to be repaid from proprietary revenue. In addition, General Obligation Bonds have been issued to refund both General Obligation and Revenue Bonds. General Obligation Bonds are direct obligations of the County and pledge the full faith and credit of the government.

On July 15, 2001, The County Commissioners for St. Mary's County issued Consolidated Public Improvement Bonds in the amount of \$25,000,000. The bonds bear interest at rates of 4-5.50% per annum, payable January 1 and July 1, beginning January 1, 2002. Principal payments of varying amounts are payable July 1, commencing July 1, 2002.

On January 15, 2002, the County issued General Obligation Bonds (\$20,755,000 Consolidated Public Improvement Refunding Bonds and \$20,000,000 General Obligation Hospital Bonds). The Hospital Bonds were issued to fund a loan by the County to St. Mary's Hospital of St. Mary's County (the "Hospital"). The Hospital will apply the proceeds of such loan to fund capital improvements to its facility in Leonardtown, MD, including the construction of approximately 67,000 square feet of new space, the renovation of approximately 40,000 square feet of existing space, and site and infrastructure improvements. The Refunding Bonds will mature on October 1, in 17 annual serial installments, beginning in the year 2003 and ending with the year 2019. Interest on the Bonds is payable semiannually on each April 1 and October 1 to maturity with an average interest rate of 4.17% (Hospital Bonds of 2003) and 3.86% (Refunding Bonds of 2003).

The Refunding Bonds were issued to currently refund all outstanding maturities of the County's Public Facilities Bonds of 1988, and to advance refund the callable maturities of the County's Consolidated Public Improvement Bonds of 1999 (collectively, the "Refunded Bonds"), provided however, that the County reserves the right not to refund some or all of the maturities of the Refunded Bonds if appropriate levels of savings cannot be achieved.

The proceeds of the Refunding Bonds will be applied to the purchase of non-callable direct obligations of the United States of America ("Government Obligations") and used to pay certain expenses of the County related to the issuance and disposition of the proceeds of the Refunding Bonds.

On August 15, 2003, the County issued Public Facilities and Refunding Bonds of 2003 in the principal amount of \$33,985,000. The bonds mature on November 1, in twenty annual installments, beginning in 2004 and ending in 2023. Interest rates on the bonds range from 2.75% to 4.75%, with a true interest cost of approximately 3.99%. Interest is payable on May 1, 2004 and semiannually thereafter on each May 1 and November 1 to maturity.

The bonds may be prepaid at the following premiums:

Period	Price
November 1, 2013 through October 31, 2014	101%
November 1, 2014 through October 31, 2015	100-1/2 %
After November 1, 2015	100%

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

General obligation bonds (continued)

The County Bonds were issued to (1) pay a portion of the costs of financing certain capital projects of the County, (2) currently refund all outstanding maturities of the County's Public Facilities Bonds of 1991 and Public Facilities Bonds of 1993 (collectively, the "Currently Refunded County Bonds"), (3) advance refund the callable maturities only of the County's Public Facilities Bonds of 1995 (the "Advance Refunded County Bonds" and, together with the Currently Refunded County Bonds, the "Refunded County Bonds"), and (4) pay costs of issuance.

On March 8, 2005, the County issued General Obligation Bonds ($16,260,000 Consolidated Public Improvement Bonds). The Consolidated Public Improvement Bonds will mature on March 1, in 20 annual serial installments, beginning in the year 2006 and ending with the year 2025. Interest on the Bonds is payable semiannually on each March 1 and September 1 to maturity with an average interest rate of 3.80%.

The County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase United States government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of June 30, 2009, the amount of debt outstanding removed from long-term debt amounted to $18,495,000.

On February 28, 2008, the County did a current refunding of part of the 1997 General Obligation Consolidated Public Improvement and Refunding Bonds with the same maturity date ending in fiscal year 2012 with an annual interest rate of 2.4%. The estimated savings of principal and interest are $399,579. The remaining balance on the 1997 General Obligation Consolidated Public Improvement and Refunding Bonds as of June 30, 2009 is $1,815,000.

2001 Maryland Water Quality Loan

On September 29, 2000, The County Commissioners for St. Mary's County entered into an agreement with the Maryland Water Quality Financing Administration to borrow an amount not to exceed $3,338,383 for landfill post-closure costs, St. Andrews Landfill area B, cells 1, 2 and 4. The final loan amount has been determined and a new amortization schedule has been formally placed in effect. The loan bears interest at a rate of 2.4% per annum payable semiannually. Principal payments are due annually through 2016 starting February 1, 2002. The annual requirements to amortize the Maryland Water Quality Loan as of June 30, 2009, based on the final loan amount of $3,225,318, are as follows:

Year Ending June 30,	Principal	Interest	Administrative Fee	Total
2010	$ 226,708	$ 38,228	$12,753	$ 277,689
2011	232,149	32,787	12,753	277,689
2012	237,721	27,215	12,753	277,689
2013	243,426	21,510	12,753	277,689
2014	249,268	15,668	12,753	277,689
2015-2016	403,562	13,245	25,505	442,312
	$1,592,834	$148,653	$89,270	$1,830,757

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

2004 Maryland Water Quality Loan

On May 26, 2004, The County Commissioners for St. Mary's County entered into an agreement with the Maryland Water Quality Financing Administration to borrow an amount not to exceed $4,332,759 for landfill post-closure costs, St. Andrews Landfill area B, cells 3 and 5. The final loan amount has been determined and a new amortization schedule has been formally placed in effect. The loan bears an interest rate of 1.10% per annum, payable semiannually. Principal payments are due annually through 2019 beginning February 1, 2006. The annual requirements to amortize the Maryland Water Quality Loan as of June 30, 2009, based on the final loan amount of $4,222,304, are as follows:

Year Ending June 30,	Principal	Interest	Administrative Fee	Total
2010	$ 300,841	$ 33,564	$ 11,448	$ 345,853
2011	304,150	30,255	11,448	345,853
2012	307,495	26,910	11,448	345,853
2013	310,878	23,527	11,448	345,853
2014	314,298	20,107	11,448	345,853
2015-2019	1,513,662	47,912	57,239	1,618,813
	$3,051,324	$182,275	$114,479	$3,348,078

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

2005 Exempt Financing Equipment Lease

On June 28, 2005, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow $1,486,887 for the purchase of vehicles. The lease bears interest at a rate of 3% per annum, payable monthly through 2010. Payments are due monthly starting July 28, 2005. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the 2005 Equipment Lease as of June 30, 2009, based on the final lease amount of $1,486,887, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	$250,243	$4,907	$255,150
	$250,243	$4,907	$255,150

2006 Exempt Financing Equipment Lease

On May 25, 2006, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow $1,627,500 for the purchase of vehicles. The lease bears interest at a rate of 4.12% per annum, payable monthly through 2011. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the 2006 Equipment Lease (governmental activities portion only) as of June 30, 2009, based on the final lease amount of $1,627,500 are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	$281,623	$20,825	$302,448
2011	293,350	9,098	302,448
	$574,973	$29,923	$604,896

2006 Surplus Property, Transfer of Net Debt

On June 6, 2006, The County Commissioners for St. Mary's County entered into a public school property transfer agreement with St. Mary's County Public Schools for the transfer of George Washington Carver Elementary School. With this property transfer, the County agreed to assume the total outstanding State bond debt of $368,769. As of June 30, 2009, the principal and interest payments through 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	$ 47,407	$ 9,207	$ 56,614
2011	49,639	6,975	56,614
2012	51,977	4,637	56,614
2013	46,159	2,189	48,348
2014	628	49	677
2015-2018	579	54	633
	$196,389	$23,111	$219,500

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

2007 Exempt Financing Equipment Lease

On September 5, 2006, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow $1,720,000 for the purchase of vehicles and technology equipment. The lease bears interest at a rate of 4.05% per annum, payable bi-annually through 2012. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the 2007 Equipment Lease as of June 30, 2009, based on the final lease amount of $1,720,000 are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	$315,362	$29,756	$345,118
2011	328,264	16,854	345,118
2012	169,134	3,425	172,559
	$812,760	$50,035	$862,795

2008 Exempt Financing Equipment Lease

On April 10, 2008, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow $3,155,000 for the purchase of vehicles. The lease bears interest at a rate of 2.82% per annum, payable bi-annually through 2013. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the 2008 Equipment Lease as of June 30, 2009, based on the final lease amount of $3,155,000 are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	$ 548,750	$ 52,270	$ 601,020
2011	564,333	36,686	601,019
2012	580,360	20,660	601,020
2013	296,331	4,178	300,509
	$1,989,774	$113,794	$2,103,568

7. Long-term obligations (continued)

Primary Government (continued)

Governmental Activities (continued)

Long-term obligations at June 30, 2009 consist of the following:

Description	Due	Rate	Amount
MD Water Quality Loans and Other State Loans:			
Rural housing service, formerly Farmers Home Administration (Watershed Project)	1972-2022	3.463%	$ 3,748
Maryland Department of Natural Resources:			
Point Breeze	1993-2017	None	73,278
Sandgates Road	1994-2015	None	37,392
Jefferson Island #2 and #3 Erosion Projects	1985-2015	None	26,139
Tall Timbers #2 Erosion Project	1986-2012	None	15,094
Tall Timbers #3 Erosion Project	1991-2016	None	46,074
Jefferson Island Club, Inc.	1991-2016	None	82,800
Hollywood Shores	1998-2012	None	23,538
Holly Point Shores	2008-2032	None	230,657
Maryland Water Quality Loan	2003-2016	2.4%	1,592,834
Murray Road Revetment	2004-2028	None	69,008
Maryland Water Quality Loan	2005-2019	None	3,051,324
Piney Point Lighthouse	2009-2024	None	489,555
Villas on Water Edge	2009-2029	None	390,000
North Patuxent Beach	2009-2024	None	418,000
Total state loans			$6,549,441
General obligation bonds:			
Public Facilities Refunding Bonds of 1996	1997-2009	3.3-5.0%	$ 135,000
St. Mary's County Consolidated Public Improvement Project and Refunding Bonds of 1997	1998-2012	4.5-4.875%	1,815,000
Consolidated Public Improvement Bonds of 1999	2000-2019	5-6%	1,360,000
2001 General Obligation Bonds	2004-2022	4-5.5%	18,445,000
2002 Refunding Bonds	2004-2020	3.25-5%	19,655,000
2002 St. Mary's Hospital Bonds	2006-2023	3.5-5.125%	16,785,000
2003 Public Facilities and Refunding Bonds	2006-2023	2.75-4.75%	20,735,000
Consolidated Public Improvement Bonds of 2005	2006-2025	3.75-4.25%	13,780,000
2008 Refunding Bonds	2008-2013	2.4%	6,275,000
Total general obligation bonds			$ 98,985,000
Total state loans and bonds			$105,534,441
Surplus property transfer of debt			196,389
Accrued landfill closure and postclosure costs			1,800,000
Exempt Financing			3,627,750
Accumulated unpaid annual leave			4,143,799
Total			$115,302,379
Less: Amount deferred on refunding			(1,747,217)
			$113,555,162

7. Long-term obligations (continued)

Primary Government (continued)

Business-Type Activities

2005 Exempt Financing Equipment Lease

On June 28, 2005, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow $1,486,887 for the purchase of vehicles. The lease bears interest at a rate of 3% per annum, payable monthly through 2010. Payments are due monthly starting July 28, 2005. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the 2005 Equipment Lease (Business-Type portion only) as of June 30, 2009, based on the final lease amount of $1,486,887, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	$67,728	$1,328	$69,056
	$67,728	$1,328	$69,056

2006 Exempt Financing Equipment Lease

On May 25, 2006, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow $1,627,500 for the purchase of vehicles. The lease bears interest at a rate of 4.12% per annum, payable monthly through 2011. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the 2006 Equipment Lease (Business-Type portion only) as of June 30, 2009, based on the final lease amount of $1,627,500 are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	$ 56,866	$4,205	$ 61,071
2011	59,234	1,837	61,071
	$116,100	$6,042	$122,142

7. Long-term obligations (continued)

Business-Type Activities (continued)

2007 Exempt Financing Equipment Lease

On September 5, 2006, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow $1,720,000 for the purchase of vehicles and technology equipment. The lease bears interest at a rate of 4.05% per annum, payable bi-annually through 2012. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the 2007 Equipment Lease (Business-Type portion only) as of June 30, 2009, based on the final lease amount of $1,720,000, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	$35,040	$3,306	$38,346
2011	36,474	1,873	38,347
2012	18,793	381	19,174
	$90,307	$5,560	$95,867

2008 Exempt Financing Equipment Lease

On April 10, 2008, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow $3,155,000 for the purchase of vehicles. The lease bears interest at a rate of 2.82% per annum, payable bi-annually through 2013. In FY2008, a new business-type activity fund was established for Solid Waste/Recycling. This lease was prorated between primary government and business-type activities based on the cost of the underlying assets acquired using the financing. The annual requirements to amortize the 2008 Equipment Lease (Business-Type portion only) as of June 30, 2009, based on the final lease amount of $3,155,000 are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	$ 73,133	$ 6,966	$ 80,099
2011	75,210	4,889	80,099
2012	77,346	2,753	80,099
2013	39,493	557	40,050
	$265,182	$15,165	$280,347

7. Long-term obligations (continued)

Business-Type Activities (continued)

Wicomico Shores Improvement Bond of 2007

On June 29, 2007, The County Commissioners for St. Mary's County entered into an agreement with SunTrust Bank to borrow $1,350,000 for the renovation of the Wicomico Shores Clubhouse. The loan bears interest at a rate of 5.62% per annum, payable monthly through 2028. The annual requirements to amortize the Wicomico Shores Improvement Bond of 2007 as of June 30, 2009, based on the final loan amount of $1,350,000, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	$ 41,897	$ 70,642	$ 112,539
2011	44,313	68,225	112,538
2012	46,871	65,668	112,539
2013	49,572	62,967	112,539
2014	52,451	60,088	112,539
2015-2019	311,130	251,563	562,693
2020-2024	411,831	150,862	562,693
2025-2028	317,912	29,081	346,993
	$1,275,977	$759,096	$2,035,073

7. Long-term obligations (continued)

Special assessment debt

Special assessment fund debt payable as of June 30, 2009 is composed of the following loans payable to the Maryland Department of Natural Resources:

Hollywood Shores, Shore Erosion Control Project, payable in fifteen annual installments of \$7,846, without interest, guaranteed by the full faith and credit of the County.	\$ 23,538
Tall Timbers, Shore Erosion Control Project, payable in twenty-five annual installments of \$7,547, without interest, guaranteed by the full faith and credit of the County.	15,094
Tall Timbers, Shore Erosion Control Project, payable in twenty-five annual installments of \$6,582, without interest, guaranteed by the full faith and credit of the County.	46,074
Jefferson Island, Shore Erosion Control Project, originally payable in twenty-five annual installments of \$10,109, without interest, modified during fiscal year 1993 to eighteen varying annual payments without interest, guaranteed by the full faith and credit of the County.	26,139
Jefferson Island, Shore Erosion Control Project, originally payable in twenty-five annual installments of \$11,040, without interest, modified during fiscal year 1993 to twenty-two varying annual payments without interest, guaranteed by the full faith and credit of the County.	82,800
Holly Point Shore Erosion Control, originally payable in twenty-five annual installments of \$10,029 without interest, guaranteed by the full faith and credit of theCounty.	230,657
	\$424,302

7. Long-term obligations (continued)

Primary Government (continued)

The annual requirements to amortize all debt outstanding as of June 30, 2009, including interest of $31,275,140, except for the accrued landfill closure and postclosure costs, accumulated unpaid leave benefits, exempt financing, surplus property debt and Maryland Water Quality Loans, are as follows:

	Governmental Activities		
Years Ending June 30,	Principal	Interest	Total
2010	$8,221,006	$4,140,535	$12,361,541
2011	8,568,311	3,815,967	12,384,278
2012	7,664,189	3,524,458	11,188,647
2013	7,950,471	3,228,940	11,179,411
2014	6,075,348	2,948,393	9,023,741
2015-2019	34,394,338	10,564,830	44,959,168
2020-2024	26,613,880	3,004,204	29,618,084
2025-2029	1,352,488	47,813	1,400,301
2030-2032	50,252	0	50,252
Total	$100,890,283	$31,275,140	$132,165,423

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

	General Obligation Bonds	Hospital Bonds	State Loans	Special Assessment Fund	Total
Principal	$ 82,200,000	$ 16,785,000	$ 1,480,981	$ 424,302	$ 100,890,283
Interest	24,536,580	6,738,423	137	0	31,275,140
	$ 106,736,580	$ 23,523,423	$ 1,481,118	$ 424,302	$ 132,165,423

7. Long-term obligations (continued)

Component Units

St. Mary's County Public Schools

Long-term Liabilities

General long-term debt at June 30, 2009, consists of financing agreement obligations and accumulated compensated absences payable. The interest rates on the financing agreement obligations range from 4.28% to 4.96% with maturity dates up to October 2016. The financing agreement obligations are secured by the capital assets purchased. The following is a summary of changes in the School System's general long-term liabilities for the year ended June 30, 2009.

	Balance June 30, 2008	Additions	Deductions/ Maturities	Balance June 30, 2009	Amounts due Within one year
Governmental activities:					
Financing agreements					
Office facility construction	$ 3,766,375	$ 0	($345,125)	$ 3,421,250	$ 361,509
School buses and related equipment	361,082	0	(176,992)	184,090	184,090
Computer equipment	990,065	0	(285,725)	704,340	293,708
Vehicles	164,898	0	(38,673)	126,225	40,325
	$ 5,282,420	$ 0	($846,515)	$ 4,435,905	$ 879,632
Other long-term liabilities:					
Compensated absences	$ 3,707,411	$ 291,229	($407,419)	$ 3,591,221	$ 491,488
Net OPEB obligation	1,735,862	10,305,000	(9,414,992)	2,625,870	0
Governmental activities:					
Long-term liabilities	$10,725,693	$10,596,229	($10,668,926)	$10,652,996	$1,371,120
Business-type activities:					
Other long-term liabilities:					
Compensated absences	$ 83,908	$ 43,716	($35,777)	$ 91,847	$ 8,114

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

Subsequent to year end, the School System paid off the outstanding balance of each of the financing agreements listed above.

7. Long-term obligations (continued)

Component Units (continued)

Board of Library Trustees for St. Mary's County

Long-term debt

Long-term debt consists of accrued compensated absences. The following is a summary of the changes in long-term debt for th ended June 30, 2009:

Balance July 1, 2008	Decrease	Balance June 30, 2009	Amounts due within one year
$111,651	$10,533	$101,118	$ 0

Metropolitan Commission

Long-term debt

Long-term bonds payable as of June 30, 2009 are as follows:

Bonds payable Description	Due	Rate	Principal	Interest
Twelfth Issue	1996-2013	3.9 - 5.25%	$870,000	$115,918
Fourteenth Issue	2001-2029	4.125 - 5.0%	1,471,300	886,090
Seventeenth Issue	2006-2019	2.75 - 4.40%	4,654,969	1,062,859
Twenty-first Issue	2007-2021	3.65 - 4.275%	968,200	267,984
Twenty-third Issue	2008-2027	3.5 - 4.25%	2,497,874	1,040,614
			10,462,343	3,373,465
Less current portion			796,849	436,599
Total			$ 9,665,494	$2,936,866

7. Long-term obligations (continued)

Component Units (continued)

Metropolitan Commission (continued)

Long-term debt (continued)

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2009 are as follows:

Year ending June 30,	Principal	Interest
2010 (current)	$796,849	$436,599
2011	819,671	404,714
2012	863,703	370,378
2013	902,203	333,007
2014	696,858	292,866
2015-2019	3,978,086	999,958
2020-2024	1,335,636	409,522
2025-2029	1,069,337	126,421
	$10,462,343	$3,373,465

Redemption – Tenth Issue – DHCD Loan

Bonds in the amount of $170,000 were redeemed in full at 100% on March 8, 2009.

Redemption – Twelfth Issue

Optional redemption

Bonds that mature on or before June 1, 2006 are not subject to redemption prior to their maturities. Bonds that mature on or after June 1, 2006 are subject to redemption beginning June 1, 2006, as a whole at any time or in part on any interest payment date, in order of maturities, at the option of MetCom, at the following redemption prices expressed as a percentage of the principal amount of bonds to be redeemed plus accrued interest thereon to the date fixed for redemption:

Period During Which Redeemable (Both Dates Inclusive)	Redemption Price
June 1, 2006 to May 31, 2007	101%
June 1, 2007 to May 31, 2008	100-1/2%
June 1, 2008 and thereafter	100%

7. Long-term obligations (continued)

Component Units (continued)

Metropolitan Commission (continued)

Fourteenth Issue

On May 18, 1999, the Commission issued $1,830,900 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA).

Principal payments are due from 2001-2029. The average interest cost is 4.86%.

The bonds may be prepaid at the following premiums:

Period	Price
June 1, 2009 through May 31, 2010	101%
June 1, 2010 through May 31, 2011	100-1/2%
After June 1, 2011	100%

Seventeenth Issue

On September 4, 2003, MetCom issued Refunding Bonds of 2003 in the principal amount of $6,105,000. The bonds mature on November 1, in 14 annual installments, beginning in 2005 and ending in 2018. Interest rates on the bonds range from 2.75% to 4.4%. Interest is payable on May 1, 2004 and semiannually thereafter on each May 1 and November 1, to maturity.

The bonds may be prepaid at the following premiums:

Period	Price
November 1, 2013 through October 31, 2014	101%
November 1, 2014 through October 31, 2015	100-1/2%
After November 1, 2015	100%

The bonds were issued to refund all the outstanding maturities of the St. Mary's County Metropolitan Commission Refunding Bonds of 1993 (Ninth Issue).

The outstanding amount of refunding bond issue number seventeen is shown net of a deferred loss on the advance refunding of $80,031.

7. Long-term obligations (continued)

Component Units (continued)

Metropolitan Commission (continued)

Twenty-first Issue

In fiscal year 2006, the Commission issued Refunding Bonds of 2006 on April 5, 2006 in the principal amount of $1,158,700. The bonds mature on May 1, in 15 annual installments, beginning in 2007 and ending in 2021. Interest rates on the bonds range from 3.65% to 4.275%. Interest is payable on November 1, 2006 and semiannually thereafter on each May 1 and November 1 to maturity.

This bond is not subject to prepayment by the Issuer prior to May 1, 2016. On or after May 1, 2017, this bond is subject to prepayment by the Issuer at 100%.

The bonds were issued to refund all the outstanding maturities of the Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). The Thirteenth Issue was fully refunded and $500,000 of the Tenth Issue was fully refunded.

These bonds were issued with a true interest cost ranging from 3.65% to 4.275% to refund certain maturities of $620,000 in outstanding 1996 series A bonds with a coupon rate of 5.579% and $500,000 in outstanding 1995 series A bonds with an average interest rate of 6.24%. These bonds were issued to take advantage of a favorable interest rate environment. The net proceeds (including interest and premium) of $1,131,200 were deposited with an escrow agent to provide for all future debt service payments of the refunded bonds.

MetCom refunded these bonds at a premium to reduce its total debt service payments by $152,325 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $110,445.

Twenty-third Issue

On November 14, 2007, the Commission issued $10,889,100 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2009, MetCom had drawn only $3,018,073 of the proceeds. The cost of issuance was $227,600, which is included in current year additions.

The bonds mature on May 1, in 20 annual installments, beginning in 2008 and ending in 2027. Interest rates on the bonds range from 3.5% to 4.25%. Interest is payable on May 1, 2008 and semiannually thereafter on each November 1 and May 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2017. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

7. Long-term obligations (continued)

Component Units (continued)

Metropolitan Commission (continued)

Notes, leases, and loans payable

Notes, leases and loans payable as of June 30, 2009 are as follows:

Description	Due	Rate	Principal	Interest
Leonardtown	2010-2020	6.10 - 10%	$ 119,571	$ 88,601
MD Bank and Trust	2010	4.80%	18,885	919
Sixth Issue	2017	6.682%	108,655	35,125
MD Water Quality Loan #8	2012	3.45%	287,677	20,105
MD Water Quality Loan #11	2017	4.26%	2,084,048	418,920
MD Water Quality Loan #15	2020	2.70%	513,504	84,284
MD Water Quality Loan #16	2023	1.20%	397,148	32,430
MD Water Quality Loan #18	2025	1.10%	3,850,387	369,850
MD Water Quality Loan #19	2024	1.10%	648,687	58,541
MD Water Quality Loan #20	2024	1.10%	983,355	88,745
MD Water Quality Loan #22	2027	1.10%	1,050,144	102,903
			10,062,061	1,300,423
Less current portion			810,641	208,655
Total			$ 9,251,420	$ 1,091,768

As of June 30, 2009, MetCom has eight loans from the Maryland Water Quality Financing Administration. Proceeds from loan number eight amounting to $1,326,045 were used to finance the Marley-Taylor WRF Interim Expansion. Proceeds from loan number eleven of $4,177,116 were used to finance the Marley-Taylor WRF Wastewater Treatment Plant Upgrade and Expansion Project. Loan number fifteen for $835,000 was drawn during the year ended June 30, 2000 for the purposes of financing an office building for the administrative use of MetCom. Loan number sixteen for $567,680 was used to upgrade the Leonardtown wastewater treatment plant. Loan number eighteen for $4,712,200 was used to upgrade the Marley-Taylor WRF. Loan number nineteen for $976,700 is to be used to replace the wastewater pumping station. Proceeds drawn at June 30, 2009 were $838,591. Loan number twenty is to be used for water meter installations. As of June 30, 2009 amounts drawn on the loan were $1,393,960. Loan number twenty-two is to be used for the Andover Road/Estates sewer projects and for arsenic remediation wells. As of June 30, 2009, amounts drawn on the loan were $1,136,984.

7. Long-term obligations (continued)

Component Units (continued)

Metropolitan Commission (continued)

Notes, leases, and loans payable (continued)

The annual requirements to amortize principal and interest payments on all notes, leases and loans outstanding as of June 30, 2009, are as follows:

Year ending June 30,	Principal	Interest
2010 (current)	$810,641	$208,655
2011	812,707	184,528
2012	824,657	166,297
2013	742,804	142,997
2014	761,036	127,036
2015-2019	3,399,705	354,989
2020-2024	2,332,900	110,382
2025-2028	377,611	5,539
	$10,062,061	$1,300,423

Changes in long-term debt

The changes in long-term debt payable for the year ended June 30, 2009 were as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Amounts due Within one year
Bonds payable	$ 9,248,136	$2,435,314	$1,221,107	$10,462,343	$ 796,849
Notes, leases and loans payable	10,050,362	863,229	851,530	10,062,061	810,641
Total long-term debt	$19,298,498	$3,298,543	$2,072,637	$20,524,404	$1,607,490

Building Authority Commission

Long-term Debt

Changes in Long-term Debt

The changes in long-term debt for the year ended June 30, 2009 were as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Amounts due within one year
Bonds payable	$7,390,000	$0	$1,095,000	$6,295,000	$1,140,000

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

Nursing Home Refunding Bonds

General

The refunding bonds are dated December 2, 2003 and were issued in the aggregate principal amount of $6,230,000.

Interest payments due under the bonds are made payable to the registered bond-owners of record as of the last business day of the month next preceding each such interest payment date. Each bond bears interest from the most recent date on which interest was paid.

Optional redemption

Bonds that mature on or before July 15, 2013, are not subject to redemption prior to their maturities. Bonds that mature on or after July 15, 2014, are subject to redemption beginning July 15, 2013, as a whole at any time or in part on any interest payment date, in any order of maturities, at the option of the Commission, at the following redemption prices expressed as a percentage of the principal amount of bonds to be redeemed plus accrued interest thereon to the date fixed for redemption:

Period During Which Redeemable (both dates inclusive)	Redemption Price
July 15, 2013 to July 14, 2014	101%
July 15, 2014 to July 14, 2015	100.5%
July 15, 2015 and thereafter	100%

If fewer than all of the bonds of any one maturity are called for redemption, the particular bonds or portion of bonds to be redeemed from such maturity will be selected by lot by the Bond Registrar.

When less than all of a bond in a denomination in excess of $5,000 is so redeemed, then, upon the surrender thereof, there will be issued without charge to the registered owner thereof, for the unredeemed balance of the principal amount of such bond, at the option of such owner, bonds in any of the authorized denominations as specified by the registered owner. The aggregate face amount of such bonds issued will be equal to the unredeemed balance of the principal amount of the bond surrendered, and the bonds issued will bear the same interest rate and will mature on the same date as the unredeemed balance of the bond surrendered.

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

Nursing Home Refunding Bonds (continued)

Notice of redemption

If the Commission elects to redeem all or a portion of the bonds outstanding, it will give a redemption notice to the registered owners of the bonds to be redeemed by letter mailed first class, postage prepaid, at least thirty (30) days prior to the date fixed for redemption to the addresses of such registered owners appearing on the registration books kept by the Bond Registrar; provided however, that the failure to mail the redemption notice or any defect in the notice so mailed or in the mailing thereof will not affect the validity of the redemption proceedings; and provided further, that the Commission will publish notice of redemption at least once (not less than thirty (30) days prior to the date fixed for redemption) in a financial journal or daily newspaper of general circulation in the Borough of Manhattan, New York, New York. The redemption notice will state (i) whether the bonds are redeemed in whole or in part and, if in part, the maturities and numbers of the bonds to be redeemed, (ii) that the interest on the bonds to be redeemed will cease to accrue on the date fixed for redemption, (iii) the date fixed for redemption and the redemption price, and (iv) that the bonds to be redeemed will be presented for redemption and payment on the date fixed for redemption at the principal corporate trust office of the Paying Agent.

From and after the date fixed for redemption, if notice has been duly and properly given and if funds sufficient for the payment of the redemption price and accrued interest are available on such date, the bonds designated for redemption will cease to bear interest. Upon presentation and surrender for redemption in compliance with the redemption notice, the bonds to be redeemed will be paid by the Paying Agent at the redemption price. If they are not paid upon presentation, the bonds designated for redemption will continue to bear interest at the rates stated therein until paid.

The nursing home refunding bonds were issued to refund the Commission's Nursing Home Project and Refunding Bonds of 1992. The Commission reduced its future debt service costs by $959,538 and experienced an economic gain of $798,982 as a result of the refunding.

State Office Building Refunding Bonds

The certificates were dated June 1, 1994, in the amount of $8,760,000 and were issued in serial and term form in the principal amounts, maturing (subject to the redemption provisions set forth below) and bearing interest.

The certificates were executed and delivered in fully registered form, without coupons, in denominations of $5,000 each or any integral multiple thereof. Interest is payable on the certificates on each June 1 and December 1. The principal or redemption price of the certificates is payable at the principal corporate trust office of the Trustee in Baltimore, Maryland. Interest is payable by check mailed by the Trustee to the registered Holders of certificates as their names and addresses appear in the registration books maintained by the Trustee as of (i) the fifteenth calendar day of the month next preceding each interest payment date or (ii) in the case of the payment of any defaulted interest, the tenth (10) day before such payment. At the request of a Holder of certificates in the aggregate principal amount of at least $500,000, such payments may be made by wire transfer in accordance with written instructions filed by such Holder with the Trustee. Interest on the certificates is calculated on the basis of a year consisting of 360 days divided into twelve 30-day months.

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

State Office Building Refunding Bonds (continued)

Mandatory extraordinary redemption

Redemption provisions

The certificates are subject to mandatory redemption in whole at any time or in part on any interest payment date at par plus accrued interest (i) if the project is damaged, destroyed or condemned, from insurance or condemnation proceeds not required to rebuild or modify the project after such damage, destruction or condemnation or (ii) if the project is damaged, destroyed or condemned, and the insurance or condemnation proceeds are insufficient to repair, rebuild or modify the project and the State elects not to use its own funds for such purpose, from insurance and condemnation proceeds and amounts then payable by the State as prepayment of the entire project purchase price.

Optional redemption

The certificates maturing on or after December 1, 2004, are subject to optional redemption prior to their maturity beginning June 1, 2004, in whole or in part at any time to the extent the State exercises its option to prepay all or a portion of the project purchase price. Upon any such prepayment of the project purchase price, a like principal amount of certificates will be redeemed at the redemption prices (expressed as percentages of the principal amount of such certificates or portions thereof to be redeemed) set forth below, plus all interest accrued thereon to the date fixed for redemption:

Period During Which Redeemable (both dates inclusive)	Redemption Price
June 1, 2004 to May 31, 2005	102%
June 1, 2005 to May 31, 2006	101%
June 1, 2006 and thereafter	100%

The certificates maturing on June 1, 2013 are subject to mandatory sinking fund redemption on the following dates in the following amounts, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption:

$1,055,000 term certificates due June 2013:

Date	Sinking Fund Installment
June 1, 2012	$ 340,000
December 1, 2012	$ 355,000
June 1, 2013	$ 360,000

The principal amount of certificates redeemed from sinking fund installments due on any date will be reduced by an amount equal to the aggregate principal amount of certificates purchased by the Trustee in the open market or redeemed prior to such date and not theretofore credited against a sinking fund installment.

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

State Office Building Refunding Bonds (continued)

Selection of certificate to be redeemed

If fewer than all of the certificates are called for redemption, the Trustee will redeem the certificates in any order of maturity selected by the State and by lot in such manner as the Trustee will determine within any maturity; provided, however, that the portion of any certificate to be redeemed will be in the principal amount of $5,000 or any integral multiple thereof and, in selecting certificates for redemption, the Trustee will redeem each certificate as representing that number of certificates that is obtained by dividing the principal amount of such certificate by $5,000.

Notice of redemption

The Trustee will mail notice of redemption, by first class mail, not fewer that 30 days before the date of redemption to the registered Holders of the certificates of the maturity or maturities to be redeemed at their addresses shown on the registration books maintained by the Trustee. Notice having been given and sufficient monies having been delivered to the Trustee, interest will cease to accrue on the certificates to be redeemed on and after the date fixed for redemption. Any notice of redemption may indicate that such redemption is conditioned upon the deposit of sufficient monies to effect such redemption on the redemption date. The failure by the Trustee to mail a notice of redemption with respect to any particular certificate will not affect the validity of the redemption of any other certificate for which proper notice will have been given.

Security and sources of payment for the certificates

The certificates are payable as to principal, redemption price and interest solely from base rentals to be paid by the State pursuant to the lease agreement, monies attributable to the sale, leasing or other disposition of the project by the Trustee upon the occurrence of certain defaults by the State pursuant to the lease agreement and amounts from time to time on deposit in certain funds and accounts established by the Trust Agreement. Pursuant to the Trust Agreement, the Commission has executed and delivered the mortgage to the Trustee and has assigned to the Trustee all of its rights under the lease agreement and the ground lease (except for its rights under certain provisions in respect of indemnification and an option to purchase the project site), and all amounts on deposit from time to time in such funds and accounts for the benefit of the Holders of the certificates.

All amounts payable by the State under the lease agreement, including the base rentals, are subject in each year to appropriation by the Maryland General Assembly. The Maryland General Assembly is under no obligation to make any appropriation with respect to the lease agreement. The lease agreement is not a general obligation of the State, the County or the Commission within the meaning of any constitutional or statutory limitation or a charge against the general credit or taxing power of the State, the County or the Commission.

It is expected that each department and agency utilizing the project will pay its portion of the base rentals to the Department of General Services, which will pay to the Trustee the total amount of base rentals due under the lease agreement. Although the sources of funds appropriated to pay the base rentals are not limited to any particular source of State revenue, the State expects that the base rentals will be paid and appropriated from the State's General Fund, and, to the extent available to particular departments and agencies, from certain of the State's other budgetary funds.

7. Long-term obligations (continued)

Component Units (continued)

Building Authority Commission (continued)

The annual requirements to amortize the principal of all bonds outstanding as of June 30, 2009 are as follows

Years	State Office Building	Nursing Home	Total
2010	$605,000	$535,000	$1,140,000
2011	635,000	555,000	1,190,000
2012	670,000	570,000	1,240,000
2013	715,000	580,000	1,295,000
2014	0	340,000	340,000
2015	0	350,000	350,000
2016	0	365,000	365,000
2017	0	375,000	375,000
	$ 2,625,000	$ 3,670,000	$ 6,295,000

The annual requirements to amortize the interest of all bonds outstanding as of June 30, 2009 are as follows:

Years	State Office Building	Nursing Home	Total
2009	$171,292	$129,904	$301,196
2010	139,668	114,591	254,259
2011	105,518	98,241	203,759
2012	69,417	80,297	149,714
2013	30,638	60,891	91,529
2014	0	45,324	45,324
2015	0	33,419	33,419
2016	0	20,678	20,678
2017	0	7,031	7,031
	$ 345,241	$ 460,472	$ 805,713

8. Fund balances

A summary of the reserved and unreserved - designated and undesignated fund balances as of June 30, 2009 is as follows:

		Special Revenue Funds					Fiduciary Funds		
	General Fund	Special Assessments	Fire & Rescue Revolving	Emergency Support	Total	Capital Projects Fund	Sheriff's Office Retirement Plan	Retiree Benefit Trust Fund	Total
Reserved									
Encumbrances	$656,776			$47,420	$47,420	$9,315,971			
Inventory	779,632								
Retirement of Long-Term Obligations		($685,907)			(685,907)				
Domestic Violence Programs	5,955								
County Matching Funds for Approved Grants	313,744								
Revenues Appropriated for Capital Projects									
Roads- Impact Fees						415,119			
Parks- Impact fees						254,755			
Schools- Impact Fees						5,222,466			
Transfer Tax						6,965,421			
Recordation Tax						(43,194)			
Roads- Mitigation						376,874			
Schools- Mitigation						109,125			
Parks- Mitigation						114,541			
Agriculture Transfer Tax						305,970			
County Paygo						6,479,871			
Other, Net, Including Unsold Bonds and Grants	25,476					(10,975,346)			
Total Reserved Fund Balances	$1,781,583	($685,907)	$0	$47,420	($638,487)	$18,541,573	$0	$0	$0
Unreserved									
Designated	$17,973,082	$0	$217,365	$820,337	$1,037,702	$662,112	$29,106,738	$23,318,131	$52,424,869
Undesignated	8,989,564	0	0	0	0	0	0	0	0
Total Unreserved Fund Balances	$26,962,646	$0	$217,365	$820,337	$1,037,702	$662,112	$29,106,738	$23,318,131	$52,424,869
Total Fund Balances (deficit)	$28,744,229	($685,907)	$217,365	$867,757	$399,215	$19,203,685	$29,106,738	$23,318,131	$52,424,869

8. Fund balances (continued)

The reserved fund balance includes:

Encumbrances - The amount of outstanding purchase orders at June 30, 2009.

Inventory - The amount of inventory at June 30, 2009, carried as an asset.

Retirement of long-term obligations - The amount of future revenue (collections) of Special Assessments that is legally restricted to expenditures for specified purposes. This future revenue will be used for the retirement of long-term obligations.

Domestic violence programs - The amount of marriage license fees committed for domestic violence programs, by resolution.

County matching funds for approved grants – The amount of county funding that is committed as a match to grants that were budgeted in FY2009, but for which the period extends beyond June 30, 2009. These funds will be needed to meet the obligations of the grant.

Revenues appropriated for capital projects - The amount of revenue collected to date, but which has been obligated through the budget process for specific capital projects, and which will be used for future capital project expenses.

Other – The principal component corresponds to capital project expenditures already incurred which were budgeted to be funded through the sale of bonds. The sale of these bonds occurred in November 2009. To a lesser extent, this also reflects grants that have been reflected as a source of funding but which have not yet been spent.

The general fund unreserved designated fund balance is composed of:

Appropriation for FY 2010 operating budget	$ 3,600,000
Appropriation for FY 2010 - CIP/Paygo	500,000
Bond rating reserve (6%)	11,892,240
Rainy day fund	1,625,000
	$17,617,240
Miscellaneous revolving fund	355,842
	$17,973,082

As a part of the FY2010 budget process, the Board of County Commissioners appropriated $3.6 million of fund balance to be applied to the FY2010 budget, of which $3 million was revenue replacement for the temporary reduction in the State allocation of highway user revenues and $600,000 for non-recurring funding for the Medical Adult Daycare Services (MADS) program. As a part of the 2010 budget process, the Board concluded that it would cease to operate the MADS programs as a county function, transitioning it to a private operation. The $600,000 appropriated is intended to cover the accumulated deficit through FY2009 as well as the estimated operating deficit for FY2010.

The unreserved undesignated fund balance includes almost $7 million of the FY2008 unreserved undesignated fund balance that was intentionally not appropriated for the FY2010 budget by the Board, in anticipation of using it to offset State revenue reductions in FY2011 and FY2012. The disposition of the June 30, 2009 balance of $8,989,564 will be considered as a part of the FY2011 budget process.

9. Retirement plans

Primary Government

Plan description

The employees of the County are covered by the State Retirement and Pension System of Maryland (the System), the administrator of an agent multiple-employer public employee retirement system established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators and employees of participating governmental units. Responsibility for the administration and operation of the System is vested in a 14-member Board of Trustees. The State of Maryland is obligated for the payment of all pension annuities, retirement allowances, refunds, reserves and other benefits of the System. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies and administrative budget. The System is a component unit of the State of Maryland's financial reporting entity and is included in the State's financial statements as a pension trust fund. The County's total payroll for the year ended June 30, 2009 was $39,391,439, of which $23,240,288 was covered under the System.

The System comprises the Teachers' Retirement System, Employees' Retirement System, Teachers' Pension System, Employees' Pension System, State Police Retirement System, Judges Retirement System, Natural Resources Pension System and the Local Fire and Police System.

The Employees' Retirement System was established on October 1, 1941, to provide retirement allowances and other benefits to State employees and the employees of participating governmental units. Current members of this System include State correctional officers, members of the Maryland General Assembly, and employees who have not elected to transfer to the applicable Employees' Pension System.

The Employees' Pension System was established on January 1, 1980. As a result, State employees (other than correctional officers), and employees of participating governmental units hired after December 31, 1979, become members of their applicable Pension System as a condition of employment. Members of the Employees' Retirement System have the opportunity to irrevocably transfer to their respective Pension System. For those transferring, all prior service credit and member contributions above the social security wage base are transferred from the applicable retirement system to the corresponding pension system. Member contributions up to the social security wage base are refunded to the members.

Plan benefits

Retirement allowances are computed using the highest three years' average final salary (AFS) and the actual number of years of accumulated creditable service. Pension allowances are computed using both the highest three consecutive years AFS and the actual number of years of accumulated creditable service. Various retirement options are available under each System which ultimately determine how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's or spouse's attained age and similar actuarial factors.

The Teachers' and Employees' Retirement Systems' members are eligible for full retirement benefits upon attaining the age of 60, or upon accumulating 30 years of eligibility service, regardless of age. The annual retirement allowance equals 1/55 (1.8%) of a member's AFS multiplied by the number of years of accumulated service credit. A member may retire with reduced benefits after completing 25 years of eligibility service.

9. Retirement plans (continued)

Primary Government (continued)

Plan benefits (continued)

The Teachers' and Employees' Pension Systems' members are eligible for full retirement benefits upon attaining at least age 62 with specified years of eligibility service, or upon accumulating 30 years of eligibility service regardless of age. The annual pension allowance is equal to .8% of a member's AFS up to the Social Security Integration Level (SSIL), plus 1.5% of a member's AFS in excess of the SSIL, multiplied by the number of years of accumulated service credit. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the 35 calendar years ending with the year the retiree separates from service. A member may retire with reduced benefits after attaining age 55 and completing 15 years of eligibility service.

Retirement and pension allowances are increased annually to provide for changes in the cost of living in accordance with prescribed formulae. Such adjustments are based on the annual change in the Consumer Price Index, except that annual pension allowance increases are limited to 3% of the initial allowance.

The System has adopted Governmental Accounting Standards Board (GASB) Statement No.25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

Funding status and progress

Pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the System.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 2008. The significant actuarial assumptions used in the actuarial valuations include (a) rate of return on the investment of 7.75% compounded annually (adopted June 30, 2003), (b) projected salary increases of 3.5% per year compounded annually, attributable to inflation (adopted June 30, 2007), (c) additional projected salary increases ranging from 0.00% to 8.5% per year, attributable to seniority and merit (adopted June 30, 2007), (d) post-retirement benefit increases ranging from 3% to 4% per year depending on the system (adopted June 30, 2003), (e) rates of mortality, termination of service, disablement and retirement are based on actual experience during the period from 2003 through 2006 (adopted June 30, 2007), and (f) an increase in the aggregate active member payroll of 3.5% annually (adopted June 30, 2007).

9. Retirement plans (continued)

Primary Government (continued)

Funding status and progress (continued)

At June 30, 2008, the System's unfunded pension benefit obligation (i.e., pension benefit obligation less net assets available for benefits) in accordance with GASB No. 25 was as follows:

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$27,224,603,428
Current employees	23,019,443,572
Total pension benefit obligation	$50,244,047,000
Net actuarial assets available for benefits	39,504,284,202
Unfunded actuarial pension benefit obligation	$10,739,762,798

The schedule below (expressed in thousands) presents the actuarial value of the System's assets and the actuarial accrued liability as of June 30, 2008 and the preceding two years. The schedule is intended to help the users assess the funding status of the System. Due to an actuarial error, the Schedule of Funding Progress presented in the June 30, 2007 Comprehensive Annual Financial Report overstated the Actuarial Accrued Liability. The 2007 funding results have been restated to reflect the corrected actuarial valuation results.

	2008	2007	2006
Actuarial value of assets	$39,504,284	$37,886,936	$35,795,025
Actuarial accrued liability (AAL)	50,244,047	47,144,354	43,243,492
Unfunded AAL	$10,739,763	$9,257,418	$7,448,467
Funded ratio	78.62%	80.36%	82.78%
Covered payroll	$10,542,806	$9,971,012	$9,287,576
Unfunded AAL as a % of payroll	102%	93%	80%
Annual pension cost	$1,183,765	$1,025,972	$874,079
Percentage contributed	89%	81%	82%
Net pension obligation	$0	$0	$0

9. Retirement plans (continued)

Primary Government (continued)

Contributions required and made

The State Personnel and Pensions Article of the Annotated Code of Maryland requires contributions by active members and their employers. Rates for required contributions by active members are established by law. Members of the Teachers' and Employees' Retirement Systems are required to contribute 7% (or 5% depending upon the retirement option selected) of earnable compensation. Members of the Pension Systems are required to contribute 5% of earnable compensation in excess of the social security wage base. Members of the Teachers' Pension System and State employees who are members of the Employees' Pension System are required to contribute 3% of earnable compensation.

Employer contributions totaling $443,207,000 for fiscal year 2008 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2008. Employer contributions consisted of normal cost and amortization of the unfunded actuarial accrued liability over a 40-year period from July 1, 1980. Employee contributions, which are applied to normal cost, for fiscal year 2008 totaled approximately $420,461,000. The County's contributions to the System for the year ended June 30, 2009 were $1,757,103.

Historical trend information

Historical trend information which provides data about the Systems' progress made in accumulating sufficient assets to pay pension benefits when due is presented immediately following the notes to the financial statements in the System's comprehensive annual financial report for the fiscal year ended June 30, 2008.

Sheriff's Department plan

Effective date

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

Participation

All Sheriff's Department employees who were hired after June 30, 1986 participate in the plan. Also, each Sheriff's Department employee who was employed by St. Mary's County prior to July 1, 1986, and who participated in the Maryland State Retirement System, may elect to participate in the plan.

Participants are required to make mandatory contributions to the plan equal to 8% of annual compensation. Employee contributions are credited with interest at the rate of 4% per annum. The County pays the entire remaining cost of the plan.

9. Retirement plans (continued)

Sheriff's Department Plan (continued)

Credited service

Credited service for participants hired prior to July 1, 1986, is equal to the sum of:

a. Service subsequent to June 30, 1986, while a participant of the plan.

b. Military service, not in excess of five years.

c. Service with the Sheriff's Department while a participant in the State of Maryland Employees' Retirement System.

d. Service with the Sheriff's Department while a participant in the State of Maryland Employees' Pension System and/or Maryland Employees' Retirement System which the employee elects to buy back by paying into the plan an amount equal to employee contributions for such service, accumulated with interest. Such service is reduced by 25% for the purpose of calculating benefits if participants elect not to buy back such service.

e. Service not with the Sheriff's Department, but while participating in the Maryland Systems stated above. Such service shall count only in eligibility and not in the benefit determination.

Credited service for participants hired subsequent to June 30, 1986, is equal to:

a. Service while a participant of the plan; plus

b. Military service, not in excess of five years and

c. Any approved leave of absence up to 12 months.

In addition, for purposes of calculating the amount of the plan benefit only for a participant eligible for early, normal or late retirement, credit shall be given for unused sick leave as follows: 22 days of unused sick leave shall equal 1 month of credited service.

Final average earnings

"Final Average Earnings" is the average compensation received during three consecutive years of service, out of the ten calendar years prior to termination, which produces the highest average.

Normal retirement

Eligibility - A participant's normal retirement date is the earliest of the 62nd birthday or the completion of 25 years of service.

Amount - Unless an optional method of payment is elected, the annual normal retirement pension benefit, payable in monthly installments for life, will equal 2.5% of the participant's final average earnings for each year of credited service not in excess of 35 years.

9. Retirement plans (continued)

Sheriff's Department Plan (continued)

Early retirement

Eligibility - A participant who retires prior to becoming eligible for normal retirement but on or after completion of 20 years of credited service.

Amount - The amount of the early retirement pension is determined in the same manner as for normal retirement.

A participant may elect to have benefits commence on the Normal Retirement Date or any month following termination. Benefits are reduced 1/2% for each month the benefit commencement date precedes the normal retirement date.

Late retirement

Eligibility - A participant who continues to work past the normal retirement date is eligible for a postponed retirement benefit.

Amount - The amount of the postponed retirement benefit is determined in the same manner as the normal benefit, based on final average earnings and credited service at the time of actual retirement.

Disability benefit

Eligibility - A participant who is unable to perform the duties of the position by reason of physical or mental disability, which is expected to be total and permanent, is eligible for a disability benefit commencing in the month following disablement. The benefit will continue until death or recovery.

Amount - The annual benefit is equal to 1.6% of the participant's final average earnings for each year of credited service not in excess of 35 years. For line of duty disability, the annual benefit is equal to 2/3 of the participant's final earnings plus an annuity based on the amount of the participant's accumulated contributions, if the disability qualifies as a catastrophic disability pursuant to the Plan. For a line of duty disability which is non-catastrophic, the annual benefit is equal to 1/2 of the participant's final earnings plus an annuity based on the amount of the participant's accumulated contributions pursuant to the Plan.

Pre-retirement death benefit

Lump sum benefit

Eligibility - The participant's beneficiary will be entitled to a lump sum benefit if the participant dies prior to termination of employment.

Amount - 100% of the participant's annual compensation, plus employee contributions accumulated with interest.

Survivor's pension

Eligibility - The spouse or dependent child of a participant who dies prior to termination of employment but after completing 5 years of credited service may receive a monthly benefit commencing the first of the month following the participant's death. The benefit is payable until death or remarriage (if the beneficiary is the spouse) or as a temporary annuity (if the beneficiary is a child) payable until the child attains age 18 (23 if a full-time student).

9. Retirement plans (continued)

Sheriff's Department Plan (continued)

Survivor's pension (continued)

Amount - The amount of such benefit will be 50% of the amount determined in the same manner as the disability benefit. The beneficiary may elect to receive the lump sum death benefit in lieu of the survivor's pension.

Deferred vested benefit

Eligibility - A participant who terminates employment and has completed five years of vesting service is eligible to receive a deferred vested benefit beginning at age 62.

Amount - The amount of the participant's deferred vested pension is determined in the same manner as the normal retirement pension based on final average earnings and credited service at the participant's termination of employment. If a terminated vested participant dies prior to commencement of benefits, no benefits other than those provided in the withdrawal benefit, described below, are payable from the plan.

Withdrawal benefit

A participant who terminates employment prior to becoming eligible to receive a benefit under one of the other provisions of the plan will be eligible to receive the return of this accumulated contribution including interest to the first of the month preceding his termination of employment. A vested participant who is not eligible for benefits commencing within one month of termination may elect to withdraw his contributions and credited interest. In this event, the participant forfeits the deferred vested benefit described above.

Form of benefit

Monthly pension benefits will commence on the first of the month coincident with or next following the retirement date of the participant and continue until the first of the month in which the retired participant dies, unless an optional method of payment has been elected. If the participant dies before receiving benefits equal to the value of his accumulated employee contributions, the remainder will be paid to his beneficiary.

Optional Benefit - A participant may elect to receive a reduced benefit in lieu of the benefits to which he would otherwise be entitled, in an amount of actuarially equivalent value, as follows:

a. Joint and Survivor - a reduced pension during the lifetime of the pensioner, starting at his actual retirement date and continuing to the pensioner's spouse at an amount which may be the same as the reduced amount payable to the participant or one-half of the reduced amount paid to the participant.

b. Other - A participant may elect a pension payable in accordance with any other option approved by the Board of Trustees (except an "interest only" option) which is the actuarial equivalent of the normal retirement pension to which the participant was entitled at normal retirement date.

9. Retirement plans (continued)

Sheriff's Department Plan (continued)

Post-retirement pension increases

Each July 1, a cost of living increase will be granted to retired participants or spouses whose benefit has been in pay status at least one year. The amount of the increase is the percentage increase in the Consumer Price Index, with a maximum increase in one year of 4%. The cost of living increase also applies to deferred benefits.

Actuarial methods and assumptions

The funding method, data and assumptions used in the determination of cost estimates are presented below:

Employee data - The employee data used in the determination of cost estimates consists of pertinent information with respect to participants as of July 1, 2008.

Valuation Date - July 1, 2008. The Board of Trustees elected to have the actuarial valuation period as of July 1, as opposed to the January 1 date formerly used. This is more timely for contribution budget considerations.

Actuarial Funding Method - The actuarial valuation has been completed using the entry age normal method.

Rate of Investment Return - An average net rate of 7.75% (prior assumption was 8%) per annum (after investment expenses are deducted) is assumed as the annual rate of investment return (including appreciation and depreciation, realized and unrealized).

Salary Scale - It has been assumed that salaries will increase at the rate of 6% per annum.

Cost of Living Increases - The cost of living is assumed to increase by 3% per year.

Annual Probability of Severance - At death - Pre-retirement mortality has been assumed to follow the 83 Group Annuity Mortality tables. Post-retirement mortality has been assumed to follow the pre-retirement mortality for employees retiring on all but total and permanent disability. Post-retirement mortality for disabled lives has been assumed to follow the pre-retirement mortality set forward 9 years.

Development of plan costs

Derivation of Normal Cost - The plan's normal cost is the sum of the individual normal costs determined for each participant, assuming the plan had always been in existence and the actuarial assumptions underlying the cost determination are exactly realized. Benefits payable under every circumstance (retirement, death, disability and termination) are included in the calculations. An allowance is also added for expenses.

9. Retirement plans (continued)

Sheriff's Department Plan (continued)

Development of plan costs (continued)

The actuarial accrued liability is the sum of all normal costs which would have accumulated, if the assumed normal cost had always been contributed in the past and the actuarial assumptions had been exactly realized. The unfunded actuarial accrued liability is the actuarial accrued liability less the fund's assets at the valuation date.

Recommended contribution level

Recommended contributions are based on a 25-year amortization of the unfunded liability.

Key results:	July 1, 2008
Number of Participants:	
Active	189
Retired	32
Terminated vested	3
Disabled	30
Total	254
Total annual compensation of active participants	$10,254,031
Actuarial accrued liability:	
Actives	$31,711,164
Nonactives	28,338,146
Total	$60,049,310
Assets	$31,714,844
Unfunded actuarial liability	$28,334,466
Normal cost with adjustments:	
Dollar amount	$ 2,183,986
Percent of payroll	21.30%

The amount of the Sheriff's Department's current year covered payroll is $12,476,070, and the Sheriff's Department's total payroll for al employees is $13,554,661. The following employer contributions were made during the fiscal year ended June 30, 2009:

	Contributions	% of Covered Payroll
Retirement plan	$3.823.341	30.65%

9. Retirement plans (continued)

Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit

A length of service program for qualified active volunteer members of the St. Mary's County Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit was established effective July 1, 1980. An "active member" is defined as a person who accumulated a minimum of fifty (50) points per calendar year in accordance with a point system. This program is funded and administered by The County Commissioners for St. Mary's County.

Eligibility and benefits

a. Any person who has served as a member of any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit is eligible to receive benefits provided that:

   1) The person is certified in accordance with the point system to have served as an active volunteer subsequent to December 31, 1979.

   2) Any person who discontinued active volunteer service prior to July 1, 1980, may receive credit for the service after being certified in accordance with the point system.

b. Beginning July 1, 1994, active volunteer fire and rescue squads and advanced life support unit personnel may select from two Length of Service program benefit options. Selection of a benefit option by the individual is irrevocable. The options, with rates reflected effective July 1, 2006, are:

   1) Any person who has reached the age of sixty (60) and who has completed a minimum of twenty (20) years of certified active volunteer service with any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit, or combination thereof, shall receive two hundred dollars ($200) per month, for life. Payments will begin in the month following eligibility.

      An additional payment of eight dollars ($8) per month shall be added to the benefit for each full year of volunteer service in excess of twenty (20) years.

   2) Any person who has reached the age of fifty-five (55) and who has completed a minimum of twenty (20) years of certified volunteer service with any St. Mary's County Volunteer Fire Departments, Rescue Squads or Advanced Life Support Unit or combination thereof, shall receive one hundred fifty ($150) per month for life.

      An additional payment of eight dollars ($8) per month shall be added to the benefit for each full year of volunteer service in excess of twenty (20) years.

9. Retirement plans (continued)

Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit (continued)

Eligibility and benefits (continued)

c. In the event that any active volunteer becomes disabled during the course of his or her service while actively engaged in providing such services and in the event that the disability prevents the volunteer from pursuing his or her normal occupation and in the event that the disability is of a permanent nature as certified by the Maryland Workmen's Compensation Commission or other competent medical authority as designated by The County Commissioners for St. Mary's County, then the volunteer is entitled to receive the minimum benefits prescribed above and any such benefits as he or she may be entitled to regardless of his or her age or length of service. These benefits will begin on the first day of the month following the establishment of the permanency of his or her disability.

d. In the event that any qualified volunteer shall die while receiving benefits, then his or her surviving spouse is entitled to benefits equal to fifty percent (50%) of the volunteer's benefits. These benefits terminate upon death or remarriage of the spouse.

e. In the event that a qualified volunteer dies prior to receiving any benefits under this section, his or her surviving spouse is entitled to benefits equal to fifty percent (50%) of the volunteer's earned benefits. These benefits terminate upon death or remarriage of the spouse.

f. In the event that an active volunteer dies in the line of duty, a burial benefit up to two thousand five hundred dollars ($2,500) is payable.

g. In the event that any active volunteer (herein defined as one who has at least two (2) years of qualifying service in the five (5) preceding years) attains the age of seventy (70) years and fails to achieve the required twenty (20) years of service, then the volunteer is entitled to a monthly benefit of the number of years of credited service completed, multiplied by eight dollars ($8).

Point system

a. In order to qualify for benefits, points are credited to each volunteer as follows:

1) One (1) point is credited for each hour of attendance in a recognized training course, provided that not more than twenty (20) points may be credited for all training courses attended per year.

2) One (1) point is credited for each company or county drill that is a minimum of two (2) hours in duration attended in its entirety, provided that not more than twenty-five (25) points may be credited for all drills attended per year.

3) One (1) point is credited for each official company or county meeting pertaining to St. Mary's County fire services or rescue services attended, provided that not more than fifteen (15) points may be credited for all meetings attended per year.

4) One (1) point is credited for each call to which a volunteer responds, provided that not more than forty (40) points may be credited for all calls responded to per year.

9. Retirement plans (continued)

Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit (continued)

Point system (continued)

5) Twenty-five (25) points are credited for completion of a one-year term as an appointed or elected officer in any of the fire or rescue service organizations of St. Mary's County, provided that not more than one (1) office shall be counted in any calendar year.

6) One-half (1/2) of a point is credited for each hour of acceptable collateral duties, such as but not limited to apparatus and building maintenance, official standby and fire prevention, provided that not more than twenty-five (25) points may be credited for all collateral duties performed per year.

7) A volunteer member who serves or has served full-time military service in the armed forces of the United States receives credit at the rate of five (5) points for each month served, provided that not more than fifty (50) points can be credited for any calendar year. A maximum of four (4) years of creditable service may be acquired in this manner. The volunteer member must have been an active member for one (1) year prior to enlistment. The volunteer member must be reinstated within six (6) months after discharge.

This length of service program is funded by The County Commissioners by annual appropriations. The total contribution for the fiscal year ended June 30, 2009 was $566,170.

Component Units

St. Mary's County Public Schools

Pension Plans

Plan description

The employees of the School System are covered by one of the following pension plans affiliated with the State Retirement and Pension System of Maryland, an agent multiple-employer public employee retirement system administered by the State Retirement Agency:

- The Teachers' Retirement System of the State of Maryland,
- The Employees' Retirement System of the State of Maryland,
- The Pension System for Teachers of the State of Maryland, or
- The Pension System for Employees of the State of Maryland

9. Retirement plans (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Pension Plans (continued)

Plan description (continued)

During the 1979 legislative session, the Maryland General Assembly created, effective January 1, 1980, the "Pension System for Teachers of the State of Maryland" and the "Pension System for Employees of the State of Maryland." Prior to this date, all teachers and related positions were required to be members of the "Teachers' Retirement System of the State of Maryland," and classified positions were members of the "Employees' Retirement System of the State of Maryland." All School System employees who were members of the "Retirement System" may remain in that System, or they may elect to join the "Pension System." All teachers hired within the State after December 31, 1979, must join the "Pension System for Teachers." All non-certificated employees hired within the State after December 31, 1979, must join the "Pension System for Employees." The "Employees' Retirement System" and the "Pension System for Employees" cover those employees not covered by the teachers' plans. These employees are principally custodial, maintenance, and food service employees.

These pension plans provide pension benefits and death and disability benefits. A member may retire after 25 years of service from the Retirement System, and as early as age 55 and 15 years of service from the Pension system. Benefits generally vest after 5 years of service. The State Retirement Agency issues a comprehensive annual financial report for the State Retirement and Pension System of Maryland. That report may be obtained by writing to State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by calling 1-410-625-5555.

Funding policy

Both the "Retirement System" and the "Pension System" for teachers and classified employees are jointly contributory. Under the "Retirement System" employees contribute 5% - 7% of their total gross salary, and under the "Pension System" employees contribute 2% of their gross salary. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance. Annually appropriated employer contribution rates for retirement benefits are determined using the entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability.

9. Retirement plans (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Pension Plans (continued)

Annual pension cost

St. Mary's County School System contributions totaling $874,571 or 0.8% of covered payroll, and contributions by the State of Maryland on behalf of the School System totaling $10,836,097 or 9.7% of covered payroll for fiscal year 2009, were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2008. Significant actuarial assumptions used, include (a) a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually, (b) projected salary increases of 3.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.00 percent to 8.5 percent per year, attributable to seniority/merit, (d) post-retirement benefit increases ranging from 3 percent to 4 percent per year depending on the system, (e) rates of mortality, termination of service, disablement and retirement are based on actual experience during the period from June 30, 2003 through June 30, 2006, and (f) an increase in the aggregate active member payroll is assumed to increase by 3.5 percent annually.

The actuarial value of assets is measured on both a market value and an actuarial or smoothed value basis. The actuarial smoothing method explicitly recognizes each year's investment gain or loss over a 5-year period with the final actuarial value not less than 80% nor more than 120% of the market value of assets. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll in distinct pieces. The UAAL which existed as of the June 30, 2000 actuarial valuation is being amortized over the remaining 12-year period to June 30, 2020. Each new layer of UAAL arising subsequent to the year ended June 30, 2000 is being amortized in separate layers over a 25-year period. A three-year trend of the School System's annual pension cost is as follows:

Fiscal Year Ended June 30,	Total Annual Pension Cost (APC)	APC Contributed By School System	APC Contributed By State	Percentage of APC Contributed	Net Pension Obligation
2007	$8,551,165	$821,916	$7,729,249	100%	0
2008	11,007,358	948,618	10,058,740	100%	0
2009	11,710,668	874,571	10,836,097	100%	0

The contributions made by the State of Maryland on behalf of the School System were recognized as both revenue and expenditures in the General Fund as required by GASB Statement No. 24.

9. Retirement plans (continued)

Component Units (continued)

Board of Library Trustees for St. Mary's County

Retirement and pension plan

Description

All qualified career employees of the Library are required to join the Maryland State Teachers' Pension Plan or the Maryland State Employees' Pension Plan. Some employees hired before January 1, 1980 have retained membership in the Maryland State Teachers' or Employees' Retirement Systems. All plans have provisions for early retirement, death and disability benefits. Participants become eligible for a vested retirement allowance after 5 years of service. The Plans are an agent multiple-employer public employee retirement system. The State Retirement and Pension System of Maryland is the administrator of the Systems. The System was established and benefits are provided by the State Personnel and Pensions Article of the Annotated Code of Maryland. The separately issued financial statements of the System may be obtained by contacting the administrator.

Maryland State Pension Systems

Participants in the Pension Plans contribute 5% of their earnings. Pensions normally start at age 62 or after 30 years of service, but with 15 or more years of service an employee can elect to have a reduced pension begin at age 55. Pensions are based upon the average of the employees' highest three years' pay. Cost of living increases are limited to 3% per annum.

Maryland State Retirement Systems

Participants in the Retirement Systems contribute a fixed percentage of salary. Persons leaving the Library after 5 years of service may withdraw their contributions, or the contributions may be left in the retirement fund until age 60, when the individual would be eligible for a reduced retirement allowance. An employee may retire at age 60 or after 30 years of service and be eligible for full benefits. Reduced benefits are paid to employees retiring before age 60 after 25 years of service. Benefits are based upon the average of the employees' highest three years' pay.

Funding Policy

The State Retirement and Pensions Article requires contributions by active members and their employees. Rates for required contributions by active members are established by law. Members of the retirement systems are required to contribute from 5% to 7% of compensation. Members of the pension systems are required to contribute 5% of compensation for the year ended June 30, 2009.

Contribution rates are established by annual actuarial valuations. The unfunded actuarial liability (UAAL) is being amortized, as a level percentage of payroll, in two distinct pieces. The UAAL which existed as the June 30, 2000 actuarial valuation is being amortized over the remaining 12-year period to June 30, 2020. Each new layer of UAAL arising subsequent to the year ended June 30, 2000 is being amortized in separate annual layers over a 25-year period. The equivalent single amortization period is 30 years. The State of Maryland, the Maryland Automobile Insurance Fund and Injured Workers' Insurance Fund and 135 participating governmental units make all of the employer and other contributions to the System.

9. Retirement plans (continued)

Component Units (continued)

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

Retirement and pension plan (continued)

Funding Policy (continued)

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2009, the Library's total payroll and payroll for covered employees were $1,872,190 and $1,701,672, respectively. No contributions were made by the Library for the year ended June 30, 2009.

For fiscal year 2009, the State contributed $200,659 to the State Retirement and Pension System on behalf of the Library. In accordance with GASB Statement Number 24, the State's contribution amount has been shown as State aid revenue and pension expenditure. The State's contribution amounted to approximately 11.79% of covered payroll.

Actuarial Assumptions

a. Return on investment of 7.75% compounded annually (adopted June 30, 2003)

b. Projected salary increases of 3.5% compounded annually due to inflation (adopted June 30, 2007)

c. Salary increases due to seniority and merit are projected at 0.00-8.5% per annum (adopted June 30, 2007)

d. Postretirement benefit increases are projected at 3-4% per annum depending on the system (adopted June 30, 2003)

e. Rates of mortality, termination, disablement and retirement are based on actual experience from 2003 through 2006 (adopted June 30, 2007)

f. Member payroll assumed to increase 3.5% annually (adopted June 30, 2007)

Trend information

	June 30		
	2008	2007	2006
Actual pension cost	$1,183,765	$1,025,972	$ 874,079
Percentage contributed	89%	81%	82%

9. Retirement plans (continued)

Component Units (continued)

Metropolitan Commission

Retirement and pension plan

On March 18, 2004, MetCom adopted a Section 457 plan. Under the terms of the plan, employees may contribute up to 25% of their salary, up to the contribution limits, to the plan. No employer contributions are made to this plan.

Effective July 1, 2004, MetCom joined the Maryland State Retirement and Pension System. Under the terms of entry into the system, MetCom will grant 100% credit for prior service of eligible employees. The actuarial cost of entry into the Maryland State Retirement and Pension System for service prior to June 30, 2004, was $3,392,774.

Description

All qualified career employees of MetCom are required to join the Maryland State Employees' Pension Plan. The plans have provisions for early retirement, death and disability benefits. Participants become eligible for a vested retirement allowance after 5 years of service. The Plans are an agent multiple-employer public employee retirement system. The State Retirement and Pension System of Maryland is the administrator of the Systems. The System was established and benefits are provided by the State Personnel and Pensions Article of the Annotated Code of Maryland. The separately issued financial statements of the System may be obtained by contacting the administrator.

Maryland State Pension Systems

Participants in the Pension Systems contribute a percentage of their earnings. Pensions normally start at age 62 or after 30 years of service, but with 15 or more years of service an employee can elect to have a reduced pension begin at age 55. Pensions are based upon the average of the employees' highest three years' pay. Cost of living increases are limited to 3% per annum.

On July 13, 2006, MetCom passed a resolution to join the Alternate Contributory Pension Selection Plan (ACPS). The plan increases the employee multiplier from 1.4% to 1.8% for service credits earned after July 1, 1998. Employee contributions are 3% for FY07, 4% for FY08 and 5% thereafter. The ACPS surcharge for FY09 is 1.11% of salaries.

9. Retirement plans (continued)

Component Units (continued)

Metropolitan Commission (continued)

Funding policy

The State Retirement and Pensions Article requires contributions by active members and their employees. Rates for required contributions by active members are established by law. Members of the Retirement Systems are required to contribute from 5% to 7% of compensation. Members of the Pension Systems were required to contribute 4% and 3% of compensation for the years ending June 30, 2009 and 2008 respectively. The rate will remain at 5%.

Contribution rates are established by annual actuarial valuations. The unfunded actuarial accrued liability (UAAL) is being amortized, as a level percentage of payroll, in two distinct pieces. The UAAL which existed as of the June 30, 2000 actuarial valuation is being amortized over the remaining 12-year period to June 30, 2020. Each new layer of UAAL arising subsequent to the year ended June 30, 2000, is being amortized in separate annual layers over a 25-year period. The equivalent single amortization period is 30 years. The State of Maryland, the Maryland Automobile Insurance Fund, the Injured Workers' Insurance Fund and 135 participating governmental units make all of the employer and other contributions to the System.

MetCom provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2009, MetCom's total payroll and payroll for covered employees were $4,563,777 and $3,724,636, respectively. MetCom's contribution to the System for the year ended June 30, 2009, was $250,958.

Actuarial assumptions

a. Return on investment of 7.75% compounded annually (adopted June 30, 2003).

b. Projected salary increases of 3.5% compounded annually due to inflation (adopted June 30, 2007).

c. Salary increases due to seniority and merit are projected at 0.00-8.5% per annum (adopted June 30, 2007).

d. Postretirement benefit increases are projected at 3-4% per annum depending on the system (adopted June 30, 2003).

e. Rates of mortality, termination, disablement and retirement are based on actual experience from 2003 through 2006 (adopted June 30, 2007).

f. Member payroll assumed to increase 3.5% annually (adopted June 30, 2007).

Trend information

	June 30		
	2008	2007	2006
Annual required contributions (in thousands)	$1,183,765	$1,025,972	$ 874,079
Percentage contributed	89%	81%	82%

10. Segment information for enterprise funds

The County maintains four enterprise funds. Recreation services are accounted for in the recreation revolving fund, while the Wicomico Municipal Golf Course receives user service charges for the use of facilities, which include a golf course and a restaurant. The Medical Adult Daycare Center provides a wide range of supportive health and social services during the day to the mentally or physically handicapped adults of St. Mary's County in order to prevent or postpone institutionalization. The Solid Waste and Recycling Divisions are responsible for solid waste management, convenience center/landfill operations and recycling. Segment information for the year ended June 30, 2009 is as follows:

	Medical Adult Daycare	Wicomico Municipal Golf Course	Recreation Revolving Fund	Solid Waste/ Recycling Fund	Total Enterprise Funds
Operating revenue	$ 116,640	$ 1,332,971	$2,065,102	$ 2,658,921	$ 6,173,634
Depreciation	$ 0	$ 117,173	$ 1,637	$ 205,027	$ 323,837
Operating income (loss)	($705,907)	($330,106)	($48,451)	($1,152,602)	($2,237,066)
Change in net assets	$ 118,490	($321,042)	$ 39,286	($279,927)	($443,193)
Plant, property and equipment additions/transfers	$ 0	$ 3,207,997	$ 0	$ 0	$ 3,969,211
Net working capital	($214,048)	$ 220,036	($102,008)	($259,554)	($355,574)
Total assets	$ 87,781	$ 5,215,246	$ 198,578	$12,953,578	$18,445,183
Total equity	($238,756)	$ 3,404,723	($101,889)	$11,887,001	$14,951,079

11. Interfund receivables

Individual fund interfund receivable and payable balances are composed of the following as of June 30, 2009:

	Interfund Receivables	Interfund Payables
Primary Government		
General Fund		
Special Revenue Fund		$ 343,381
Capital Projects Fund		18,707,724
Enterprise Fund	$ 707,482	
Special Revenue Funds		
General Fund	343,381	
Capital Projects Funds		
General Fund	18,707,724	
Enterprise Funds		
General Fund		707,482
Total due from/to other funds	$19,758,587	$19,758,587

11. Interfund receivables (continued)

Component Units

	Interfund Receivables	Interfund Payables
Component Unit-St. Mary's County Building Authority Commission	$204,513	
Component Unit-Board of Library Trustees for St. Mary's County	293,630	
Primary Government-General Fund		$498,143
Total due to/from Primary Government to Component Unit	$498,143	$498,143

12. Mortgage receivable

The mortgage receivable amount reported represents the amount owed to the County by St. Mary's Hospital for the payment of the St. Mary's County Hospital Bonds of 2003 in the amount of $16,785,000. Interest on the bonds is payable semiannually on each April 1 and October 1 until the year 2023 with an average interest rate of 4.17%.

13. Commitments and contingencies

Primary Government

There are several pending lawsuits in which the County is involved. The County attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

The County participates in a number of federally assisted grant programs, principal of which are the Departments of Education, Health and Human Services and Health and Mental Hygiene grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for the year ended June 30, 2009 have not yet been completed. Accordingly, the County's compliance with applicable grant requirements will be verified in connection with performing the County's Single Audit. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

Component Units

St. Mary's County Public Schools

Legal Proceedings

In the normal course of operations, the School System is subject to lawsuits and claims. In the opinion of management, the disposition of such lawsuits and claims will not have a material effect on the School System's financial position or results of operations.

13. Commitments and contingencies (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

School Construction

As of June 30, 2009, the School System had entered into various school construction commitments which are not reflected in the Statement of Net Assets or Balance Sheet – Governmental Funds, since they will be funded by the State of Maryland or County bond issues, totaling approximately $6,185,842.

Grant Program

The School System participates in a number of state and federally assisted grant programs which are subject to financial and compliance audits by the grantors or their representatives. Such federal programs were audited in accordance with the Federal Office of Management and Budget's Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations for the current year. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School System expects such amounts, if any, to be immaterial.

Board of Library Trustees for St. Mary's County

Grant Audit

The Library receives federal funds, which are passed through the State of Maryland to the Library for specific purposes. The grants are subject to review and audit by the Maryland State Department of Education. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the granting agency. In the opinion of the Library's management, such disallowances, if any, will not be significant.

Support

The Library receives a substantial amount of its support from intergovernmental sources. A significant reduction in the level of this support, were this to occur, might have an effect on the Library's programs and activities.

14. Other post-employment benefits

Primary Government

The County adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. In adopting GASB 45, the County recognizes the cost of post-employment health care in the year when the employee services are received, reports the accumulated liability from the prior years and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

14. Other post-employment benefits (continued)

Primary Government (continued)

Plan description

The County provides health, prescription and vision care insurance benefits to eligible retirees, retirees' family members and the family members of deceased employees. Eligible persons include employees with a minimum of five years of eligible County service entering an immediate retirement, family members of retirees and family members of deceased employees. The County pays a percentage of premiums based on the date of hire and number of years of service. For employees retiring prior to July 1, 2010, the percentage ranges from 26.6% with ten years of service to 85% with 16 or more years of service. The percentages for employees retiring on or after July 1, 2010, range from 21.25% with 15 years of service to 85% with 30 years service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by the Board of County Commissioners.

Membership

At June 30, membership consisted of:

	2008	2009
Retirees and Their Beneficiaries Currently Receiving Benefits	201	307
Active Employees	681	684
Total	882	991

The County's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The net OPEB obligation (NOPEBO) was calculated as follows:

	2008	2009
Annual Required Contribution	$ 4,617,000	$ 4,617,000
Annual OPEB Cost	4,617,000	4,617,000
Contributions Made	13,439,139	9,108,152
Payments to Retirees	1,349,484	1,649,723
Net OPEB Obligation, Beginning of Year	0	(10,171,623)
Net OPEB Obligation (Prepaid), End of Year	($10,171,623)	($16,171,623)

The funded status of the plan was as follows:

	2008	2009
Actuarial Accrued Liability (AAL)	$60,135,000	$60,135,000
Value of Plan Assets	14,003,796	23,318,131
Unfunded Actuarial Accrued Liability	$46,131,204	$36,816,869
Funded Ratio (Value of Plan Assets/AAL)	23.29%	38.78%
Covered Payroll (Active Plan Members)	$21,973,655	$23,240,288
UAAL as a percentage of covered payroll	209.94%	158.42%

14. Other post-employment benefits (continued)

Primary Government (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the liabilities were computed using the project unit credit method, with proration to benefit eligibility method. The actuarial assumptions included a 7.75% annual rate of return and an initial annual healthcare cost trend rate of 9.5%, decreasing 1% per year to an ultimate rate of 5.5%. The UAAL is being amortized as a level percentage of projected payroll over 30 years, starting this fiscal year.

Component Units

Board of Library Trustees for St. Mary's Library

The Library provides post-employment health benefits to eligible retirees. The Library paid for these benefits on a pay-as-you-go basis prior to July 1, 2007. For the year ended June 30, 2009, the cost of these post-employment benefits was $58,277.

The Library adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. In adopting GASB 45, the Library recognizes the cost of post-employment health care in the year when the employee services are received, reports the accumulated liability from the prior years and provides information useful in assessing potential demands on the Library's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

Plan description

The Library provides health, prescription and vision care insurance benefits to eligible retirees, retirees' family members and the family members of deceased employees. Eligible persons include employees with a minimum of five years of eligible Library service entering an immediate retirement, family members of retirees and family members of deceased employees. The Library pays a percentage of premiums based on the date of hire and number of years of service. For employees retiring prior to May 1, 2010, the percentage ranges from 26.6% with ten years of service to 85% with 16 or more years of service. The percentages for employees retiring on or after May 1, 2008, range from 21.25% with 15 years of service to 85% with 30 years service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by The Library Board of Trustees.

Membership

At June 30, membership consisted of:

	2009
Retirees and Beneficiaries Currently Receiving Benefits	9
Active Employees	15
Total	24

14. Other post-employment benefits (continued)

Component Units (continued)

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

Annual OPEB Costs and Net OPEB Obligation

The Library's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The net OPEB obligation (NOPEBO) as of June 30, 2009, was calculated as follows:

Annual Required Contribution	$ 113,000
Annual OPEB Cost	113,000
Contributions Made	0
Payments to Retirees	(58,277)
Net OPEB Obligation, Beginning of Year	(164,444)
Net OPEB Obligation (Prepaid), End of Year	($109,721)

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial Accrued Liability (AAL)	$1,519,000
Value of Plan Assets	227,975
Unfunded Actuarial Accrued Liability	$1,291,025
Funded Ratio (Value of Plan Assets/AAL)	15.01%
Covered Payroll (Active Plan Members)	$1,701,672
UAAL as a percentage of covered payroll	75.87%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2008 actuarial valuation, the liabilities were computed using the project unit credit, with proration to benefit eligibility method. The actuarial assumptions included a 7.75% annual rate of return and an initial annual healthcare cost trend rate of 9.5%, decreasing 1% per year to an ultimate rate of 5.5%. The UAAL is being amortized as a level percentage of projected payroll over 30 years, starting this fiscal year.

14. Other post-employment benefits (continued)

Component Units (continued)

Metropolitan Commission

MetCom adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. In adopting GASB 45, MetCom recognizes the cost of post-employment health care in the year when the employee services are received, reports the accumulated liability from the prior years and provides information useful in assessing potential demands on MetCom's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

During FY08, MetCom established a trust fund, the Retiree Benefit Trust of St. Mary's County Metropolitan Commission, to fund certain retiree health benefits.

Plan description

MetCom provides health, prescription, dental and vision care insurance benefits to eligible retirees, retirees' family members and the family members of deceased employees. Eligible persons include employees with a minimum of ten years of eligible MetCom service entering an immediate retirement, family members of retirees and family members of deceased employees. MetCom pays a percentage of premiums based on the date of hire and number of years of service. For employees hired prior to May 10, 2007, the percentage ranges from 53.13% with ten years of service to 85% with 16 or more years of service. The percentages for employees hired on or after May 10, 2007, range from 21.25% with 15 years of service to 85% with 30 years of service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by MetCom's Board of Commissioners.

Membership

At June 30, membership consisted of:

	2009	2008
Retirees and Beneficiaries Currently Receiving Benefits	6	5
Active Employees	62	61
Total	68	66

Funding Policy

It is MetCom's intention to fully fund the OPEB cost each year. MetCom's Board determines the amount of the OPEB cost to be funded annually, and has funded the OPEB cost in both FY09 and FY08. The FY10 Operating Budget includes fully funding the OPEB cost.

14. Other post-employment benefits (continued)

Component Units (continued)

Metropolitan Commission (continued)

Annual OPEB Costs and Net OPEB Obligation

MetCom's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The net OPEB obligation (NOPEBO) as of June 30, 2009, was calculated as follows:

Annual Required Contribution	$ 519,000
Interest on NOPEBO	17,000
Adjustment to ARC	(22,000)
Annual OPEB Cost	514,000
Contributions Made	514,000
Net OPEB Obligation (Prepaid), Beginning of Year	(283,984)
Net OPEB Obligation (Prepaid), End of Year	($283,984)

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial Accrued Liability (AAL)	$5,462,000
Value of Plan Assets	1,222,517
Unfunded Actuarial Accrued Liability	$4,239,483
Funded Ratio (Value of Plan Assets/AAL)	22.38%
Covered Payroll (Active Plan Members)	$3,724,636
UAAL as a percentage of covered payroll	113.82%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the liabilities were computed using the project unit credit, with proration to benefit eligibility method. The actuarial assumptions included a 7.75% annual rate of return and an initial annual healthcare cost trend rate of 9.5%, decreasing 1% per year to an ultimate rate of 5.5%. The UAAL is being amortized as a level percentage of projected payroll over 30 years, starting with the 2008 fiscal year.

14. Other post-employment benefits (continued)

Component Units (continued)

St. Mary's County Public Schools

Plan description

The School System provides post-employment health care and life insurance benefits (OPEB) to employees, former employees, or beneficiaries who meet retirement eligibility requirements of the pension plans. Effective July 1, 2007, by terms of a negotiated contract with employee associations, the School System partially supports the group insurance plan for retired employees who have been employed by the School System for ten (10) or more years. These negotiated agreements provide that the School System will contribute from 45% to 65% of a retirees' group health insurance premium for years of experience ranging from 10 years to 30 or more years, respectively. In addition, the School System pays 100% of life insurance premiums based upon 50% of final salary coverage.

In March 2009, the School System established the St. Mary's County Public Schools Retiree Benefit Trust (Trust) in order to facilitate the partial funding of the actuarially calculated OPEB liability. The Trust is administered by the Maryland Association of Boards of Education Pooled OPEB Investment Trust. The School System reserves the right to establish and amend the provisions of the trust with respect to participants, any benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance written notice to the Trustees.

Funding policy

The School System is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 7.15% of annual covered payroll. The ARC consisted of the normal cost of $4,320,000 and the amortization of unfunded accrued liability of $5,985,000. The School System contributed $9,414,992 for the year ended June 30, 2009, including $2,592,930 towards current healthcare and life insurance premiums and an additional $6,822,062 to prefund future benefits.

Annual OPEB Cost and Net OPEB Obligation

The School System had an actuarial valuation performed as of July 1, 2006 to determine the funded status of the plan as of that date as well as the School System's ARC for the fiscal year ended June 30, 2009. The annual OPEB cost (expense) for the year ended June 30, 2009 was $10,333,000 which was comprised of the ARC of $10,305,000 discussed above plus net interest on the net OPEB obligation. A historical trend of the School System's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	$ 8,649,000	79.93%	$1,735,862
2009	$10,333,000	91.12%	$2,625,870

14. Other post-employment benefits (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial Accrued Liability (AAL)	$110,233,686
Actuarial Value of Plan Assets	4,238,000
Unfunded Actuarial Accrued Liability (UAAL)	$105,995,686
Funded Ratio (Actuarial Value of Plan Assets/AAL)	3.84%
Covered Payroll (Active Plan Members)	$111,916,732
UAAL as a percentage of covered payroll	94.71%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the School System are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2006 actuarial valuation, the projected unit credit, with proration to assumed retirement date, actuarial cost method was used. Significant actuarial assumptions used, include (a) a rate of return on the investment of 7.15 percent per year compounded annually, (b) projected salary increases of 3.5 percent compounded annually (used for amortization purposes), (c) additional projected salary increases ranging from 4.31 percent to 10.76 percent per year, attributable to seniority/merit (used for life insurance purposes), (d) annual healthcare cost trend rate of 8.76 percent initially, reduced annually to arrive at an ultimate healthcare cost trend of 4.1 percent, (e) rates of mortality based upon RP-2000 Healthy Mortality Table, (f) termination of service rates based upon age and sex, ranging from 0.011 to 0.149, (g) disablement rates based on age, ranging from 0.0003 to 0.0056, (h) retirement rates based on age and length of service, ranging from 0.02 to 0.30, and (i) medical claims including prescription drugs are based on actual experience during the period from July 1, 2006 through June 30, 2008, and were projected with annual increases of 10 percent for medical claims. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009 was eighteen years.

15. Landfill closure and postclosure cost

State and federal laws and regulations require The County Commissioners for St. Mary's County to place a final cover on landfill sites when the site stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County Commissioners for St. Mary's County report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $1,800,000 reported as landfill closure and postclosure care liability at June 30, 2009, represents the cumulative amount reported to date. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Estimated closure and postclosure costs were taken from a 1990 Cost Analysis, for cell numbers three and five, and from current contract commitments for closure for cell numbers one, two and four. A 3% inflation factor was assumed. Closure costs are expected to be funded by a bond issue or other form of debt in the year of closing. Postclosure costs are budgeted and paid annually.

16. Pass-through proceeds

The amount of grant funds passed through the County to Walden Sierra, Inc., Three Oaks Homeless Shelter, So. MD. Tri-County Community Action Committee, Catholic Charities, Department of Social Services, Tri-County Youth Services Bureau, Leah's House, Mechanicsville Volunteer Fire Department, and St. Mary's County Housing Authority for the fiscal year ended June 30, 2009 totaled $923,208. These pass-through grants are recorded as pass-through revenue in the amount of $923,208 and expenditures in the amount of $923,208 on the Statement of Revenues and Expenditures.

17. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and related disasters. The County is a member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML) and the Maryland Association of Counties. The LGIT is a self- insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability, environmental liability and property coverage.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessment. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members.

Annual premiums are assessed for the various policy coverages. During fiscal year 2009, the County paid premiums of $829,817 to the trust. The agreement for the formation of LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $1,000,000 for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year.

18. Self-insurance (Worker's Compensation)

Beginning in FY2009, the County self-insures its worker's compensation costs and liabilities. The County establishes its funding of claims liabilities as they occur. This funding level includes provisions for legal, medical and lost wages expenses which are all classified as incremental claim adjustment expenses. Unpaid claims in the self-insurance funds include liabilities for unpaid claims based upon individual case estimates for claims reported at June 30, 2009. The unpaid claims also include liabilities for incurred but not reported (IBNR) claims as of June 30, 2009.

19. Prior period adjustment

Primary government

The FY2008 financial statements were the first to reflect the Solid Waste and Recycling proprietary fund. As a part of that reporting, it was necessary to reflect a re-alignment of both debt and assets that were previously reflected elsewhere. The FY2009 financial statements reflect two prior period adjustments to correct the reporting of certain assets and debt. A prior period adjustment in the amount of $371,028, decreasing the business-type net assets and increasing the governmental activities net assets, as of July 1, 2008, was made to correctly reflect certain exempt financing that related to assets used by the Solid Waste activities as debt of that fund. Additionally, the transfer of certain assets out of the capital projects fund was overstated by $776,663 in the capital projects fund balance for FY2008, thus requiring a prior period adjustment to increase the capital projects fund balance related to the governmental activities to correct the fund balance as of July 1, 2008.

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES
AND OTHER FINANCING SOURCES AND USES
BUDGET (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
REVENUES				
Property Taxes	$85,420,182	$87,178,772	$87,183,424	$4,652
Income Taxes	63,752,100	63,752,100	61,471,674	(2,280,426)
Energy Taxes	1,500,000	1,500,000	1,472,360	(27,640)
Recordation Taxes	8,000,000	5,500,000	4,800,507	(699,493)
Other Local Taxes	921,000	921,000	983,389	62,389
Highway User Revenues	7,632,353	6,768,218	6,564,822	(203,396)
Licenses and Permits	1,534,305	1,534,305	1,324,802	(209,503)
State/Federal Grants	13,546,566	13,427,574	12,488,912	(938,662)
Charges for Services	6,628,817	6,410,103	5,434,944	(975,159)
Fines and Forfeitures	281,240	281,240	233,572	(47,668)
Investment and Other Revenues	1,909,800	1,747,506	793,482	(954,024)
Sub-total	$191,126,363	$189,020,818	$182,751,888	($6,268,930)
Pass-Throughs	0	0	923,208	923,208
TOTAL GENERAL FUND REVENUES	$191,126,363	$189,020,818	$183,675,096	($5,345,722)
EXPENDITURES				
General Government	$22,670,524	$22,585,930	$20,041,176	$2,544,754
Public Safety	35,854,066	35,565,645	32,928,820	2,636,825
Public Works	8,504,243	8,061,153	7,918,638	142,515
Health	6,817,619	7,344,191	6,991,219	352,972
Social Services	4,813,585	4,967,277	4,840,600	126,677
Primary and Secondary Education	82,323,851	82,323,851	82,185,104	138,747
Post-Secondary Education	2,749,134	2,749,134	2,749,134	0
Parks, Recreation, and Culture	4,088,702	4,075,647	3,958,853	116,794
Libraries	2,224,799	2,224,799	2,224,799	0
Conservation of Natural Resources	399,230	376,705	365,678	11,027
Housing	1,629,669	1,654,669	1,366,689	287,980
Economic Development and Opportunity	2,154,301	2,322,438	2,184,050	138,388
Debt Service	12,809,749	12,009,749	11,924,790	84,959
Inter-governmental	55,780	55,780	55,780	0
Other	13,630,997	12,418,045	11,031,040	1,387,005
Sub-total	$200,726,249	$198,735,013	$190,766,370	$7,968,643
Pass-Throughs	0	0	923,208	(923,208)
TOTAL GENERAL FUND EXPENDITURES	$200,726,249	$198,735,013	$191,689,578	$7,045,435
OTHER FINANCING SOURCES AND USES				
Use of Fund Balance - OPEB Pre-funding	$6,000,000	$6,000,000	$6,000,000	$0
Use of Fund Balance - Reserves	5,472,561	5,586,870	5,586,870	0
Transfer to Capital Projects	(1,872,675)	(1,872,675)	(1,872,675)	0
TOTAL OTHER FINANCING SOURCES AND USES	$9,599,886	$9,714,195	$9,714,195	$0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	$0	$0	$1,699,713	$1,699,713

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SHERIFF'S OFFICE RETIREMENT PLAN
FOR THE YEAR ENDED JUNE 30, 2009

Schedules of employer contributions and funding progress for the Sheriff's Office Retirement Plan are presented below:

Schedule of Employer Contributions

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
06/30/00	$ 683,423	100%	0
06/30/01	786,339	100%	0
06/30/02	932,745	100%	0
06/30/03	1,204,825	100%	0
06/30/04	1,652,971	100%	0
06/30/05	2,036,981	100%	0
06/30/06	2,219,197	100%	0
06/30/07	2,393,713	100%	0
06/30/08	2,921,354	100%	0
06/30/09	3,823,341	100%	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/97	$11,027,088	$11,986,552*	$ 959,464	92.0%	$ 4,433,660	21.6%
01/01/99	16,531,918	16,704,552	172,634	99.0%	5,358,227	3.2%
01/01/01	18,744,434	20,948,384	2,203,950	89.5%	6,040,098	36.5%
01/01/03	18,680,033	29,154,913	10,474,880	64.1%	7,165,684	146.2%
Before Assumption Change						
07/01/04	21,635,590	34,171,854	12,536,264	63.3%	7,881,721	159.1%
After Assumption Change						
07/01/04	21,635,590	35,481,603	13,846,013	61.0%	7,881,721	175.7%
07/01/06	25,046,412	45,025,479	19,979,067	55.6%	8,596,367	232.4%
07/01/08	31,714,844	60,049,310	28,334,466	52.8%	10,254,031	276.3%

* This liability was calculated using the entry age normal method. The projected unit credit method was used for later yeai

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE BENEFIT TRUST
FOR THE YEAR ENDED JUNE 30, 2009

Schedules of employer contributions and funding progress for the Retiree Benefit Trust are presented below:

Schedule of Employer Contributions

Fiscal Year Ended	Employer Contributions	Required Contribution	Percentage Contributed
06/30/08	$14,788,623	$4,617,000	320.3%
06/30/09	10,757,875	4,617,000	233.0%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/07	$23,318,131	$60,135,000	$36,816,869	38.78%	$23,240,288	158.42%

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Special Assessments	Fire And Rescue Revolving Loan Fund	Emergency Services Support Fund	Total Non-Major
ASSETS				
Due from other funds	$0	$217,365	$812,886	$1,030,251
Special tax assessments receivable, current portion	2,357	0	0	2,357
Notes receivable, Fire and Rescue loans, current portion	0	435,308	0	435,308
Emergency Support Services taxes receivable	0	0	66,229	66,229
Notes receivable, Fire and Rescue loans (net of current portion)	0	1,926,206	0	1,926,206
Special tax assessments receivable (net of current portion)	1,511,171	0	0	1,511,171
Total Assets	$1,513,528	$2,578,879	$879,115	$4,971,522
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$0	$0	$11,358	$11,358
Deferred revenue	1,512,565	2,361,514	0	3,874,079
Due to other funds	686,870	0	0	686,870
Total Liabilities	$2,199,435	$2,361,514	$11,358	$4,572,307
FUND BALANCES				
Reserved	($685,907)	$0	$47,420	($638,487)
Unreserved, designated	0	217,365	820,337	1,037,702
Total Fund Balances	($685,907)	$217,365	$867,757	$399,215
Total Liabilities and Fund Balances	$1,513,528	$2,578,879	$879,115	$4,971,522

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Assessments	Fire And Rescue Revolving Loan Fund	Emergency Services Support Fund	Total Non-Major
REVENUES				
Fire and Rescue Loan Repayments	$0	$332,883	$0	$332,883
Special Assessments	195,592	0	0	195,592
Emergency Services Support Tax	0	0	1,632,729	1,632,729
Other	0	12,341	19,489	31,830
	$195,592	$345,224	$1,652,218	$2,193,034
EXPENDITURES				
Loans to Fire and Rescue	$0	$783,765	$0	$783,765
Debt Service	59,641	0	170,583	230,224
LOSAP	0	0	570,454	570,454
Operating Allocations	0	0	340,000	340,000
Advanced Life Support	0	0	146,577	146,577
Emergency Services Committee	0	0	43,681	43,681
Grants	0	0	42,667	42,667
	$59,641	$783,765	$1,313,962	$2,157,368
Net Increase/(Decrease) in Fund Balances	$135,951	($438,541)	$338,256	$35,666
FUND BALANCES				
Beginning of Year	($821,858)	$655,906	$529,501	$363,549
End of Year	($685,907)	$217,365	$867,757	$399,215

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
PROPERTY TAXES				
Real and personal property				
Real Property Taxes	$79,916,744	$81,701,584	$81,397,897	($303,687)
Personal Property	313,823	313,823	141,316	(172,507)
Public Utilities	2,658,543	2,658,543	2,580,252	(78,291)
Ordinary Business Corporations	2,823,745	2,823,745	3,333,794	510,049
Additions and Abatements	(500,000)	(500,000)	(674,586)	(174,586)
Penalties and Interest	750,000	750,000	884,179	134,179
State Homeowners Credit (Circuit Breaker)	600,000	600,000	641,673	41,673
Homeowners Tax Credit (County)	(600,000)	(600,000)	(641,673)	(41,673)
Other Tax Credits	(542,673)	(568,923)	(479,428)	89,495
Total Property Taxes	$85,420,182	$87,178,772	$87,183,424	$4,652
Income Tax				
Local Income Tax	$63,752,100	$63,752,100	$61,471,674	($2,280,426)
Other Local Taxes				
Recordation Taxes	$8,000,000	$5,500,000	$4,800,507	($699,493)
Energy Taxes	1,500,000	1,500,000	1,472,360	(27,640)
Public Accommodations Tax	575,000	575,000	634,659	59,659
Trailer Park Tax	226,000	226,000	247,293	21,293
Admissions and Amusement	120,000	120,000	101,437	(18,563)
Total Other Local Taxes	$10,421,000	$7,921,000	$7,256,256	($664,744)
State-Shared Taxes - Highway Users	$7,632,353	$6,768,218	$6,564,822	($203,396)
TOTAL TAXES	$167,225,635	$165,620,090	$162,476,176	($3,143,914)
LICENSES AND PERMITS				
Business	$262,100	$262,100	$257,982	($4,118)
Marriage/Animal Licenses	12,000	12,000	9,495	(2,505)
Other	535,205	535,205	292,839	(242,366)
CATV Franchise Fees	725,000	725,000	764,486	39,486
TOTAL LICENSES AND PERMITS	$1,534,305	$1,534,305	$1,324,802	($209,503)
INTER-GOVERNMENTAL				
General Government	$899,734	$671,370	$599,425	($71,945)
Public Safety	4,382,753	3,972,231	3,512,863	(459,368)
Public Works	1,751,042	1,642,920	1,648,510	5,590
Social Services	1,022,714	1,085,221	999,598	(85,623)
Parks, Recreation and Culture	134,000	122,445	31,933	(90,512)
Economic Development & Opportunity	5,356,323	5,933,387	5,696,583	(236,804)
TOTAL INTER-GOVERNMENTAL	$13,546,566	$13,427,574	$12,488,912	($938,662)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
CHARGES FOR SERVICES				
General Government	$2,015,895	$2,019,731	$1,594,049	($425,682)
Public Safety	1,836,722	1,836,722	1,491,367	(345,355)
Public Works	710,862	486,812	547,364	60,552
Social Services	328,004	329,504	325,254	(4,250)
Parks, Recreation and Culture	208,218	208,218	227,717	19,499
Reimbursement - Housing Authority	1,529,116	1,529,116	1,249,193	(279,923)
TOTAL CHARGES FOR SERVICES	$6,628,817	$6,410,103	$5,434,944	($975,159)
FINES AND FORFEITURES				
General Government	$277,240	$277,240	$231,162	($46,078)
Public Safety	4,000	4,000	2,410	(1,590)
TOTAL FINES AND FORFEITURES	$281,240	$281,240	$233,572	($47,668)
OTHER REVENUES				
General Government				
Interest	$1,252,225	$752,735	$616,053	($136,682)
Other	90,000	90,000	96,616	6,616
Grant Reserve	500,000	812,717	0	(812,717)
Contributions and Donations	67,575	92,054	80,813	(11,241)
TOTAL OTHER REVENUES	$1,909,800	$1,747,506	$793,482	($954,024)
TOTAL, BEFORE PASS-THROUGH PROCEEDS	$191,126,363	$189,020,818	$182,751,888	($6,268,930)
Pass-through Proceeds	0	0	923,208	923,208
OTHER FINANCING SOURCES				
Appropriation of Fund Balance	11,472,561	11,586,870	11,586,870	0
TOTAL REVENUES INCLUDING PASS-THROUGHS	$202,598,924	$200,607,688	$195,261,966	($5,345,722)

See Independent Auditor's Report

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
ENERAL GOVERNMENT				
Legislative/County Commissioners				
Legislative/County Commissioners	$429,183	$429,183	$404,024	$25,159
County Administrator	471,546	463,546	352,226	111,320
Public Information	357,192	357,192	295,466	61,726
County Attorney	649,835	680,744	566,336	114,408
Legislative/County Commissioners	1,907,756	1,930,665	1,618,052	312,613
Department of Finance				
Administration/Budget	667,512	665,480	620,015	45,465
Accounting	493,059	494,171	466,482	27,689
Auditing	53,350	53,350	53,350	0
Procurement	306,059	308,004	277,778	30,226
Copy Center	14,716	18,946	17,392	1,554
Department of Finance	1,534,696	1,539,951	1,435,017	104,934
Department of Information Technology	2,583,915	2,615,761	2,242,480	373,281
Department of Human Resources				
Human Resources	623,939	633,939	582,684	51,255
Risk Management	1,289,638	1,289,638	858,223	431,415
Department of Human Resources	1,913,577	1,923,577	1,440,907	482,670
Department of Public Works & Transportation				
Building Services	3,817,738	3,817,738	3,587,538	230,200
Carter State Office Building	590,925	590,925	487,820	103,105
Department of Public Works & Transportation	4,408,663	4,408,663	4,075,358	333,305
Dept of Land Use & Growth Management				
Administration	637,059	637,059	539,285	97,774
Board of Electrical Examiners	16,925	16,925	5,221	11,704
Comprehensive Planning	684,795	695,773	581,634	114,139
Development Services	326,983	326,983	282,492	44,491
Inspections & Compliance	670,322	670,322	589,579	80,743
Permit Services	289,489	297,489	257,672	39,817
Zoning Administration	377,326	372,788	334,462	38,326
Building Code Appeals Board	1,500	1,500	0	1,500
Commission on the Environment	2,000	2,000	1,080	920
Plumbing & Gas Board	4,395	4,395	2,168	2,227
Planning Commission	23,638	23,638	20,352	3,286
Boards and Commissions	21,298	21,298	17,007	4,291
Historical Preservation	3,100	3,100	732	2,368
Grants	76,500	46,500	11,468	35,032
Dept of Land Use & Growth Management	3,135,330	3,119,770	2,643,152	476,618
Department of Public Works & Transportation				
Development Review	238,687	238,687	235,061	3,626
Mailroom/Messenger Services	142,409	142,409	134,037	8,372
Vehicle Maintenance Shop	1,284,784	1,284,756	1,274,493	10,263
Department of Public Works & Transportation	1,665,880	1,665,852	1,643,591	22,261
Circuit Court				
Administration	940,542	940,467	861,299	79,168
Law Library	61,350	61,350	58,454	2,896
Grants	543,846	369,496	344,052	25,444
Orphan's Court	29,562	29,562	29,653	(91)
Circuit Court	1,575,300	1,400,875	1,293,458	107,417
Office of the State's Attorney				
Judicial	2,041,230	2,134,638	2,048,455	86,183
Grants	514,908	426,268	404,908	21,360
Office of the State's Attorney	2,556,138	2,560,906	2,453,363	107,543
County Treasurer	380,968	380,968	361,950	19,018

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
Alcohol Beverage Board	248,002	248,002	236,862	11,140
Supervisors of Elections	749,047	779,688	595,284	184,404
Ethics Commission	11,252	11,252	1,702	9,550
Total General Government	$22,670,524	$22,585,930	$20,041,176	$2,544,754
PUBLIC SAFETY				
Emergency Management				
Emergency Management	$293,954	$307,824	$265,414	$42,410
Animal Control	686,270	686,270	661,754	24,516
Emergency Management	980,224	994,094	927,168	66,926
Emergency Communications Center				
Emergency Communications Center	2,290,048	2,246,178	2,047,010	199,168
Emergency Radio Communications	1,007,323	1,075,314	1,019,676	55,638
Grants	954,088	1,117,621	802,586	315,035
Emergency Communications Center	4,251,459	4,439,113	3,869,272	569,841
Office of the Sheriff				
Law Enforcement	19,043,303	19,032,259	17,815,975	1,216,284
Corrections	9,419,097	9,438,597	8,642,412	796,185
Training	249,249	249,249	208,190	41,059
Canine	29,775	29,775	23,107	6,668
Grants	1,680,959	1,182,037	1,242,176	(60,139)
Office of the Sheriff	30,422,383	29,931,917	27,931,860	2,000,057
Volunteer Fire Depts. & Rescue Squads	200,000	200,521	200,520	1
Total Public Safety	$35,854,066	$35,565,645	$32,928,820	$2,636,825
PUBLIC WORKS				
Department of PW and Transportation				
Administration	$416,419	$419,958	$398,501	$21,457
Engineering Services	621,168	617,629	495,879	121,750
Construction & Inspections	486,757	486,757	473,302	13,455
County Highways	3,799,205	3,806,043	3,611,233	194,810
St Mary's County Airport	17,891	17,891	12,981	4,910
St. Mary's Transit System	3,145,303	2,695,375	2,910,510	(215,135)
Department of PW and Transportation	8,486,743	8,043,653	7,902,406	141,247
Maryland Dept. of Agriculture Weed Control	17,500	17,500	16,232	1,268
Total Public Works	$8,504,243	$8,061,153	$7,918,638	$142,515
HEALTH				
Operating Allocation				
Health Department	$1,303,704	$1,374,704	$1,374,690	$14
Mosquito Control	51,500	51,500	51,500	0
Operating Allocation	1,355,204	1,426,204	1,426,190	14
Office of the State's Attorney				
Project Graduation	60,350	61,050	47,988	13,062
Human Services				
Human Services	723,729	583,048	444,586	138,462
Grants	4,678,336	5,273,889	5,072,455	201,434
Human Services	5,402,065	5,856,937	5,517,041	339,896
Total Health	$6,817,619	$7,344,191	$6,991,219	$352,972

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

	Budgeted Amounts			Favorable
	Original	Final	Actual	(Unfavorable) Variance
SOCIAL SERVICES				
Marcey Halfway House	$494,050	$500,450	$471,153	$29,297
Department on Aging				
Department on Aging	1,458,532	1,458,532	1,426,616	31,916
Oakley	55,860	55,860	55,106	754
SMILE/Medical Adult Daycare Subsidies	480,235	480,235	480,235	0
Grants	803,034	857,695	794,527	63,168
Department on Aging	2,797,661	2,852,322	2,756,484	95,838
Department of Social Services	390,800	440,800	439,257	1,543
Operating Allocation				
Hospice of St. Mary's	15,000	15,000	15,000	0
The ARC of Southern Maryland, Inc.	132,150	132,150	132,150	0
Big Brothers / Big Sisters	4,000	4,000	4,000	0
Catholic Charities	15,000	22,000	22,000	0
So. Md. Center for Independent Living, Inc.	15,000	15,000	15,000	0
The Center for Life Enrichment	155,908	155,908	155,908	0
Greenwell Foundation	42,000	42,000	42,000	0
St. Mary's Caring, Inc.	3,000	3,000	3,000	0
Three Oaks Center	130,000	137,000	137,000	0
Alternatives for Youth/Families, Inc.	26,250	26,250	26,250	0
Tri-County Community Action (SMTCCAC, Inc.)	17,751	17,751	17,752	(1)
Tri-County Youth Services Bureau	116,479	109,518	109,518	0
Unified Commission for Afro-Americans	5,000	5,000	5,000	0
Walden/Sierra	345,447	345,447	345,447	0
The So. MD Center for Family Advocacy	108,089	108,089	108,089	0
Mini Grants	100,000	35,592	35,592	0
Operating Allocation	1,231,074	1,173,705	1,173,706	(1)
Total Social Services	$4,913,585	$4,967,277	$4,840,600	$126,677
PRIMARY AND SECONDARY EDUCATION				
Board of Education	$80,138,192	$80,138,192	$80,138,192	$0
Non-Public School Bus Transportation	2,173,659	2,173,659	2,034,912	138,747
Operating Allocation				
Literacy Council of St. Mary's County	12,000	12,000	12,000	0
Total Primary and Secondary Education	$82,323,851	$82,323,851	$82,185,104	$138,747
POST-SECONDARY EDUCATION				
College of Southern Maryland				
County Funding - general operations	$2,693,134	$2,693,134	$2,693,134	$0
Operating Allocation				
St. Mary's College Scholarship Fund	6,000	6,000	6,000	0
Southern Md. Higher Education Center	50,000	50,000	50,000	0
Operating Allocation	56,000	56,000	56,000	0
Total Post-Secondary Education	$2,749,134	$2,749,134	$2,749,134	$0
PARKS, RECREATION AND CULTURE				
Department of Recreation and Parks				
Administration	$1,051,868	$1,051,868	$1,026,734	$25,134
Parks Maintenance	2,013,884	2,013,884	1,928,227	85,657
Museum Division	564,450	564,450	533,549	30,901
505 Fund Subsidy	50,000	50,000	50,000	0
Grants	134,000	122,445	147,343	(24,898)
Department of Recreation and Parks	3,814,202	3,802,647	3,685,853	116,794

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
Operating Allocation				
St. Mary's County Historical Society	12,500	12,500	12,500	0
Historic St. Mary's City Foundation	1,500	1,500	1,500	0
Lexington Park Lions Club	1,500	0	0	0
Maryland Historical Society	1,000	1,000	1,000	0
Patuxent River Naval Air Museum	30,000	30,000	30,000	0
Lexington Park Rotary-Oyster Festival	5,000	5,000	5,000	0
St. Mary's County Arts Council	2,000	2,000	2,000	0
Boys & Girls Club of Southern Maryland	125,000	125,000	125,000	0
Historic Sotterley, Inc.	75,000	75,000	75,000	0
SMC Forest Conservation District Board	1,000	1,000	1,000	0
St. Mary's College River Concert Series	10,000	10,000	10,000	0
Seventh District Optimist	10,000	10,000	10,000	0
Operating Allocation	274,500	273,000	273,000	0
Total Parks, Recreation and Culture	$4,088,702	$4,075,647	$3,958,853	$116,794
LIBRARIES				
County Funding - general operations	$2,224,799	$2,224,799	$2,224,799	$0
CONSERVATION OF NATURAL RESOURCES				
Cooperative Extension Service	$191,905	$169,380	$162,278	$7,102
Soil Conservation District	54,636	54,636	54,781	(145)
Conservation of Natural Resources	246,541	224,016	217,059	6,957
Allocation of Agriculture and Seafood (Division of DECD (75%))	123,635	123,635	119,565	4,070
Operating Allocation				
Wicomico Scenic River Commission	1,000	1,000	1,000	0
Southern Md. Resource Conservation/Dev.	8,054	8,054	8,054	0
Watermen's Association	20,000	20,000	20,000	0
Operating Allocation	29,054	29,054	29,054	0
Total Conservation of Natural Resources	$399,230	$376,705	$365,678	$11,027
HOUSING				
Total Housing	$1,629,669	$1,654,669	$1,366,689	$287,980
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Department of Economic & Community Development				
Administration/Office of the Director	$254,745	$254,745	$236,432	$18,313
Tourism Development	432,199	430,738	410,353	20,385
Agriculture & Seafood Development	164,847	164,847	159,420	5,427
Less Allocation of Agriculture and Seafood (see above)	(123,635)	(123,635)	(119,565)	(4,070)
Business Development/Lexington Park Revitalization	361,484	361,484	343,527	17,957
Grants	313,396	344,737	406,656	(61,919)
Department of Economic & Community Development	1,403,036	1,432,916	1,436,823	(3,907)
Office of Community Services				
Office of Community Services	353,172	353,172	345,094	8,078
Grants	220,399	351,211	258,303	92,908
Human Relations Commission	2,750	2,750	2,112	638
Commission for the Disabled	2,300	2,525	2,206	319
Commission for Women	2,000	2,000	1,430	570
VISTA Program	34,044	41,264	1,482	39,782
	614,665	752,922	610,627	142,295
Operating Allocation				
Navy Alliance	30,000	30,000	30,000	0
So. Md. Child Care Resource Center	12,400	12,400	12,400	0
Tri-County Council	94,200	94,200	94,200	0
Operating Allocation	136,600	136,600	136,600	0
Total Economic Development and Opportunity	$2,154,301	$2,322,438	$2,184,050	$138,388

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
DEBT SERVICE				
Debt Service	$12,809,749	$12,009,749	$11,924,790	$84,959
INTER-GOVERNMENTAL				
Leonardtown Tax Rebate	$55,780	$55,780	$55,780	$0
Total Inter-Governmental	$55,780	$55,780	$55,780	$0
OTHER				
Employer Contributions-Retiree Health Benefits	$10,490,702	$10,490,702	$10,486,576	$4,126
Unemployment Compensation	11,000	11,000	7,885	3,115
Bank Service Fees	25,000	25,000	35,163	(10,163)
Total Other	$10,526,702	$10,526,702	$10,529,624	($2,922)
Total Expenditures, Before Pass-Throughs	197,721,954	196,843,670	190,264,954	6,578,716
Pass-Through Expenditures	0	0	923,208	(923,208)
Total Expenditures, Including Pass-Throughs	$197,721,954	$196,843,670	$191,188,162	$5,655,508
RESERVES				
Reserve - Grants	$500,000	$790,996	$0	$790,996
Reserve - Bond Rating	725,000	725,000	501,416	223,584
Reserve - Budget Stabilization	1,279,295	0	0	0
Reserve - Emergency Appropriations	500,000	375,347	0	375,347
Reserves	3,004,295	1,891,343	501,416	1,389,927
Total Reserves	$3,004,295	$1,891,343	$501,416	$1,389,927
Total Expenditures, Including Pass-Throughs and Reserves	$200,726,249	$198,735,013	$191,689,578	$7,045,435
Transfers				
Capital Projects - General Fund Transfer/Pay-Go	$1,000,000	$1,000,000	$1,000,000	$0
Solid Waste/Recycling-General Fund Transfer	872,675	872,675	872,675	0
	1,872,675	1,872,675	1,872,675	0
Total Expenditures and Other Financing Uses	$202,598,924	$200,607,688	$193,562,253	$7,045,435

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
SCHEDULE OF UNEXPENDED APPROPRIATIONS FOR CAPITAL PROJE
FOR THE YEAR ENDED JUNE 30, 2009

LAND PRESERVATION		
Agriculture Preservation	$9,992,599	$9,992,599
HIGHWAYS		
Patuxent Park Neighborhood Preservation	$1,983,530	
FDR Blvd. Extended	1,313,167	
Pegg Rd. Extension to Rt 5	858,699	
Streetscape Improvement	508,982	
Mechanicsville Road	349,395	
Regional Stormwater Management	327,375	
Roadside Obstacles	299,675	
Asphalt Overlay	289,493	
Roadway Base Widening	187,725	
Bridge/Culvert Replacement	142,938	
Transportation Plan	112,430	
Adequate Public Facilities	81,408	
Big Chestnut Mitigation	23,762	
County Mapping	19,379	$6,497,958
MARINE		
Kingston Creek #2	$440,152	
Villas on Waters Edge	382,926	
St. Jerome's Creek Jetty Study	365,959	
Thomas Road Revetment	247,502	
Patuxent Beach Road Revetment	102,799	
St. Jerome's Creek Dredging	100,000	
Gibson Road	99,675	$1,739,013
PUBLIC WORKS		
Patuxent River Naval Museum-New	$5,461,522	
ADC Minimum Security Addition	1,395,180	
STS Bus Barn	1,107,900	
Emergency Equipment Shelter	985,972	
Airport Master Plan	717,066	
CSM Wellness & Pool	553,265	
Carter State Building Maintenance/Repair	384,695	
Workforce Housing Initiative	337,809	
Parking/Site Improvements	302,713	
Adult Detention Center Booking/Inmate Processing	250,000	
Mattapany Farmers Market	210,068	
ADC Locking Mech. & Cameras	200,000	
Stormwater Management 2007	187,506	
Leonardtown Library Renovation	180,000	
Airport Improvements	139,903	
Renovate State Highway Building	131,500	
Building Maintenance & Repairs	129,391	
Lexington Manor EDI	45,539	
Fuel Facility Upgrades	43,629	
Armory Building	11,660	
Hayden Acquisition	5,887	
Adult Detention Center Maintenance & Repairs	4,303	
New Meeting Room	2,456	$12,787,964
PIERS AND BOAT RAMPS		
Piney Point Public Landing	$168,406	
Fox Harbor Landing II	115,000	
Paul Ellis Landing	68,737	
Bushwood Wharf Public Landing	44,661	
Derelict Boat Removal	22,724	$419,528

THE COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY
SCHEDULE OF UNEXPENDED APPROPRIATIONS FOR CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

PUBLIC SCHOOLS		
Evergreen Elementary School	$8,656,211	
Land Acquisition	2,000,000	
Security Entrances (12)	1,360,516	
Chopticon High School Sewer	828,809	
ADA Transition Plan	696,383	
State Relocatable-site to be determined	664,731	
Oakville ES HVAC	643,077	
Playground Equipment	457,082	
Leonardtown MS Renovation	446,227	
STEM Academy	384,191	
Early Childhood Center HVAC	360,098	
Tech Center Addition	322,755	
Leonardtown Elementary Addition	296,142	
Chopticon High School Gym Floor	209,977	
Lettie Dent Chiller	200,974	
Site Acquisition Various	180,028	
BBEC Roof Replacement	74,280	
Playground Equipment Study	64,866	
Middle School HVAC	56,974	
Margaret Brent Add/Renovation	50,000	
Second New Elementary School	50,000	
Margaret Brent MS Wastewater	48,360	
Leonardtown High - Relocatables	41,132	
Flooring Replacement - Various	11,852	
Site Paving and Sidewalks	5,126	
Ridge Elementary - parking site mods	1,150	$18,110,941
RECREATION & PARKS		
Three Notch Trail	$1,700,616	
Parks Land Acquisition	1,138,729	
Piney Point Lighthouse Park	856,028	
Chancellor's Run Park	213,532	
Carver Heights Park	132,888	
Piney Point Lighthouse Museum	129,022	
Lancaster Park So. Parcel	120,541	
Museum Collection Storage	120,000	
Lancaster Park Improvements	115,914	
Charlotte Hall Athletic Fields	39,550	
Parks Maintenance Building	38,264	$4,605,084
SOLID WASTE		
Landfill Mitigation	$399,705	
New Transfer Station	188,035	
St. Andrews Area D	93,687	$681,427
Total		$54,834,514

Included in the above total is $16,393,516 in unexpended State and Federal projects appropriat

CPA, LLC

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

The County Commissioners
for St. Mary's County, Maryland
Leonardtown, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the fiduciary-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners for St. Mary's County, Maryland, as of and for the year ended June 30, 2009, which collectively comprise the County Commissioners for St. Mary's County, Maryland's basic financial statements and have issued our report thereon dated November 16, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the St. Mary's County Public Schools as described in our report on the County Commissioners for St. Mary's County, Maryland's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County Commissioners for St. Mary's County, Maryland 's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Commissioners for St. Mary's County, Maryland's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Commissioners for St. Mary's County, Maryland's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County Commissioners for St. Mary's County, Maryland's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County Commissioners for St. Mary's County, Maryland's financial statements that is more than inconsequential will not be prevented or detected by the County Commissioners for St. Mary's County, Maryland's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County Commissioners for St. Mary's County, Maryland's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the County Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

La Plata, Maryland
November 16, 2009

Murphy & Murphy CPA, LLC

ST. MARY'S COUNTY METROPOLITAN COMMISSION

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2009 AND 2008

CONTENTS

Murphy & Murphy
CPA, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPONENT UNIT FINANCIAL STATEMENTS

The Commissioners
St. Mary's County Metropolitan Commission
Hollywood, Maryland

We have audited the accompanying financial statements of the business-type activities of the St. Mary's County Metropolitan Commission (MetCom), a component unit of the County Commissioners of St. Mary's County, as of and for the years ended June 30, 2009 and 2008, which comprise the St. Mary's County Metropolitan Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the St. Mary's County Metropolitan Commission's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the St. Mary's County Metropolitan Commission as of June 30, 2009 and 2008, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2009, on our consideration of the St. Mary's County Metropolitan Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audits.

The management's discussion and analysis on pages 3-9 and the Schedule of funding progress and Schedule of employer contributions on page 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that comprise the St. Mary's County Metropolitan Commission's basic financial statements. The accompanying supplementary information presented on pages 39-43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
September 24, 2009

This section of the St. Mary's County Metropolitan Commission's (MetCom's) annual financial report presents our discussion and analysis of MetCom's financial performance during the fiscal years that ended June 30, 2009 and 2008. Please read it in conjunction with MetCom's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- MetCom's net assets increased by $7.5 million and $4.99 million, or 12.68% and 9.31%, as a result of operations in fiscal years 2009 and 2008, respectively.

- During the current year, MetCom's revenue from operations was $10.3 million, representing an increase of 1.8% over the prior year. The increase in operating revenue is due to an increase in the number of customers served. In fiscal year 2008, revenue from operations was $10.1 million, or 17.62% over the prior year. This increase in operating revenue was due to an increase in rates of approximately 19% for sewer services and 28% for water services. The increase in revenues was also affected by a drought and a reduction in engineering services.

- In fiscal year 2009 the overage rates for water and sewer increased 9% and 3%, respectively; all other service charge rates were unchanged. New service charges rates were implemented effective 7/1/07.

- MetCom's operating expenses excluding depreciation were $9.46 million during the current year and $8.67 million during the prior year.

- MetCom's nonoperating revenue was $9.16 million during the current year and $5.82 million in fiscal year 2008, representing an increase of 58% and 9%, respectively. Most of the increase is due to the large amount of capital contributions received in FY09, $5.4 million. In addition, there was a $717 thousand increase as the result of the new rate structure for financing capital construction that was implemented on October 1, 2007 and increases in the debt service rates in FY09.

- House Bill 969 was approved in the 2007 Legislative session that changed the way MetCom finances capital construction. New System Improvement Charges became effective October 1, 2007 for all customers with allocations on our water and/or sewer lines, and all new customers after that date pay a Capital Contribution Charge at time of connection. These charges replace the Benefit Assessment Charges that were used by the Commission for almost 40 years to finance new water and sewer improvements. Capital Contribution Charge rates increased in fiscal year 2009.

- The slowdown in the construction industry has negatively impacted Engineering Revenues in both fiscal years 2009 and 2008.

- In FY 2008 MetCom established a trust fund for the management of assets and accounting for financial transactions associated with the provision of retiree health insurance coverage. The balance in the trust was $1.2 million as of 6/30/09 and $758 thousand as of 6/30/08. MetCom has funded the full OPEB cost for both years.

- MetCom did not issue any bonds in fiscal year 2009.

USING THIS ANNUAL REPORT

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and supplemental information. The basic financial statements consist of:

- Statements of net assets
- Statements of revenues, expenses and changes in fund net assets
- Statements of cash flows
- Statements of fiduciary net assets
- Statements of changes in fiduciary net assets
- Notes to financial statements

The Statements of Net Assets provide a snapshot of MetCom's financial position at both June 30, 2009 and 2008. Amounts on the Statements of Net Assets are cumulative from inception. Both current and long-term assets and liabilities, as well as net assets, are presented.

The Statements of Revenues, Expenses and Changes in Fund Net Assets provide information about the activities of MetCom as a whole and reflect activity for the fiscal years ended June 30, 2009 and 2008. These statements measure operating revenues and expenses as well as non-operating revenues and expenses. The statements also present capital contributions as well as changes in net assets.

The Statements of Cash Flows present the sources and uses of MetCom's cash. Metcom uses the direct method for presenting the cash flows statements.

The Notes to the financial statements provide information and more detailed data about the financial statements. The Supplementary departmental financial statements report MetCom's activities in more detail by providing information about MetCom's most financially significant funds.

MetCom operates as an enterprise fund, which is one type of proprietary fund. All of MetCom's basic services are reported here, including water, sewer, engineering services and general administration, as well as other nonoperating revenues and expenses. MetCom charges customers fees to cover all of the costs of the services it provides. MetCom's financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. All assets and liabilities are included in the financial statements. Revenue is recognized when water or other services are delivered, and expenses are recognized when goods and services are received, regardless of when cash is received or paid.

MetCom has one fiduciary fund, the Retiree Health Benefit Fund, which is used to account for resources held for the benefit of MetCom employees and retirees. These funds are not available to support MetCom's operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The supplementary departmental financial statements provide details about MetCom's most significant funds – not MetCom as a whole. The Board of Commissioners of MetCom establishes funds to help it manage and control monies for particular purposes or to show that it is meeting legal responsibilities for using certain grants and other money.

METCOM AS A WHOLE

Statements of Net Assets

MetCom's net assets increased by approximately $7.5 million in FY 2009 and approximately $5.0 million in FY08. The majority of the increase is attributable to the change in net assets invested in capital assets, net of related debt. During fiscal year 2009, developers completed construction of $5.2 million of capital assets and donated them to MetCom. In fiscal year 2008, developers contributed $2.4 million of capital assets. The following condensed statements show the changes in assets, liabilities and net assets for the years ended June 30, 2009, 2008 and 2007:

MetCom's Net Assets
(in millions of dollars)
Business-type activities

	June 30,		
	2009	2008	2007
Current and other assets	$ 10.10	$ 8.40	$ 5.80
Capital assets	78.80	71.50	68.90
Total assets	$ 88.90	$ 79.90	$ 74.70
Long-term debt outstanding	$ 18.90	$ 17.80	$ 17.70
Other liabilities	3.90	3.50	3.40
Total liabilities	$ 22.80	$ 21.30	$ 21.10
Net assets			
Invested in capital assets, net of related debt	$ 58.30	$ 52.20	$ 49.80
Restricted	3.10	3.80	2.00
Unrestricted	4.70	2.60	1.80
Total net assets	$ 66.10	$ 58.60	$ 53.60

Statements of Revenues, Expenses and Changes in Fund Net Assets

Changes in MetCom's net assets can be determined by reviewing the following condensed Statements of Revenue, Expenses and Changes in Fund Net Assets:

MetCom's Changes in Net Assets
(in millions of dollars)
Business-type activities

	Years ended June 30,		
	2009	2008	2007
Operating revenues	$ 10.3	$ 10.1	$ 8.6
Operating expenses	9.4	8.6	7.9
Depreciation expense	2.6	2.3	2.1
Operating loss	(1.7)	(0.8)	(1.4)
Net nonoperating revenues	9.2	5.8	5.3
Change in net assets	7.5	5.0	3.9
Net assets at beginning of year, as restated	58.6	53.6	49.7
Net assets at end of year	$ 66.1	$ 58.6	$ 53.6

MetCom's operating revenues totaled $10.3 million during the current year. Total operating revenues increased by 1.82% over the prior year, compared to operating revenue of the prior year of $10.1 million, which was an increase of 17.62% over fiscal year 2007. The current year increase is due to customer growth; the prior year increase was due to rate increases of approximately 28% in water and 19% in sewer effective 7/1/07, the drought which caused water overage to increase by 78 million gallons or 25% over the previous year, and customer growth.

Expenses from MetCom's operating activities excluding depreciation totaled $9.4 million during the current year and $8.6 million in the prior year. All of these expenses are considered related to providing water, sewer and engineering services to the residents/businesses of St. Mary's County. Salaries and benefits comprised $6.2 million, or 65.61% of operating expenses. Power for plant operations was $1.1 million, or 11.67%. The remaining $2.1 million, or 22.72%, related to administrative and direct costs

Net nonoperating revenue increased 58% to $9.2 million during the current year and 8.8% to $5.8 million in fiscal year 2008. Capital contributions made up $5.4 million and $2.4 million of the net nonoperating revenue in fiscal years 2009 and 2008, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At June 30, 2009, MetCom had $115.2 million prior to depreciation invested in capital assets. This represents an increase of 9% over the previous year. As of June 30, 2008, MetCom had $105.6 million prior to depreciation invested in capital assets. MetCom owns utility and water plants in addition to numerous vehicles, furniture, equipment and computer equipment and a building. The following table summarizes MetCom's capital assets (in millions):

	2009	2008
Utility plants	$ 79.8	$ 75.8
Water plants	19.8	17.9
Equipment	6.2	5.7
Capitalized interest	0.8	0.8
Buildings	1.5	1.5
Land	0.6	0.6
Construction in process	6.5	3.3
	115.2	105.6
Accumulated depreciation	36.4	34.1
Net capital assets	$ 78.8	$ 71.5

This year's major capital asset additions included:

Laurel Ridge Well built with loan proceeds, $170 thousand.

Evergreen Park sewer project, relining the lines and installing new manholes built with grant proceeds, $223 thousand.

Patuxent Park Sewer project on Essex Drive, relining sewer mains and installing new sewer pipes and taps, built with loan proceeds, $247 thousand.

Sewer lines, force mains, manholes, grinder pumps and a sewer pump station and water mains, valves, and fire hydrants constructed and contributed by developers, $5.2 million.

MetCom's FY10 Capital Improvement Budget for water is $13.4 million, which includes $3.1 million for water lines, $7.4 million for water storage tanks, $2.7 million for wells and $0.2 million for miscellaneous projects.

The FY10 Capital Improvement Budget for sewer is $41.2 million, which includes $6.6 million for replacement projects, $.1 million for pump stations and $34.5 million for upgrades/expansions. The largest project is $30.5 million for the Enhanced Nutrient Removal, ENR, project at the Marlay-Taylor Wastewater Reclamation Facility, which is in the design phase. This project is required to meet the requirements of the Chesapeake Bay 2000 agreement and achieves 3mg/l total nitrogen and 0.3mg/l total phosphorous in the effluent. The state is expected to pay for the ENR portion of this project estimated to be $13 million, and the Navy is expected to pay $6 million for this project.

In FY 09 MetCom received a grant from the Maryland Department of the Environment, MDE, in the amount of $204 thousand to fund 100% of the construction of the Evergreen Park Sewer Upgrade. In addition, MDE provided a grant in the amount of $282 thousand during FY08 and FY 09 to cover part of the costs of the Andover Estates Sewer Project.

MetCom has also been approved for a $3 million grant from the ARRA 2009 Stimulus Funds to build the Methane Powered Co-Generator, including the cost of the Digester Covers needed to make the methane recoverable.

Debt administration

At the end of FY 2009 and FY 2008, MetCom had a total of $20.5 million and $19.3 million, respectively in debt outstanding,

On November 14, 2007, MetCom issued $10.9 million of Infrastructure Financing Bonds in conjunction with the Maryland Department of Housing and Community Development. During FY09, MetCom received $3.3 million in draws on various loans. During FY08, draws totaled $1.8 million.

The following table summarizes MetCom's debt (in millions):

	June 30,			% change	% change
	2009	2008	2007	FY09	FY08
Bonds payable	$ 10.4	$ 9.2	$ 9.5	13.1	(3.2)
Notes, leases and loans payable	10.1	10.1	9.6	.0	5.2
Total debt	$ 20.5	$ 19.3	$ 19.1	6.4	1.0

The primary sources of revenue available for repayment of debt are System Improvement Charges that are paid by all customers with allocations on our system and Capital Contribution Charges which are paid by all new customers.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

MetCom anticipates about an 8% increase in the total operating revenues for next year. This increase is mostly attributable to the service rate increases effective July 1, 2009.

The total operating expenses in MetCom's Operating Budget for FY10 are $11 million, about $783 thousand more than the FY09 Amended Budget. Salaries are the largest component of MetCom's expenses; in FY10 salaries are $4.6 million, with a $178 thousand increase over the FY09 Amended Operating Budget. Health insurance is $1.2 million, which includes $413 thousand to fully fund the Annual Required Contribution, ARC, to the Other Post-Employment Benefit Trust, OPEB. Electricity to operate the water and sewer systems is over $1.2 million in the FY10 Operating Budget.

MetCom intends to pursue financing of approximately $12.5 million from the Maryland Department of Housing and Community Development (DHCD) Local Government Infrastructure Program and about $700,000 from the Maryland Department of the Environment (MDE) Water Quality Financing Administration to fund construction projects.

In 2009 the State Legislature passed House Bill 1559 which established a Task Force to study the governance and structure of MetCom. By July 1, 2010, the Task Force is to make recommendations regarding the structure and governance of MetCom and how best to continue the provision of water and sewer services to the citizens of St. Mary's County.

CONTACTING METCOM'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of MetCom's finances and show MetCom's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the MetCom Administrative office at 43990 Commerce Avenue, Hollywood, Maryland 20636.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF NET ASSETS

ASSETS

	June 30, 2009	June 30, 2008
Current assets:		
Cash and cash equivalents	$ 8,119,670	$ 6,397,782
Accounts receivable	1,090,559	1,102,000
Inventory	128,555	31,423
Prepaid expenses	300,224	299,352
Total current assets	9,639,008	7,830,557
Noncurrent assets:		
Capital assets, net	78,787,257	71,508,447
Deferred bond issue costs	445,125	484,054
Unamortized bond discount	70,487	76,044
Total noncurrent assets	79,302,869	72,068,545
Total assets	$ 88,941,877	$ 79,899,102

See accompanying notes.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF NET ASSETS (CONTINUED)

LIABILITIES AND NET ASSETS

	June 30, 2009	June 30, 2008
Current liabilities:		
Accounts payable	$ 762,855	$ 856,079
Accrued interest payable	265,475	232,473
Accrued expenses	941,020	472,646
Deferred income	334,023	358,130
Bond premiums	37,239	41,405
Bonds payable	796,849	715,061
Notes, leases and loans payable	810,641	767,163
Total current liabilities	3,948,102	3,442,957
Noncurrent liabilities:		
Bonds payable	9,665,494	8,533,075
Notes, leases and loans payable	9,251,420	9,283,199
Total noncurrent liabilities	18,916,914	17,816,274
Total liabilities	22,865,016	21,259,231
Net assets:		
Invested in capital assets, net of related debt	58,262,853	52,209,949
Restricted	3,151,341	3,801,845
Unrestricted	4,662,667	2,628,077
Total net assets	66,076,861	58,639,871
Total liabilities and net assets	$ 88,941,877	$ 79,899,102

See accompanying notes.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

	Years ended June 30, 2009	Years ended June 30, 2008
Operating revenue:		
Service charges	$ 10,118,110	$ 9,937,238
Miscellaneous	205,939	202,085
Total operating revenue	10,324,049	10,139,323
Operating expenses:		
Direct operating expenses	5,950,589	5,717,744
Administrative expenses	3,505,591	2,955,526
Total operating expenses	9,456,180	8,673,270
Operating income before depreciation	867,869	1,466,053
Depreciation	(2,595,661)	(2,286,655)
Operating loss	(1,727,792)	(820,602)
Nonoperating revenue (expenses):		
Interest income	78,573	206,370
Benefit assessment charges	-	452,878
Debt service charges	4,090,607	2,555,360
House connection charges- net	157,820	406,356
Water supply fees	61,200	193,933
Water storage fees	167,940	309,090
Interest expense	(980,219)	(869,004)
Other fees	152,236	169,448
Total nonoperating revenue, net	3,728,157	3,424,431
Income before contributions	2,000,365	2,603,829
Capital contributions	5,436,625	2,391,659
Change in fund net assets	7,436,990	4,995,488
Total net assets- beginning	58,639,871	53,644,383
Total net assets- ending	$ 66,076,861	$ 58,639,871

See accompanying notes.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF CASH FLOWS

	Years ended June 30,	
	2009	2008
Cash flows from operating activities:		
Receipts from customers	$ 10,105,444	$ 9,833,751
Payments to suppliers	(5,179,670)	(4,728,330)
Payments to employees	(3,911,749)	(4,301,924)
Other receipts	205,939	202,085
Net cash provided by operating activities	1,219,964	1,005,582
Cash flows from capital and related financing activities:		
Proceeds from capital debt	3,298,543	1,835,257
Purchases of capital assets	(4,525,461)	(2,541,190)
Principal paid on capital debt	(2,072,637)	(1,823,672)
Interest paid on capital debt	(906,897)	(787,954)
Other receipts and payments	4,629,803	4,087,065
Net cash provided by capital and related financing activities	423,351	769,506
Cash flows from investing activities:		
Interest received	78,573	206,370
Net increase in cash and cash equivalents	1,721,888	1,981,458
Cash and cash equivalents at beginning of year	6,397,782	4,416,324
Cash and cash equivalents at end of year	$ 8,119,670	$ 6,397,782

See accompanying notes.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF CASH FLOWS (CONTINUED)

	Years ended June 30, 2009	Years ended June 30, 2008
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (1,727,792)	$ (820,602)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	2,683,276	2,343,474
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	11,441	(104,151)
Increase in prepaid expense	(872)	(275,198)
Increase in inventory	(97,132)	(3,066)
Increase (decrease) in accounts payable	(93,224)	148,558
Increase (decrease) in accrued expenses	468,374	(284,097)
Increase in deferred income	(24,107)	664
Net cash provided by operating activities	$ 1,219,964	$ 1,005,582

SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

	Years ended June 30, 2009	Years ended June 30, 2008
Increase in capital assets	$ 9,962,086	$ 4,932,849
Capital contribution	(5,436,625)	(2,391,659)
Purchase of capital assets	$ 4,525,461	$ 2,541,190
Additions to capital debt	$ 3,298,543	$ 2,062,857
Deferred bond issue costs	-	(227,600)
Proceeds from capital debt	$ 3,298,543	$ 1,835,257

See accompanying notes.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF FIDUCIARY NET ASSETS

ASSETS

	Years ended June 30, 2009	Years ended June 30, 2008
Restricted investments	$ 1,222,517	$ 757,828
Total assets	$ 1,222,517	$ 757,828

NET ASSETS

	Years ended June 30, 2009	Years ended June 30, 2008
Held in trust for other post employment benefits	$ 1,222,517	$ 757,828
Total net assets	$ 1,222,517	$ 757,828

See accompanying notes.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

	Years ended June 30, 2009	2008
ADDITIONS:		
Contributions	$ 514,000	$ 801,984
Interest income	10,976	-
Net additions	$ 524,976	$ 801,984
DEDUCTIONS:		
Benefits paid	$ (55,287)	$ (44,156)
Administrative expenses	(5,000)	-
Net deductions	(60,287)	(44,156)
Change in net assets	$ 464,689	$ 757,828
NET ASSETS:		
Beginning of year	$ 757,828	$ -
End of year	$ 1,222,517	$ 757,828

See accompanying notes.

Summary of significant accounting policies

Financial reporting entity

The St. Mary's County Metropolitan Commission (MetCom) is responsible for providing water and wastewater facilities and services within the jurisdiction of St. Mary's County, Maryland. MetCom's commissioners are appointed by the County Commissioners of St. Mary's County. MetCom is a component unit of the St. Mary's County Government.

The financial statements of MetCom have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The significant accounting policies are described below.

Fund accounting and basis of accounting

MetCom maintains its accounting system as an enterprise fund to report its nonfiduciary activities. An enterprise fund is used to account for operations that are primarily financed by user charges. Separate financial statements are provided for its fiduciary fund.

MetCom applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Fund accounting is designed to demonstrate legal compliance and to aid in financial management by segregating transactions related to certain government functions or activities. An enterprise fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Both enterprise and fiduciary funds are accounted for using the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. Fund equity (i.e., net assets) is segregated into invested in capital assets and restricted and unrestricted components. Enterprise fund-type operating statements present increases (e.g., revenue) and decreases (e.g., expenses) in net assets.

Net assets are reported as restricted when constraints placed on net assets use are either externally imposed by creditors (such as through debt covenants), Summary of significant accounting policies (continued)

Fund accounting and basis of accounting (continued)

grantors, contributions, or laws or regulations of other governments or imposed by law through legislation.

Use of estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits and any highly liquid investments with an initial maturity of three months or less.

Inventory

Inventory is valued at the average cost method. The consumption method of recording inventory is used, which means that the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenses when used.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Major receivables include inspection fees and water and sewer billings receivable.

Capital assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Depreciation expense is calculated on a straight-line basis over the estimated useful lives of the related assets, as follows:

Summary of significant accounting policies (continued)

Capital assets (continued)

Asset Class	Estimated Life
Utility plants	18 to 50 years
Water plant systems	18 to 50 years
Equipment	3 to 10 years
Capitalized interest	50 years
Buildings	25 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Capital contributions

Capital grants and contributions from federal and state governments are reported as capital contributions in the statements of revenues, expenses and changes in fund net assets.

Donated assets consist principally of capital assets constructed by developers and subsequently donated to MetCom and reported as capital contributions. They are recorded at estimated fair value using developers' estimated costs to construct the assets. The capital assets and related capital contributions are recognized upon completion of construction.

Compensated absences

Compensated absences are accrued as incurred and recognized as a current liability in the financial statements. These absences represent vacation leave earned but not taken. The total leave earned but not taken was $323,090 and $291,702 at June 30, 2009 and 2008, respectively.

Deferred bond issue costs

Deferred bond issue costs include legal fees, advertising, rating fees and other costs incurred when bonds were issued. The costs are being amortized over the

1. Summary of significant accounting policies (continued)

Deferred bond issue costs (continued)

maturity of the bond issues using the bonds-outstanding method, which approximates the effective interest method.

2. Deposits and investments

June 30, 2009

Deposits

The carrying amount of MetCom's deposits was $3,863,157 at June 30, 2009, and the bank balances were $3,771,506. Of the bank balances, $250,000 was covered by federal depository insurance at June 30, 2009, with the remaining $3,521,506 adequately covered by collateral. State statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

Cash and cash equivalents consisted of the following:

Investments	$ 4,256,063
Cash	3,863,157
Petty cash	450
	$ 8,119,670

Investments

State statutes authorize MetCom to invest in obligations of the United States government, federal government agency obligations, and repurchase agreements secured by direct government or agency obligations. All of the funds were invested in the Maryland Local Government Investment Pool (MLGIP), which qualifies under the statutes. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). Investments in the Maryland Local Government Investment Pool, an external investment pool, are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. None of MetCom's investments are subject to concentration of credit risk, interest rate risk or foreign currency risk.

2. Deposits and investments (continued)

	Carrying Amount	Market Value
MLGIP	$ 4,256,063	$ 4,256,063

June 30, 2008

Deposits

The carrying amount of MetCom's deposits was $2,258,135 at June 30, 2008, and the bank balances were $2,437,448. Of the bank balances, $100,000 was covered by federal depository insurance at June 30, 2008, with the remaining $2,337,448 adequately covered by collateral. State statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

Cash and cash equivalents consisted of the following:

Investments	$ 4,139,197
Cash	2,258,135
Petty cash	450
	$ 6,397,782

Investments

State statutes authorize MetCom to invest in obligations of the United States government, federal government agency obligations, and repurchase agreements secured by direct government or agency obligations. All of the funds were invested in the Maryland Local Government Investment Pool (MLGIP), which qualifies under the statutes. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). Investments in the Maryland Local Government Investment Pool, an external investment pool, are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. None of MetCom's investments are subject to concentration of credit risk, interest rate risk or foreign currency risk.

	Carrying Amount	Market Value
MLGIP	$ 4,139,197	$ 4,139,197

3. Capital assets and depreciation

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets:				
Utility plants	$ 75,771,536	$ 4,027,139	$ 0	$ 79,798,675
Water plant systems	17,881,970	1,907,887	0	19,789,857
Equipment	5,730,349	836,926	321,404	6,245,871
Capitalized interest	818,201	0	0	818,201
Buildings	1,461,505	0	0	1,461,505
Subtotal	101,663,561	6,771,952	321,404	108,114,109
Not being depreciated:				
Utility plant construction in process	2,311,778	1,751,185	481,523	3,581,440
Water plant construction in process	1,030,256	2,201,168	283,696	2,947,728
Land and land rights	595,037	3,000	0	598,037
	105,600,632	10,727,305	1,086,623	115,241,314
Accumulated depreciation:				
Utility plants	25,496,815	1,634,564	0	27,131,379
Water plant systems	4,645,569	490,463	0	5,136,032
Equipment	3,113,108	486,576	321,404	3,278,280
Capitalized interest	220,914	16,364	0	237,278
Buildings	615,779	55,309	0	671,088
	34,092,185	2,683,276	321,404	36,454,057
Net capital assets	$ 71,508,447	$ 8,044,029	$ 765,219	$ 78,787,257

Depreciation expense of $2,683,276 was charged to activities as follows:

Sewer activities	$ 1,877,835
Water activities	666,204
Engineering activities	51,622
Administrative	87,615
Total	$ 2,683,276

ST. MARY'S COUNTY METROPOLITAN COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

3. Capital assets and depreciation (continued)

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets:				
Utility plants	$ 67,787,669	$ 7,983,867	$ 0	$ 75,771,536
Water plant systems	15,156,119	2,725,851	0	17,881,970
Equipment	5,066,502	848,340	184,493	5,730,349
Capitalized interest	818,201	0	0	818,201
Buildings	1,461,505	0	0	1,461,505
Subtotal	90,289,996	11,558,058	184,493	101,663,561
Not being depreciated:				
Utility plant construction in process	8,354,506	1,358,156	7,400,884	2,311,778
Water plant construction in process	1,614,237	564,964	1,148,945	1,030,256
Land and land rights	593,537	1,500	0	595,037
	100,852,276	13,482,678	8,734,322	105,600,632
Accumulated depreciation:				
Utility plants	24,011,595	1,485,220	0	25,496,815
Water plant systems	4,239,182	406,387	0	4,645,569
Equipment	2,917,406	380,195	184,493	3,113,108
Capitalized interest	204,550	16,364	0	220,914
Buildings	560,471	55,308	0	615,779
	31,933,204	2,343,474	184,493	34,092,185
Net capital assets	$ 68,919,072	$ 11,139,204	$ 8,549,829	$ 71,508,447

Depreciation expense of $2,343,474 was charged to activities as follows:

Sewer activities	$ 1,693,519
Water activities	552,081
Engineering activities	41,055
Administrative	56,819
Total	$ 2,343,474

4. Long-term debt

Long-term bonds payable as of June 30, 2009, are as follows:

Bonds Payable Description	Due	Rate	Principal	Interest
Twelfth Issue	1996-2013	3.9% -5.25%	$ 870,000	$ 115,918
Fourteenth Issue	2001-2029	4.125%-5%	1,471,300	886,090
Seventeenth Issue	2006-2019	2.75%-4.40%	4,654,969	1,062,859
Twenty-first Issue	2007-2021	3.65%-4.275%	968,200	267,984
Twenty-third Issue	2008-2027	3.5%-4.25%	2,497,874	1,040,614
			10,462,343	3,373,465
Less current portion			796,849	436,599
Total			$ 9,665,494	$ 2,936,866

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2009 are as follows:

Year ending June 30,	Principal	Interest
2010 (current)	$ 796,849	$ 436,599
2011	819,671	404,714
2012	863,703	370,378
2013	902,203	333,007
2014	696,858	292,866
2015 – 2019	3,978,086	999,958
2020 – 2024	1,335,636	409,522
2025 – 2029	1,069,337	126,421
	$ 10,462,343	$ 3,373,465

4. Long-term debt (continued)

Long-term bonds payable as of June 30, 2008 are as follows:

Bonds Payable Description	Due	Rate	Principal	Interest
Tenth Issue	1995-2015	5.56% - 6.08%	$ 170,000	$ 43,790
Twelfth Issue	1996-2013	3.9% -5.25%	1,060,000	170,416
Fourteenth Issue	2001-2029	4.125%-5%	1,514,300	959,832
Seventeenth Issue	2006-2019	2.75%-4.40%	5,026,077	1,260,631
Twenty-first Issue	2007-2021	3.65%-4.275%	1,034,200	309,909
Twenty-third Issue	2008-2027	3.5%-4.25%	443,559	200,032
			9,248,136	2,944,610
Less current portion			715,061	395,577
Total			$ 8,533,075	$ 2,549,033

Redemption - Tenth Issue - DHCD Loan

Bonds in the amount of $170,000 were redeemed in full at 100% on March 8, 2009.

Redemption - Twelfth Issue

Optional redemption

Bonds that mature on or before June 1, 2006 are not subject to redemption prior to their maturities. Bonds that mature on or after June 1, 2006 are subject to redemption beginning June 1, 2006, as a whole at any time or in part on any interest payment date, in order of maturities, at the option of MetCom, at the following redemption prices expressed as a percentage of the principal amount of bonds to be redeemed plus accrued interest thereon to the date fixed for redemption:

Period During Which Redeemable (Both Dates Inclusive)	Redemption Price
June 1, 2006 to May 31, 2007	101%
June 1, 2007 to May 31, 2008	100-1/2%
June 1, 2008 and thereafter	100%

4. Long-term debt (continued)

Fourteenth Issue

On May 18, 1999, the Commission issued $1,830,900 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA).

Principal payments are due from 2001-2029. The average interest cost is 4.86%.

The bonds may be prepaid at the following premiums:

Period	Price
June 1, 2009 through May 31, 2010	101%
June 1, 2010 through May 31, 2011	100-1/2%
After June 1, 2011	100%

Seventeenth Issue

On September 4, 2003, MetCom issued Refunding Bonds of 2003 in the principal amount of $6,105,000. The bonds mature on November 1, in 14 annual installments, beginning in 2005 and ending in 2018. Interest rates on the bonds range from 2.75% to 4.4%. Interest is payable on May 1, 2004 and semiannually thereafter on each May 1 and November 1 to maturity.

The bonds may be prepaid at the following premiums:

Period	Price
November 1, 2013 through October 31, 2014	101%
November 1, 2014 through October 31, 2015	100-1/2%
After November 1, 2015	100%

The bonds were issued to refund all the outstanding maturities of the St. Mary's County Metropolitan Commission Refunding Bonds of 1993 (Ninth issue).

The outstanding amount of refunding bond issue number seventeen is shown net of a deferred loss on the advance refunding of $80,031.

4. Long-term debt (continued)

Twenty-first Issue

In fiscal year 2006, the Commission issued Refunding Bonds on April 5, 2006 in the principal amount of $1,158,700. The bonds mature on May 1, in 15 annual installments, beginning in 2007 and ending in 2021. Interest rates on the bonds range from 3.65% to 4.275%. Interest is payable on November 1, 2006 and semiannually thereafter on each May 1 and November 1 to maturity.

This bond is not subject to prepayment by the Issuer prior to May 1, 2016. On or after May 1, 2017, this bond is subject to prepayment by the Issuer at 100%.

The bonds were issued to refund outstanding maturities of Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). The Thirteenth Issue was fully refunded and $500,000 of the Tenth Issue was fully refunded.

These bonds were issued with a true interest cost ranging from 3.65% to 4.275% to refund certain maturities of $620,000 in outstanding 1996 series A bonds with a coupon rate of 5.579% and $500,000 in outstanding 1995 series A bonds with an average interest rate of 6.24%. These bonds were issued to take advantage of a favorable interest rate environment. The net proceeds (including interest and premium) of $1,131,200 were deposited with an escrow agent to provide for all future debt service payments of the refunded bonds.

MetCom refunded these bonds at a premium to reduce its total debt service payments by $152,325 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $110,445.

Twenty-Third Issue

On November 14, 2007, the Commission issued $10,889,100 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2009 and 2008, MetCom had drawn only $3,018,073 and $582,759 of the proceeds, respectively. The cost of issuance was $227,600, which is included in fiscal year 2008 additions.

The bonds mature on May 1, in 20 annual installments, beginning in 2008 and ending in 2027. Interest rates on the bonds range from 3.5%-4.25%. Interest is payable on May 1, 2008 and semiannually thereafter on each November 1 and May 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2017. Any partia prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

4. Long-term debt (continued)

Notes, leases and loans payable

Notes, leases and loans payable as of June 30, 2009 are as follows:

Description	Due	Rate	Principal	Interest
Leonardtown	2010-2020	6.10% - 10%	$ 119,571	$ 88,601
MD Bank and Trust	2010	4.80%	18,885	919
Sixth Issue	2017	6.682%	108,655	35,125
MD Water Quality Loan #8	2012	3.45%	287,677	20,105
MD Water Quality Loan #11	2017	4.26%	2,084,048	418,920
MD Water Quality Loan #15	2020	2.70%	513,504	84,284
MD Water Quality Loan #16	2023	1.20%	397,148	32,430
MD Water Quality Loan #18	2025	1.10%	3,850,387	369,850
MD Water Quality Loan #19	2024	1.10%	648,687	58,541
MD Water Quality Loan #20	2024	1.10%	983,355	88,745
MD Water Quality Loan #22	2027	1.10%	1,050,144	102,903
			10,062,061	1,300,423
Less current portion			810,641	208,655
Total			$ 9,251,420	$ 1,091,768

The annual requirements to amortize principal and interest payments on all notes, leases and loans outstanding as of June 30, 2009, are as follows:

Year ending June 30,	Principal	Interest
2010 (current)	$ 810,641	$ 208,655
2011	812,707	184,528
2012	824,657	166,297
2013	742,804	142,997
2014	761,036	127,036
2015 – 2019	3,399,705	354,989
2020 – 2024	2,332,900	110,382
2025 – 2028	377,611	5,539
	$ 10,062,061	$ 1,300,423

4. Long-term debt (continued)

Notes, leases and loans payable as of June 30, 2008 are as follows:

Description	Due	Rate	Principal	Interest
Leonardtown	2010-2020	6.10% - 10%	$ 132,606	$ 100,436
MD Bank and Trust	2009	4.15%	28,502	1,202
MD Bank and Trust	2010	4.80%	36,889	2,719
Sixth Issue	2017	6.682%	118,696	43,056
MD Water Quality Loan #8	2012	3.45%	375,809	33,070
MD Water Quality Loan #11	2017	4.26%	2,298,982	516,856
MD Water Quality Loan #15	2020	2.70%	553,149	99,219
MD Water Quality Loan #16	2023	1.20%	426,967	37,552
MD Water Quality Loan #18	2025	1.10%	4,069,388	414,616
MD Water Quality Loan #19	2024	1.10%	236,060	22,675
MD Water Quality Loan #20	2024	1.10%	826,802	79,419
MD Water Quality Loan #22	2027	1.10%	946,512	107,882
			10,050,362	1,458,702
Less current portion			767,163	220,874
Total			$ 9,283,199	$ 1,237,828

As of June 30, 2009, MetCom has eight loans from the Maryland Water Quality Financing Administration. Proceeds from loan number eight amounting to $1,326,045 were used to finance the Marley-Taylor WRF Interim Expansion. Proceeds from loan number eleven of $4,177,116 were used to finance the Marley-Taylor WRF Wastewater Treatment Plant Upgrade and Expansion Project. Loan number fifteen for $835,000 was drawn during the year ended June 30, 2000 for the purpose of financing an office building for the administrative use of MetCom. Loan number sixteen for $567,680 was used to upgrade the Leonardtown wastewater treatment plant. Loan number eighteen for $4,712,200 was used to upgrade the Marley-Taylor WRF. Loan number nineteen for $976,700 is to be used to replace the wastewater pumping station. Proceeds drawn at June 30, 2009 and 2008 were $838,591 and $377, 962, respectively. Loan number twenty is to be used for water meter installations. As of June 30, 2009 and 2008, amounts drawn on the loan were $1,393,960 and $1,153,479, respectively. Loan number twenty-two is to be used for the Andover Road/Estates sewer projects and for arsenic remediation wells. As of June 30, 2009 and 2008, amounts drawn on the loan were $1,136,984 and $974,866, respectively.

4. Long-term debt (continued)

Changes in long-term debt

The changes in long-term debt payable for the year ended June 30, 2009 were as follows:

	Balance July 01, 2008	Additions	Deductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds payable	$ 9,248,136	$ 2,435,314	$ 1,221,107	$ 10,462,343	$ 796,849
Notes, leases and loans payable	10,050,362	863,229	851,530	10,062,061	810,641
Total long-term debt	$ 19,298,498	$ 3,298,543	$ 2,072,637	$ 20,524,404	$ 1,607,490

The changes in long-term debt payable for the year ended June 30, 2008 were as follows:

	Balance July 01, 2007	Additions	Deductions	Balance June 30, 2008	Amounts Due Within One Year
Bonds payable	$ 9,470,386	$ 810,359	$ 1,032,609	$ 9,248,136	$ 715,061
Notes, leases and loans payable	9,588,927	1,252,498	791,063	10,050,362	767,163
Total long-term debt	$ 19,059,313	$ 2,062,857	$ 1,823,672	$ 19,298,498	$ 1,482,224

5. Restricted net assets

Net assets are restricted for the repayment of the following:

a. Special assessments are restricted in net assets for the future replacement of sewer systems that were built with Environmental Protection Agency grants awarded after February 1984. The amount restricted at June 30, 2009 and 2008 is $1,410,023 and $1,410,023, respectively.

b. Collection of fees for a sinking fund to upgrade the capacity of the main sewage treatment plant at Marley-Taylor WRF are restricted for that purpose. The amount restricted June 30, 2009 and 2008 is $687,123 and $707,104, respectively.

5. Restricted net assets (continued)

c. The Board has restricted net assets per agreement with customers for upgrades and replacements to their water and sewer systems. The amount restricted June 30, 2009 and 2008 is $130,894 and $130,894, respectively.

d. Effective October 1, 2007, MetCom started collecting System Improvement Charges for the replacement and upgrade of water and sewer facilities. These funds are restricted by law for that purpose. The balance as of June 30, 2009 and 2008 was $848,882 and $1,372,319, respectively.

e. Effective October 1, 2007, MetCom started collecting Capital Contribution Charges for the construction of facilities to serve new customers. These funds are restricted by law for that purpose. The balance at June 30, 2009 and 2008 was $74,419 and $181,505, respectively.

6. Retirement and pension plan

On March 18, 2004, MetCom adopted a Section 457 plan. Under the terms of the plan, employees may contribute up to 25% of their salary, up to the contribution limits, to the plan. No employer contributions are made to this plan.

Effective July 1, 2004, MetCom joined the Maryland State Retirement and Pension System. Under the terms of entry into the system, MetCom will grant 100% credit for prior service of eligible employees. The actuarial cost of entry into the Maryland State Retirement and Pension System for service prior to June 30, 2004 was $3,392,774.

Description

All qualified career employees of MetCom are required to join the Maryland State Employees' Pension Plan. The plans have provisions for early retirement, death and disability benefits. Participants become eligible for a vested retirement allowance after 5 years' service. The Plans are an agent multiple-employer public employee retirement system. The State Retirement and Pension System of Maryland is the administrator of the Systems. The System was established and benefits are provided by the State Personnel and Pensions Article of the Annotated Code of Maryland. The separately issued financial statements of the System may be obtained by contacting the administrator.

6. Retirement and pension plan (continued)

Maryland State Pension Systems

Participants in the Pension Systems contribute a percentage of their earnings. Pensions normally start at age 62 or after 30 years' service, but with 15 or more years of service an employee can elect to have a reduced pension begin at age 55. Pensions are based upon the average of the employees' highest three years' pay. Cost of living increases are limited to 3% per annum.

On July 13, 2006, MetCom passed a resolution to join the Alternate Contributory Pension Selection Plan (ACPS). The plan increases the employee multiplier from 1.4% to 1.8% for service credits earned after July 1, 1998. Employee contributions are 3% for FY07, 4% for FY08 and 5% thereafter. The ACPS surcharge for FY09 is 1.11% of salaries.

Funding policy

The State Retirement and Pensions Article requires contributions by active members and their employees. Rates for required contributions by active members are established by law. Members of the Retirement Systems are required to contribute from 5% to 7% of compensation. Members of the Pension Systems were required to contribute 5% and 4% of compensation for the years ended June 30, 2009 and 2008, respectively. The rate will remain at 5%.

Contribution rates are established by annual actuarial valuations. The unfunded actuarial accrued liability (UAAL) is being amortized, as a level percentage of payroll, in two distinct pieces. The UAAL which existed as the June 30, 2000 actuarial valuation is being amortized over the remaining 12-year period to June 30, 2020. Each new layer of UAAL arising subsequent to the year ended June 30, 2000 is being amortized in separate annual layers over a 25-year period. The equivalent single amortization period is 30 years. The State of Maryland, the Maryland Automobile Insurance Fund, the Injured Workers' Insurance Fund and 135 participating governmental units make all of the employer and other contributions to the System.

MetCom provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2009, MetCom's total payroll and payroll for covered employees were $4,563,777 and $3,724,636, respectively. MetCom's contribution to the System was $250,958 and $284,731 for the years ended June 30, 2009 and 2008, respectively.

6. Retirement and pension plan (continued)

Funding policy (continued)

Actuarial assumptions

a) Return on investment of 7.75% compounded annually (adopted June 30, 2003).

b) Projected salary increases of 3.5% compounded annually due to inflation (adopted June 30, 2007).

c) Salary increases due to seniority and merit are projected at 0.00-8.5% per annum (adopted June 30, 2007).

d) Postretirement benefit increases are projected at 3-4% per annum depending on the system (adopted June 30, 2003).

e) Rates of mortality, termination, disablement and retirement are based on actual experience from 2003 through 2006 (adopted June 30, 2007).

f) Member payroll assumed to increase 3.5% annually (adopted June 30, 2007).

Trend information

	June 30,		
	2008	2007	2006
Annual required contributions (in thousands)	$1,183,765	$ 1,025,972	$ 874,079
Percentage contributed	89%	81%	82%

7. Other post-employment benefits

MetCom adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. In adopting GASB 45, MetCom recognizes the cost of post-employment health care in the year when the employee services are received, reports the accumulated liability from the prior years and provides information useful in

7. Other post-employment benefits (continued)

assessing potential demands on MetCom's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

During FY08 MetCom established a trust fund, the Retiree Benefit Trust of St. Mary's County Metropolitan Commission, to fund certain retiree health benefits.

Plan Description

MetCom provides health, prescription, dental and vision care insurance benefits to eligible retirees, retirees' family members and the family members of deceased employees. Eligible persons include employees with a minimum of ten years of eligible MetCom service entering an immediate retirement, family members of retirees and family members of deceased employees. MetCom pays a percentage of premiums based on the date of hire and number of years of service. For employees hired prior to May 10, 2007, the percentage ranges from 53.13% with ten years of service to 85% with 16 or more years of service. The percentages for employees hired on or after May 10, 2007 range from 21.25% with 15 years service to 85% with 30 years service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by MetCom's Board of Commissioners.

Membership

At June 30 membership consisted of:

	2009	2008
Retirees and Beneficiaries Currently Receiving Benefits	6	5
Active Employees	62	61
Total	68	66

Funding Policy

It is MetCom's intention to fully fund the OPEB cost each year. MetCom's Board determines the amount of the OPEB cost to be funded annually, and has funded the OPEB cost in both FY09 and FY08. The FY10 Operating Budget includes fully funding the OPEB cost.

7. Other post-employment benefits (continued)

Annual OPEB Costs and Net OPEB Obligation

MetCom's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. As of June 30, 2009, the net OPEB obligation (NOPEBO) was calculated as follows:

	2009	2008
Annual Required Contribution	$ 519,000	$ 518,000
Interest on NOPEBO	17,000	0
Adjustment to ARC	(22,000)	0
Annual OPEB Cost	514,000	518,000
Contributions Made	514,000	801,984
Net OPEB Obligation, (Prepaid) Beginning of Year	$ (283,984)	0
Net OPEB Obligation, (Prepaid) End of Year	$ (283,984)	$ (283,984)

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial Accrued Liability (AAL)	$ 5,462,000
Value of Plan Assets	1,222,517
Unfunded Actuarial Accrued Liability	$ 4,239,483
Funded Ratio (Value of Plan Assets/AAL)	22.38%
Covered Payroll (Active Plan Members)	$ 3,724,636
UAAL as a percentage of covered payroll	113.82%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that

7. Other post-employment benefits (continued)

Actuarial Methods and Assumptions (continued)

point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the liabilities were computed using the project unit credit, with proration to benefit eligibility method. The actuarial assumptions included a 7.75% annual rate of return and an initial annual healthcare cost trend rate of 9.5%, decreasing 1% per year to an ultimate rate of 5.5%. The UAAL is being amortized as a level percentage of projected payroll over 30 years, starting with the 2008 fiscal year.

8. Rate setting

MetCom is required by law to set rates which are sufficient to cover both operating expenses and debt service. Depreciation of the plant and collection systems is not an allowable cost for purposes of setting rates.

A reconciliation of the results of operations for financial reporting and rate-setting purposes is as follows:

		Years ended June 30,	
		2009	2008
Change in net assets – per financial statements		$ 7,436,990	$ 4,995,488
Add:	Depreciation – facilities	2,189,974	1,907,971
	Amortization	49,213	46,220
Less:	Principal payment on capital debt	(2,081,441)	(1,823,672)
	Repayment of internal pension loan	(113,092)	(113,092)
	Meter costs	(79,174)	-
	Capital contributions	(5,436,625)	(2,391,659)
Excess or (deficiency) of revenue over expenses – rate-setting method		$ 1,965,845	$ 2,621,256

9. Risk management

MetCom is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and related disasters. MetCom is a member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML), and the Maryland Association of Counties. LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability, environmental liability, and property coverage.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessments. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members. Annual premiums are assessed for the various policy coverages. During fiscal years 2009 and 2008, MetCom paid premiums of $112,666 and $135,558, respectively, to the trust. The agreement for the formation of LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of annual premiums. Settled claims, if any, resulting from these risks have not exceeded commercial coverage in the past fiscal year.

10. Commitments and contingencies

There are several pending lawsuits in which MetCom is involved. MetCom's attorney estimates that the potential claims against MetCom not covered by insurance resulting from such litigation would not materially affect MetCom's financial statements.

In 2009 the State Legislature passed House Bill 1559 which established a Task Force to study the governance and structure of MetCom. By July 1, 2010, the Task Force is to make recommendations regarding the structure and governance of MetCom and how best to continue the provision of water and sewer services to the citizens of St. Mary's County.

INFORMATION ABOUT OTHER POSTEMPLOYMENT BENEFIT PLAN

JUNE 30, 2009 AND 2008

MetCom's Other Postemployment Benefit Plan (OPEB Plan) is administered through the Retiree Benefit Trust of St. Mary's County Metropolitan Commission as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees.

The following schedules present MetCom's actuarially determined funding progress and required contributions for the Retiree Benefit Trust of St. Mary's County Metropolitan Commission.

Schedule of Funding Progress for the MetCom Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
7/1/2007	$ -	$ 4,331,000	$ 4,331,000	0.00%	$ 3,400,838	127.35%

Schedule of Employer Contributions

Fiscal Year Ended	Employer Contributions	Annual OPEB Cost	Percentage Contributed
6/30/2008	$ 801,984	$ 518,000	155%
6/30/2009	514,000	514,000	100%

MetCom implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008. Information for prior years is not available.

See Independent Auditor's Report.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

SCHEDULE OF DEPARTMENTAL ALLOCABLE OPERATING AND NONOPERATING REVENUES AND EXPENSES

YEAR ENDED JUNE 30, 2009

	Sewer	Water	Engineering	Total
Operating revenue:				
Service charges	$ 6,064,997	$ 3,685,067	$ 368,046	$ 10,118,110
Miscellaneous	20,165	154,709	31,065	205,939
Total operating revenue	6,085,162	3,839,776	399,111	10,324,049
Operating expenses:				
Direct operating expenses	3,265,781	2,015,566	669,242	5,950,589
Administrative expenses	1,893,019	1,226,957	385,615	3,505,591
Total operating expenses	5,158,800	3,242,523	1,054,857	9,456,180
Operating income (loss) before depreciation	926,362	597,253	(655,746)	867,869
Depreciation	(1,877,835)	(666,204)	(51,622)	(2,595,661)
Operating loss	(951,473)	(68,951)	(707,368)	(1,727,792)
Allocable nonoperating revenue (expense):				
Interest income	14,116	3,529	-	17,645
Debt service charges	2,630,560	1,460,047	-	4,090,607
House connection charges - net	163,251	(5,431)	-	157,820
Water supply fees	-	61,200	-	61,200
Water storage fees	-	167,940	-	167,940
Debt service - interest and finance charges	(576,596)	(403,623)	-	(980,219)
Total allocable nonoperating revenue	2,231,331	1,283,662	-	3,514,993
Debt service net income (loss)	1,279,858	1,214,711	(707,368)	1,787,201
Nonallocable revenue:				
Interest income				60,928
Other fees				152,236
Total nonallocable revenue				213,164
Capital contribution				5,436,625
Change in fund net assets				$ 7,436,990

ST. MARY'S COUNTY METROPOLITAN COMMISSION

SCHEDULE OF DEPARTMENTAL ALLOCABLE OPERATING AND NONOPERATING REVENUES AND EXPENSES

YEAR ENDED JUNE 30, 2008

	Sewer	Water	Engineering	Total
Operating revenue:				
Service charges	$ 5,695,725	$ 3,657,837	$ 583,676	$ 9,937,238
Miscellaneous	40,678	134,162	27,245	202,085
Total operating revenue	5,736,403	3,791,999	610,921	10,139,323
Operating expenses:				
Direct operating expenses	3,125,338	1,798,409	793,997	5,717,744
Administrative expenses	1,595,984	916,213	443,329	2,955,526
Total operating expenses	4,721,322	2,714,622	1,237,326	8,673,270
Operating income (loss) before depreciation	1,015,081	1,077,377	(626,405)	1,466,053
Depreciation	(1,693,519)	(552,081)	(41,055)	(2,286,655)
Operating income (loss)	(678,438)	525,296	(667,460)	(820,602)
Allocable nonoperating revenue (expense):				
Interest income	61,166	19,173	-	80,339
Benefit assessment charges	409,783	43,095	-	452,878
Debt service charges	1,960,442	594,918	-	2,555,360
House connection charges - net	416,575	(10,219)	-	406,356
Water supply fees	-	193,933	-	193,933
Water storage fees	-	309,090	-	309,090
Debt service - interest and finance charges	(558,287)	(310,717)	-	(869,004)
Total allocable nonoperating revenue	2,289,679	839,273	-	3,128,952
Debt service net income (loss)	1,611,241	1,364,569	(667,460)	2,308,350
Nonallocable revenue:				
Interest income				126,031
Other fees				169,448
Total nonallocable revenue				295,479
Capital contribution				2,391,659
Change in fund net assets				$ 4,995,488

ST. MARY'S COUNTY METROPOLITAN COMMISSION

SCHEDULE OF SERVICE CHARGES AND DIRECT OPERATING EXPENSES

YEAR ENDED JUNE 30, 2009

	Sewer	Water	Engineering	Total
Service charges:				
Service charge - metered	$ 1,037,634	$ 3,248,939	$ -	$ 4,286,573
Service charge - nonmetered	4,834,218	319,422	-	5,153,640
Service charge - ready-to-serve	-	63,814	-	63,814
Energy surcharge	-	-	-	-
Septage haul revenue	159,724	-	-	159,724
Remote area surcharge	33,421	520	-	33,941
Review fees	-	-	89,965	89,965
Inspection fees	-	-	276,831	276,831
Residential tap fee sewer	-	-	1,250	1,250
Cut-on cut-off fees	-	52,372	-	52,372
Total service charges	$ 6,064,997	$ 3,685,067	$ 368,046	$ 10,118,110

	Sewer	Water	Engineering	Total
Direct operating expenses:				
Salaries	$ 1,663,896	$ 858,136	$ 763,185	$ 3,285,217
Chemicals	141,799	88,331	-	230,130
Employee training	6,569	2,372	3,679	12,620
Employee physicals/uniforms	9,957	5,470	1,794	17,221
Oil and gas	75,126	7,057	829	83,012
Lab/soil testing	12,051	-	-	12,051
Vehicle operating and mileage	105,337	51,751	23,806	180,894
Safety supplies	5,691	3,079	-	8,770
Water testing	-	15,092	-	15,092
Tools purchased	5,516	5,679	-	11,195
Maintenance	237,858	113,447	665	351,970
Materials and supplies	83,016	56,864	11,828	151,708
Miscellaneous	14,820	18,564	805	34,189
Leonardtown - treatment plant	146,132	-	-	146,132
Power	555,681	547,666	3,964	1,107,311
Telephone	38,823	20,994	11,847	71,664
Sludge removal	133,254	-	-	133,254
Major system repair cost	52,461	139,934	-	192,395
Casual/contracted labor	2,806	2,806	-	5,612
Meter reading expense	-	78,324	-	78,324
Recovery of costs	(25,012)	-	(158,551)	(183,563)
Professional fees	-	-	5,391	5,391
Total direct operating expenses	$ 3,265,781	$ 2,015,566	$ 669,242	$ 5,950,589

ST. MARY'S COUNTY METROPOLITAN COMMISSION

SCHEDULE OF SERVICE CHARGES AND DIRECT OPERATING EXPENSES

YEAR ENDED JUNE 30, 2008

	Sewer	Water	Engineering	Total
Service charges:				
Service charge - metered	$ 952,763	$ 3,242,887	$ -	$ 4,195,650
Service charge - nonmetered	4,631,660	324,527	-	4,956,187
Service charge - ready-to-serve	-	61,987	-	61,987
Energy surcharge	185	151	-	336
Septage haul revenue	83,249	-	-	83,249
Remote area surcharge	27,868	520	-	28,388
Review fees	-	-	135,105	135,105
Inspection fees	-	-	447,071	447,071
Residential tap fee sewer	-	-	1,500	1,500
Cut-on cut-off fees	-	27,765	-	27,765
Total service charges	$ 5,695,725	$ 3,657,837	$ 583,676	$ 9,937,238
Direct operating expenses:				
Salaries	$ 1,509,996	$ 763,420	$ 835,545	$ 3,108,961
Chemicals	132,851	85,483	-	218,334
Employee training	8,773	4,134	3,501	16,408
Employee physicals/uniforms	7,619	4,023	1,915	13,557
Oil and gas	88,489	13,085	655	102,229
Lab/soil testing	7,349	-	-	7,349
Vehicle operating and mileage	106,254	61,109	41,636	208,999
Safety supplies	5,345	2,028	-	7,373
Water testing	-	14,069	-	14,069
Tools purchased	3,285	2,543	-	5,828
Maintenance	303,066	111,004	553	414,623
Materials and supplies	68,858	48,829	11,165	128,852
Miscellaneous	13,308	8,337	1,317	22,962
Leonardtown - treatment plant	150,750	-	-	150,750
Power	489,001	543,954	3,671	1,036,626
Telephone	39,086	22,963	12,499	74,548
Sludge removal	161,120	-	-	161,120
Major system repair cost	30,222	37,226	-	67,448
Casual/contracted labor	4,314	4,314	1,700	10,328
Meter reading expense	-	71,888	-	71,888
Recovery of costs	(4,348)	-	(142,765)	(147,113)
Professional fees	-	-	22,605	22,605
Total direct operating expenses	$ 3,125,338	$ 1,798,409	$ 793,997	$ 5,717,744

ST. MARY'S COUNTY METROPOLITAN COMMISSION

SCHEDULE OF ADMINISTRATIVE EXPENSES

	Years ended June 30, 2009	Years ended June 30, 2008
Administrative expenses:		
Advertising	$ 22,060	$ 32,565
Accounting	11,900	14,625
Bond fees	1,500	1,550
Casual labor	969	1,766
Commissioners' salaries	14,500	13,672
Computer services	30,146	40,021
Consulting	508	4,192
Depreciation	87,615	56,819
Dues and subscriptions	5,554	4,985
Electric	9,167	8,488
Employee training	17,842	5,432
Hospitalization and disability	1,221,125	820,680
Insurance	192,545	187,218
Interest	-	18,691
Legal	44,354	59,592
Mileage and travel	3,838	3,982
Miscellaneous	5,840	5,919
Office and administrative salaries	1,080,406	895,194
Office supplies and expenses	60,936	78,485
Payroll taxes	333,991	304,527
Postage expense	92,720	93,627
Retirement	250,958	284,731
Telephone and fax	23,998	23,250
Trailer rent expense	3,135	4,925
Tuition reimbursement	17,791	2,662
Recovery of costs	(27,807)	(12,072)
Total administrative expenses	$ 3,505,591	$ 2,955,526
Allocated to services as follows:		
Sewer 54%	$ 1,893,019	$ 1,595,984
Water 35%	1,226,957	916,213
Engineering 11%	385,615	443,329
	$ 3,505,591	$ 2,955,526

Murphy & Murphy
CPA, LLC

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 Commissioners
St. Mary's County Metropolitan
Commission
Hollywood, Maryland

We have audited the financial statements of the business-type activities of the St. Mary's County Metropolitan Commission as of and for the years ended June 30, 2009 and 2008, which comprise the St. Mary's County Metropolitan Commission's basic financial statements and have issued our report thereon dated September 24, 2009. We conducted our audits 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Mary's County Metropolitan Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Mary's County Metropolitan Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Mary's County Metropolitan Commission's internal control over financial reporting.

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A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the St. Mary's County Metropolitan Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the St. Mary's County Metropolitan Commission's financial statements that is more than inconsequential will not be prevented or detected by the St. Mary's County Metropolitan Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the St. Mary's County Metropolitan Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Commissioners, management, federal awarding agencies and pass-through entties and is not intended to be and should not be used by anyone other than these specified parties.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
September 24, 2009