OFFICIAL STATEMENT DATED OCTOBER 24, 2017

NEW ISSUE - BOOK ENTRY ONLY

In the opinion of McGuireWoods LLP, Bond Counsel, based on existing law and subject to the conditions described in the section herein entitled "TAX MATTERS," interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of the Bonds) is excludable from the gross income of the owners of the Bonds for Federal income tax purposes and interest on the Bonds is not treated as a preference item for purposes of the Federal alternative minimum tax imposed on individuals and corporations; provided, however, that for purposes of the alternative minimum tax on corporations, interest on the Bonds is included in computing adjusted current earnings. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit made in the sale thereof, are exempt from State, county, municipal or other taxation of every kind and nature within the State of Maryland; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds, their transfer, the interest thereon or the income therefrom. See "TAX MATTERS."

St. Mary's County, Maryland
General Obligation Bonds

$15,475,000
Commissioners of St. Mary's County
Public Improvement Refunding Bonds, Series 2017

Dated: Date of Delivery **Due: as shown on inside front cover**

Bond Ratings	Fitch Ratings: AA+ Moody's Investors Service: Aa1 S & P Global Ratings: AA+
Redemption	The Bonds are not subject to redemption prior to their stated maturities. – Page 3
Security	General Obligations of Commissioners of St. Mary's County, Maryland
Purpose	The proceeds of the Bonds are being used to refund certain outstanding County general obligation bonds and pay the costs of issuance of the Bonds. – Page 2
Interest Payment Dates	January 15 and July 15, beginning July 15, 2018
Closing/Settlement	On or about November 16, 2017
Denominations	$5,000
Book-Entry Only Form	The Depository Trust Company, New York, NY
Registrar/Paying Agent/Escrow Agent	Manufacturers and Traders Trust Company, Baltimore, MD/Buffalo, NY
Bond Counsel	McGuireWoods LLP, Baltimore, MD
Financial Advisor	Davenport & Company LLC, Towson, MD
Issuer Contact	St. Mary's County Chief Financial Officer: (301) 475-4200, ext. *1200

FOR MATURITY SCHEDULE, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS, SEE INSIDE FRONT COVER

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of McGuireWoods LLP, Baltimore, Maryland, Bond Counsel. The Bonds will be available for delivery through the facilities of the Depository Trust Company in New York, New York on or about November 16, 2017.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS AND CUSIPS

$15,475,000 Public Improvement Refunding Bonds, Series 2017

Maturing July 15	Principal Amount	Interest Rate*	Price or Yield*	CUSIP	Maturing July 15	Principal Amount	Interest Rate*	Price or Yield*	CUSIP
2020..................	$1,320,000	3.00%	1.09%	792554XV4	2025	$1,565,000	4.00%	1.76%	792554YA9
2021..................	1,360,000	4.00	1.19	792554XW2	2026	1,620,000	4.00	1.89	792554YB7
2022..................	1,410,000	4.00	1.37	792554XX0	2027	1,680,000	4.00	2.00	792554YC5
2023..................	1,460,000	4.00	1.52	792554XY8	2028	1,740,000	4.00	2.13	792554YD3
2024..................	1,510,000	4.00	1.64	792554XZ5	2029	1,810,000	4.00	2.23	792554YE1

* The rates shown above are the interest rates payable by the County resulting from the successful bid for the Bonds on October 24, 2017 by M&T Securities, Inc. The yields or prices shown above were furnished by the successful bidder. Any additional information concerning the reoffering of the Bonds should be obtained from the successful bidder and not from the County.

CUSIP (Committee on Uniform Securities Identification Procedures) data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association ("ABA") by S&P Global Market Intelligence. "CUSIP" is a registered trademark of the ABA. CUSIP numbers are included solely for the convenience of the holders of the Bonds. Neither the County nor the successful bidder takes any responsibility for the accuracy of CUSIP information. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds in certain circumstances. The County has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth herein. The use of CUSIP numbers in this Official Statement is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services.

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Certain Elected Officials

Board of County Commissioners

James R. Guy – President
Michael L. Hewitt – Commissioner, District 2
Tom Jarboe – Commissioner, District 1
Todd B. Morgan - Commissioner, District 4
John E. O'Connor – Commissioner, District 3

Christine L. Kelly – County Treasurer

Certain Appointed County Officials

Rebecca B. Bridgett, Ed.D. - County Administrator
L. Jeannett Cudmore, C.P.A. – Chief Financial Officer
David A. Weiskopf, J.D. – Acting County Attorney
John Deatrick, P.E., AICP, LEED BD+C – Director of Public Works and Transportation
Chris Kaselemis, AICP – Director of Economic Development

BOND COUNSEL
McGuireWoods LLP
Baltimore, Maryland

FINANCIAL ADVISOR
Davenport & Company LLC
Towson, Maryland

AUDITOR
Murphy & Murphy, CPA, LLC
La Plata, Maryland

PAYING AGENT, BOND REGISTRAR AND ESCROW AGENT
Manufacturers and Traders Trust Company
Baltimore, Maryland/Buffalo, New York

VERIFICATION AGENT
Bingham Arbitrage Rebate and Verification Services
Richmond, Virginia

No dealer, broker, sales representative or other person has been authorized by Commissioners of St. Mary's County (the "County"), to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the County since the respective dates as of which information is given herein.

SUMMARY OF OFFERING

Issuer

Commissioners of St. Mary's County (the "County").

Bonds

Commissioners of St. Mary's County Public Improvement Refunding Bonds, Series 2017, dated their date of initial delivery, in the aggregate principal amount of $15,475,000 (the "Bonds"). The Bonds will be fully registered in denominations of $5,000 or any integral multiple thereof.

Interest Payment Dates

Semiannually on each January 15 and July 15, beginning July 15, 2018.

Redemption

The Bonds are not subject to redemption prior to their stated maturities.

Security and Source of Payment of the Bonds

General obligations of the County to which the full faith and credit of the County are pledged.

Payment Record

The County has never defaulted on the payment of the principal of or interest on any of its general obligation bonds or notes.

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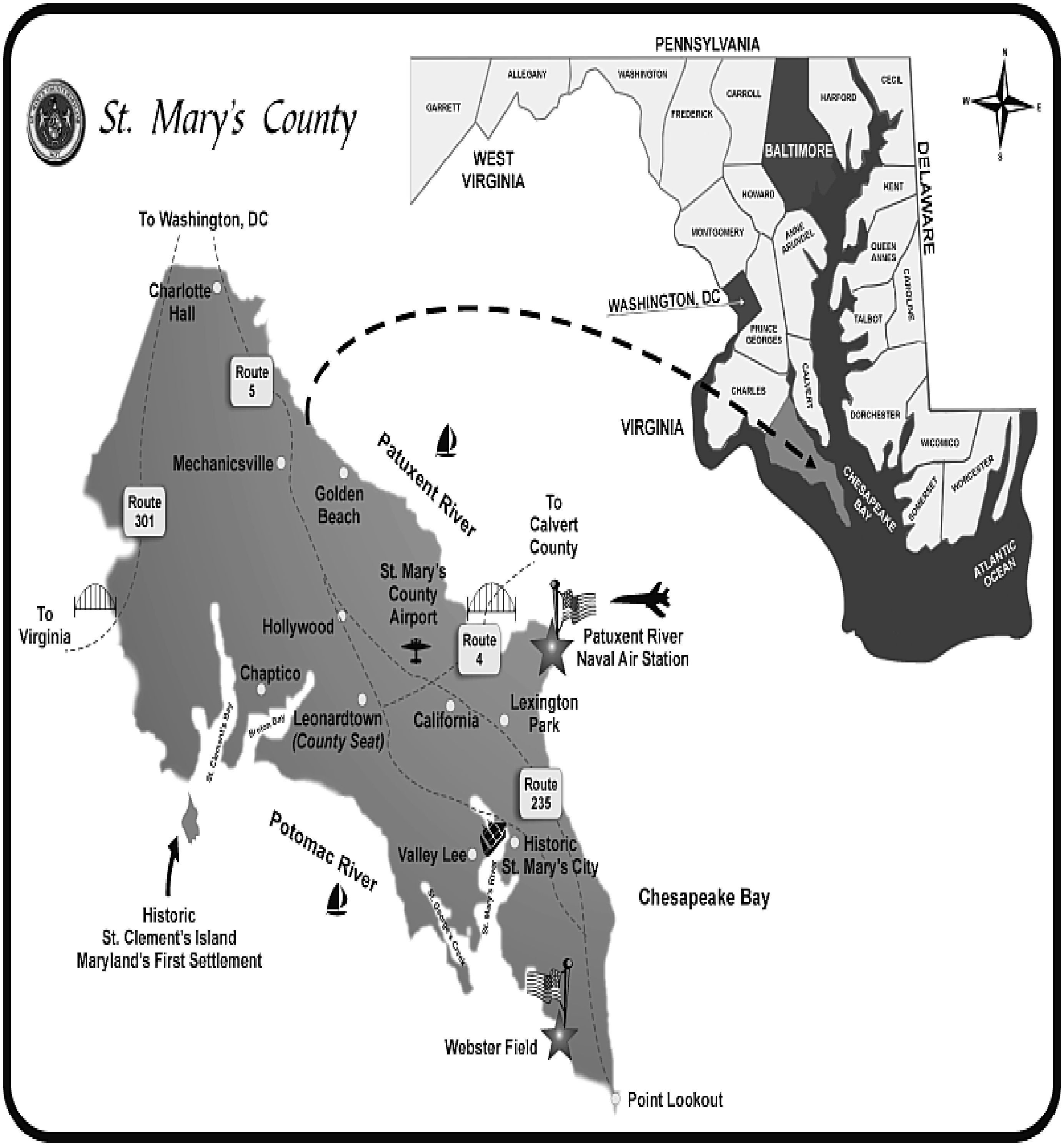
St. Mary's County
PENNSYLVANIA
ALLEGANY
WASHINGTON
GARRETT
CARROLL
HARFORD
CECIL
FREDERICK
BALTIMORE
WEST VIRGINIA
DELAWARE
KENT
HOWARD
MONTGOMERY
ANNE ARUNDEL
QUEEN ANNES
CAROLINE
WASHINGTON, DC
TALBOT
PRINCE GEORGES
CHARLES
CALVERT
DORCHESTER
VIRGINIA
WICOMICO
CHESAPEAKE BAY
SOMERSET
WORCESTER
ATLANTIC OCEAN
To Washington, DC
Charlotte Hall
Route 5
Patuxent River
Mechanicsville
Golden Beach
Route 301
To Calvert County
St. Mary's County Airport
To Virginia
Hollywood
Route 4
Patuxent River Naval Air Station
Chaptico
Breton Bay
St. Clement's Bay
Leonardtown (County Seat)
California
Lexington Park
Route 235
Potomac River
Valley Lee
Historic St. Mary's City
St. Mary's River
St. George's Creek
Chesapeake Bay
Historic St. Clement's Island Maryland's First Settlement
Webster Field
Point Lookout

OFFICIAL STATEMENT

St. Mary's County, Maryland
General Obligation Bonds

$15,475,000

Commissioners of St. Mary's County
Public Improvement Refunding Bonds, Series 2017

INTRODUCTION

General

The purpose of this Official Statement (excluding prices or yields) and appendices, is to provide information for prospective purchasers and others regarding the Commissioners of St. Mary's County (the "County") and the $15,475,000 Commissioners of St. Mary's County Public Improvement Refunding Bonds, Series 2017 (the "Series 2017 Bonds").

All estimates and assumptions herein have been based upon information believed to be reliable and correct, however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. Figures herein relating to tax collections, assessed value of property, and the financial position of the County have been taken from official records of the County.

The material and information contained in this Official Statement have been provided by the County and the execution and distribution of this Official Statement have been authorized and approved by the County.

Description of the County

St. Mary's County was established in 1637 and was the first Maryland county. The County is a body politic and corporate and a political subdivision of the State of Maryland which performs all local governmental functions in the County excepting those performed by the County's one incorporated municipality and those performed by the St. Mary's County Metropolitan Commission.

The County is located in the southern part of Maryland and consists of a long, triangular shaped peninsula bordered on the northwest by Charles County, on the northeast and east by the Patuxent River and the Chesapeake Bay, and on the southwest by the Potomac River. The County is 367 square miles in area with 400 miles of waterways. It is situated in the Atlantic Coastal Plain, and its elevation varies from sea level to 170 feet above sea level.

According to the 2000 Census, the population of the County was 86,211. The 2010 Census shows the population to be 105,151, which reflects a 22.0% increase in population from 2000 to 2010. The County seat of government is located in Leonardtown, which is the only incorporated municipality in the County. Leonardtown had a population of 2,930 in the 2010 Census. Recent State estimates report that the County has now exceeded the 111,000 population level.

The County is undergoing economic growth and development and, in particular, is attracting an increasing number of high technology industries, brought to the County by the Patuxent River Naval Air Station. The Air Station, among other things, is one of the United States Navy's principal testing facilities for new aircraft and other sophisticated equipment. (See "CERTAIN ECONOMIC AND DEMOGRAPHIC FACTORS – Economic Growth and Development.") The largest center of population in the County is Lexington Park, which is adjacent to the Air Station. The Air Station has been located in the County since World War II and remains the principal center of employment in the County. Less than 2% of the County's work force is engaged in agricultural production or water-related activities as a principal occupation.

The County is governed by an elected five-member Board of County Commissioners (the "Board"). (See "COUNTY GOVERNMENT AND ADMINISTRATION.") The Board may exercise only such powers as are conferred upon it by the General Assembly of Maryland, including authorizations to issue debt to finance its capital projects. (See "CERTAIN DEBT INFORMATION.")

The executive offices of the County are located at 41770 Baldridge Street, Leonardtown, Maryland 20650. The County's central telephone number is (301) 475-4200. The County's internet address is www.stmarysmd.com. The information set forth on the County's website is *not* incorporated herein by reference.

APPLICATION OF PROCEEDS

The Bonds are being issued to (i) to refund all or a portion of the County's Consolidated Public Improvement Taxable Build America Bonds – Direct Payment to Issuer, Series 2009B (the "Refunded Bonds") and (ii) to pay costs of issuance of the Bonds. The Refunded Bonds are listed on Appendix E hereto.

The refunding method being used to refund the Refunded Bonds is frequently termed a "crossover refunding" in that provision is made to set aside immediately, from the proceeds of a refunding bond issue and other funds then available, monies for investment which, together with the interest to be received thereon, shall be sufficient to pay (i) interest due on the Bonds to and including July 15, 2019 (the "Crossover Date") and (ii) the redemption price of the Refunded Bonds on the Crossover Date.

The proceeds of the Bonds will be applied to the purchase of non-callable direct obligations of or obligations the principal of and interest on which are guaranteed by the United States of America ("Government Obligations") and to pay certain expenses of the County related to the issuance and disposition of the proceeds of the Bonds. The Government Obligations will be held in trust in an escrow deposit fund (the "Escrow Deposit Fund") by Manufacturers and Traders Trust Company (the "Escrow Agent") pursuant to an escrow deposit agreement between the Escrow Agent and the County. The Government Obligations held in the Escrow Deposit Fund will mature at such times and in such amounts, and will bear interest payable at such times and in such amounts so that sufficient money will be available to pay when due (i) interest on the Bonds accruing to and including the Crossover Date and (ii) the redemption price of the Refunded Bonds on the Crossover Date. (See "VERIFICATION OF MATHEMATICAL COMPUTATIONS"). The Escrow Agent will be irrevocably instructed to redeem the Refunded Bonds on the Crossover Date.

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THE BONDS

General

The Bonds will be dated their date of initial delivery. The Bonds will mature on July 15, in the respective years, and principal amounts and bear interest at the interest rates set forth on the inside front cover page of this Official Statement. Interest on the Bonds is payable on semiannually on each January 15 and July 15, beginning July 15, 2018 until maturity. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be general obligations of the County to the payment of which the full faith and credit of the County will be pledged. (See "THE BONDS – Source of Payment.")

Authorization

The Bonds will be issued pursuant to Section 19-207 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume). The Bonds are authorized to be issued, sold, and delivered by a resolution of the County adopted by the Board on September 26, 2017 (the "Resolution").

Form and Denomination

The Bonds will be issued in fully registered form in denominations of $5,000 each or any integral multiple thereof. The Bonds will initially be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC") will act as securities depository. Purchases of the Bonds will be in book-entry form only. Beneficial Owners (as defined herein) shall have no right to receive physical possession of the Bonds, and payment of the principal of and interest on the Bonds will be made as described below under "BOOK-ENTRY ONLY SYSTEM – The Depository Trust Company." Manufacturers and Traders Trust Company, Baltimore, Maryland/Buffalo, New York, will act as bond registrar and paying agent for the Bonds (the "Bond Registrar" and the "Paying Agent").

Redemption

The Bonds are not subject to redemption prior to their stated maturities.

Payment

So long as the Bonds are maintained in book-entry only form, payment of the principal of and interest on the Bonds will be made as described below under "Book-Entry Only System." At any other time, the Bonds will be payable to the registered owners, as to principal at the designated corporate trust office of the Paying Agent and as to interest by check mailed to the registered owners, as shown in the Bond Register as of the close of business on the first calendar day of the month in which such interest payment date occurs (the "Regular Record Date") at the address shown on the Bond Register. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Regular Record Date, and may be paid to the person in whose name such Bond is registered as of the close of business on a date to be fixed by the Paying Agent for the payment of such defaulted interest (the "Special Record Date"), notice whereof being given by letter mailed first class, postage prepaid, to said person not less than thirty (30) days prior to such Special Record Date, at the address of such person appearing on the Bond Register, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed and upon such notice as may be required by such exchange.

All payments of the principal of and interest on the Bonds shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts subject to the provision for payment of interest by check set forth above.

Transfer and Exchange

The Bonds may be transferred or exchanged only upon the Bond Register kept at the designated corporate trust office of the Bond Registrar, by the registered owner in person, or by his or her attorney duly authorized in writing, upon surrender together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or duly authorized attorney, and thereupon, within a reasonable time, the County shall execute and the Bond Registrar shall authenticate and deliver a new registered Bond or Bonds of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond transferred or exchanged and maturing on the same date and bearing interest at the same rate. The Bond Registrar may require payment by the owner of the Bond requesting exchange or transfer of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to such owner for such exchange or transfer. Said new Bond or Bonds shall be delivered to the transferee only after due authentication thereof by an authorized officer of the Bond Registrar.

Source of Payment

The Bonds shall constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County to the payment of the maturing principal of and interest on the Bonds as and when they become due and payable. The legislation authorizing the Bonds further provides, and the County has covenanted in the Resolution, that in each and every fiscal year that any of the Bonds are outstanding, the County shall levy or cause to be levied ad valorem taxes upon all assessable property within the corporate limits of the County in rate and amount sufficient to provide for or assure the payment, when due, of the principal of and interest on all of the Bonds maturing in each such fiscal year and in the event the proceeds from the taxes so levied in any such fiscal year shall prove inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up any such deficiency.

On and prior to the Crossover Date, payment of interest on the Bonds will be paid from and additionally secured by funds held in the Escrow Deposit Fund. Moneys remaining in the Escrow Deposit Fund on the Crossover Date shall be used to redeem the Refunded Bonds. See “APPLICATION OF PROCEEDS.”

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BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in principal amount equal to the aggregate principal amount of the Bonds of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Bond Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, the Bond Registrar and Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County, the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Book-Entry Only System – Miscellaneous

The information in the section "BOOK-ENTRY ONLY SYSTEM — The Depository Trust Company" has been obtained by the County from DTC. The County takes no responsibility for the accuracy or completeness thereof. Neither the County or the Bond Registrar and Paying Agent will have any responsibility or obligations to the Direct or Indirect Participants or the persons for whom they act as nominees with respect to the payments to or in the providing of notice to the Direct or Indirect Participants, or Beneficial Owners. The County cannot and does not give any assurance that the Direct or Indirect Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices to the Beneficial Owners, or that they will do so on a timely basis or that they will serve and act in the manner described in this Official Statement.

Termination of Book-Entry Only System

In the event that the Book-Entry Only System is discontinued, the Bonds will be delivered by DTC to the Bond Registrar and Paying Agent and such Bonds will be exchanged for Bonds registered in the names of the Direct Participants or the Beneficial Owners identified to the Bond Registrar and Paying Agent. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as described herein. (See "THE BONDS").

BONDHOLDERS' REMEDIES

It is the opinion of Bond Counsel that the County may be sued in the event that it fails to perform its obligations under the Bonds to the holders thereof and that any judgments resulting from such suits would be enforceable against the County. Nevertheless, a holder of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no Maryland law with respect to this issue, it is the opinion of Bond Counsel that the appropriate courts of Maryland have jurisdiction to grant additional relief, such as a mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of the County's general obligation bonds, including the Bonds, ratably, subject to the inherent constitutional limitations referred to below.

It is also the opinion of Bond Counsel that, while remedies would be available to the holders of the Bonds and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute. Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the applicable provisions of the Federal bankruptcy laws or of other statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time of payment or imposing other constraints upon enforcement.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc. and S&P Global Ratings have given the Bonds the respective ratings indicated on the cover page of this Official Statement. An explanation of the significance of such ratings may be obtained from the rating agency furnishing them. The County furnished the rating agencies information contained in a preliminary form of this Official Statement and other materials and information. Generally, the rating agencies base their ratings on such material and information, and on their own investigations, studies and assumptions. It should be noted that such ratings may be changed at any time and that no assurance can be given that they will not be revised downward or withdrawn by any or all of the rating agencies if, in the judgment of any or all, circumstances should warrant such actions. Any such downward revision or withdrawal of any or all of such ratings could have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

McGuireWoods LLP, Baltimore, Maryland, is acting as Bond Counsel in connection with the issuance of the Bonds. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of the opinion substantially in the form set forth in Appendix B of this Official Statement.

TAX MATTERS

Opinion of Bond Counsel – Federal Income Tax Status of Interest. Bond Counsel's opinion will state that, under current law, (i) interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of the Bonds) is excludable from gross income for purposes of Federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not a specific item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations; provided, however, for purposes of the alternative minimum tax imposed on corporations (as defined for Federal income tax purposes under Section 56 of the Code), interest on the Bonds is included in computing adjusted current earnings.

Bond Counsel will express no opinion regarding other Federal tax consequences arising with respect to the Bonds. Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for Federal income tax purposes under Section 103 of the Code. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the County or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS"). The County has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes. In delivering its opinion regarding the tax treatment of interest on the Bonds, Bond Counsel is relying upon certifications of representatives of the County, the underwriters of the Bonds and other persons as to facts material to the opinion, which Bond Counsel has not independently verified. In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the County. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of Federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury Department (the "Treasury Department"). The Non-Arbitrage Certificate and Tax Covenants executed and delivered by the County on the date of delivery of the Bonds (the "Tax Agreement") contains covenants (the "Covenants") under which the County has agreed to comply with such requirements. Failure by the County to comply with the Covenants could cause interest on the Bonds to become includable in gross income for Federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes. Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Agreement, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Agreement. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Bonds from gross income for Federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax", individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on Federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for Federal tax purposes or any other Federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount. The "original issue discount" ("OID") on any Bond is the excess of such Bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such Bond. The "issue price" of a Bond is generally the first price at which a substantial amount of the Bonds of the same maturity was sold to the public. The issue price for each maturity of the Bonds is expected to be the initial public offering price set forth on the inside front cover of this Official Statement (or, in the case of Bonds sold on a yield basis, the initial offering price derived from such yield), but is subject to change based on actual sales. OID on the Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes of Federal income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral Federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral Federal income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for Federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for Federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for Federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium. In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and the amortization of bond premium on, Premium Bonds.

Possible Legislative or Regulatory Action. Legislation and regulations affecting tax-exempt bonds are continually being considered by the United States Congress, the Treasury Department, and the IRS. In addition, the IRS has established an expanded audit and enforcement program for tax-exempt Bonds. There can be no assurance that legislation enacted or proposed after the date of issue of the Bonds or an audit initiated or other enforcement or regulatory action taken by the Treasury Department or the IRS involving the Bonds or other tax-exempt bonds will not have an adverse effect on the tax status or the market price of the Bonds or on the economic value of the tax-exempt status of the interest thereon.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel – State Tax Exemption. In the opinion of Bond Counsel, under existing law of the State of Maryland, the Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit made in the sale thereof, are exempt from State, county, municipal or other taxation of every kind and nature within the State of Maryland; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds, their transfer, the interest thereon or the income therefrom.

Interest on the Bonds may be subject to state and local taxes in jurisdictions other than the State of Maryland under applicable state or local laws. Prospective purchasers of the Bonds should consult their own tax advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

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COUNTY GOVERNMENT AND ADMINISTRATION

General

The Commissioners of St. Mary's County is comprised of five Commissioners elected for four-year terms. All Commissioners are elected by the entire County voters. The four Commissioners must live in the District they are representing; the President may live anywhere in the County.

The Commissioners of St. Mary's County appoints a County Administrator who is responsible for the general administration and daily operation of County government. County government departments report directly to the County Administrator. The financial administration of the County is centralized with the Chief Financial Officer who is responsible for the accounting and general ledger functions, purchasing, overseeing the financial planning and annual budget process, debt service and investment of County funds. The County Treasurer is responsible for billing and collection of property taxes.

County Commissioners

JAMES "RANDY" GUY, President, is serving his first term as President of the Commissioners of St. Mary's County. He was born in Leonardtown, Maryland and graduated with a degree in transportation and traffic management from the Community College of the Air Force. He joined the Air Force in 1966 and served 26 years as a loadmaster on C-130s and C-141s. His assignments included a tour in Vietnam, and participation in many operational missions. During his career he was based in the Philippines, bases in North and South Carolina and served as the Air Lift Manager at the Joint Chemical Warfare Test Group in Virginia. He ended his career as the Enlisted Air Crew Manager at the Pentagon in Washington, D.C. Mr. Guy has also served in many capacities in St. Mary's County. During a break in the service in the early 1970s, Mr. Guy was a deputy sheriff with the St. Mary's County Sheriffs' Department. Following his Air Force career, he returned home and opened a small business, Southern Maryland Pools and Spa, in Hollywood, Maryland. He continued in business for eleven years. Since his retirement, Mr. Guy has been active in local politics. He served on the Central Committee from 1998-2002. He has also served on the Board of Appeals from July 2009-November 2014. Mr. Guy is also a very active volunteer in the community. Since 1994 he has been a member of the American Legion, southern Maryland post 221, where he has served in many capacities including Post Commander and as a member of the American Legion Executive Committee at the state level. Mr. Guy is also a member of the Leonardtown Lion's Club. Mr. Guy is a current member of the Maryland Association of counties (MACo) Legislative and Education Committees. Mr. Guy is a current member of the Tri-County Council's Veteran's Regional Advisory council. Mr. Guy currently represents St. Mary's county on the Maryland Rural counties Coalition. He lives in Clements with his wife, Carolyn. They have one son, Charles.

MICHAEL L. HEWITT is serving his first term as a Commissioner of St. Mary's County. He represents Commissioner District 2, the Hollywood-Leonardtown area. He was born in Maine and moved with his family to St. Mary's County in 1963, later graduating from Great Mills High School and St. Mary's College of Maryland. After college Mr. Hewitt started working in the family business, Hewitt's Service Center in Lexington Park. In 1981, he became president of the family business and continues to own and operate it until his retirement in October 2016. Hewitt was appointed to the St Mary's County Planning Commission in 1994, elected to the St Mary's County Board of Education in 1966, and in 2001, was appointed to the St Mary's County Zoning Board of Appeals. From 1991 to present, his service to the community includes the Board of Education's Budget Advisory Committee, Audit Committee, Ethics Committee, and Health and Human Services Committee. In 1998 he was appointed to the Maryland Route 235 Focus Group, and from 2000-2006, served on the Calvert County Marine Museum Board of Governors in Solomon's, MD. From March 2011 to December 1, 2014, he served on the Board of Directors for the Patuxent River Naval Air Museum. Mr. Hewitt's civic involvement includes membership in BPO Elks Lodge #2092, twice as President, three times as Officer of the Year, and twice as Citizen of the Year. Other memberships include Thomas J. Shryock Masonic Lodge #223 and Fraternal Order of the Moose Lodge #2393, both in Hollywood, Maryland. The Hewitt family is a member of St. John's Catholic Church in Hollywood. He lives in Hollywood with his wife Elaine. They have two children, Matthew and Kristina.

TOM JARBOE is serving his first term as a member of the Commissioners of St. Mary's County and represents Commissioner District 1 (Ridge, Piney Point and St. George's Island). A lifetime St. Mary's County resident, Mr. Jarboe earned a BA in Behavioral Science and a MS in International Commerce from the University of Maryland. He is a graduate of Leadership Maryland and a founding member of Leadership Southern Maryland. Tom is a veteran of the United States Coast Guard. Upon leaving the service he worked for Sierra Management Technologies before going to Eagan McAllister

Associates. He left to start his own defense contracting company, Technology Security Associates, Inc. where he led as chief operating officer until September 2014. Mr. Jarboe currently serves as President of Kieyos, LLC, an international trade company. With its corporate headquarters located in Lexington Park, Maryland, and offices in Baltimore, MD, Rochester, NY and Huntsville, AL, Kieyos is well-known in the international trade industry for its expertise in international traffic in arms (U.S. State Department) and export administration and regulations (Commerce Department), licensing, customs brokering, freight forwarding and international business trade development. He is a certified professional in ITAR export compliance (ECoP-ITAR). An active leader in the community, Tom has served as President of the Board of Directors for Leadership Southern Maryland, Chairman of the Board of the St. Mary's County Chamber of Commerce, co-chair of the St. Mary's County Local Emergency Planning Commission and counselor for the Wounded Warrior Initiative at Fort Meade. He has served as a board member of the Southern Maryland Navy Alliance (SMNA) and co-chair of the SMNA Base Closure and Realignment Commission (BRAC) Committee. He also was a member of the BRAC Business Initiative in Howard County, Baltimore Council for Foreign Affairs, the Armed Forces Communications and Electronics Association, the Patuxent Partnership, the World Trade Center Institute and the Washington International Trade Association. In 2013, Mr. Jarboe was named the St. Mary's County Chamber of Commerce Business Person of the Year. He currently lives in St. Mary's City with his wife, Shannon and three sons Nick, Christian and Luke.

TODD B. MORGAN is serving his second term as a Commissioner of St. Mary's County. He represents Commissioner District 4. He moved to St. Mary's County in 1979 following college graduation. Mr. Morgan earned a BS in Business Administration (Finance major) from Susquehanna University. He later earned a Masters of Business Administration (MBA) Degree from Marshall University. Todd began his career working for a major defense contractor. In 1985 he joined Rex Eagan and John McAllister as their partner at Eagan, McAllister Associates, Inc. (EMA). EMA became one of the largest and most successful businesses in Southern Maryland, winning numerous awards and accolades for not only their business but for its support of the community. EMA is now known as Science Applications International Corporation (SAIC) where he still works in support of its Patuxent River and Webster Field organizations. Mr. Morgan taught college classes locally for over 20 years at St. Mary's College of MD, the University of Maryland University College, Charles County Community College (now College of Southern Maryland (CSM)) and for Embry-Riddle University where he is an Adjunct Assistant Professor. Mr. Morgan served as the Chairman of the Southern Maryland Tri-County Council in 2011-2012 and 2014-2015. In 2013, he was appointed by Governor O'Malley to serve on the Historic St. Mary's City Commission. He has also served as the President of the Southern Maryland Navy Alliance (2004-2010) and Vice President of the Historical St. Mary's City Foundation (1996-2010). He is currently an Assistant Scoutmaster of BSA Troop 413, and a member of the Finance committee at the Church of the Ascension (Lexington Park) and a member of the St. Mary's Republican Club. He is a former member of the St. Mary's County Juvenile Drug Court. He served as chairman of the St. Mary's County Elected School Board Task Force, was elected to the St. Mary's County Republican Central Committee and was a member of the Lexington Park Library Task Force. He has served as a Vestry Member at the Church of the Ascension, as a board member on the St. Mary's County Chamber of Commerce and on a Wildewood Homeowners Association, and coached for 4 seasons for the St. Mary's County Recreation and Parks Youth basketball. Mr. Morgan was chosen as the First Republican Man of the Year in 1989 and is an Eagle Scout Award in 2012. He is a 2004 graduate of Leadership Maryland. Mr. Morgan has earned the distinction of Fellow with the Academy for Excellence in Local Governance in 2017. He is a member of Thomas J. Shryock Masonic Lodge #223.

JOHN E. O'CONNOR is serving his first term representing Commissioner District 3 (Charlotte Hall, Mechanicsville, Golden Beach and the Seventh District). He was raised on Long Island, New York, where his family has served the NYPD for several generations. Upon graduation from high school, he joined the United States Army and served as a military police officer, earning the rank of Sergeant. He participated in peacekeeping missions in Kosovo, and combat operations during Operation Iraqi Freedom. John is a highly decorated veteran, and during his tour in Iraq, he was awarded the Purple Heart and received the Army Commendation Medal with Valor Device for participation in acts of heroism involving direct conflict with an armed enemy. Mr. O'Connor earned an Associate's degree from Kaplan University in Criminal Justice Administration and a Bachelor of Science in Management degree from The Johns Hopkins University. At John's Hopkins his studies focused on Public Safety Leadership as part of the John's Hopkins University's Public Safety Leadership Program. After completing his enlistment, he continued his service to the public as a police officer in both paid and volunteer positions. Mr. O'Connor is a Distinguished Lifetime Member of the NRA and continues to be active in groups such as; The Wounded Warrior Project, Military Order of the Purple Heart, Veterans of Foreign Wars Post 2632, American Legion Post 221, Iraq and Afghanistan Veterans Association, Thomas J. Shryock Masonic Lodge No. 223 A.F & A.M , Raeford Masonic Lodge No. 306 A.F & A.M, Safe Call Now, Fairmount Heights Citizens Against Prostitution, Association of the United States Army, and Fraternal Order of Police Lodge # 9. He currently resides in Mechanicsville with his wife Elizabeth and son John Edward II and is an associate member of St. Mary's Advanced Life Support.

Treasurer

CHRISTINE L. KELLY, County Treasurer, age 52, is serving her first term as St. Mary's County Treasurer. Prior to being elected Treasurer, Mrs. Kelly served in United States Navy as an Intelligence Specialist, and worked as a Business Manager, and a Salesperson. She is a member of the Maryland Government Finance Officers Association.

Certain Appointed Officials

DR. REBECCA BOLTON BRIDGETT, age 52, was appointed County Administrator in April, 2013. Dr. Bridgett brings more than a decade of experience in public administration to St. Mary's County serving in a variety of executive level positions in local and state government. Between 2009 and 2012 she served as County Administrator for Charles County, Maryland. Dr. Bridgett served as Director of the Charles County Department of Social Services, Department of Human Resources, for over five years. She served as the Acting Executive Director of the Social Services Administration for the State of Maryland. Dr. Bridgett served as chair and member of the elected Charles County School Board. Dr. Bridgett is recognized as a University of Maryland Academy of Excellence in Local Governance Fellow, Graduate of Leadership Southern Maryland's Class of 2014, and Graduate of Leadership Maryland Class of 2016. During her career, Dr. Bridgett has served on numerous professional and volunteer boards and commissions including Southern Maryland Higher Education Center, Workforce Investment Board, The Patuxent Partnership and Maryland Association of Counties County Administrator's Affiliate. During her tenure, the Economic Development Commission completed a Comprehensive Economic Development Strategy, Tourism & Hospitality Study, Report to Streamline Development Process, and currently underway is a Gap Analysis for Human Service Programs. She provides oversight for the County's participation in Tri-County Council, Southern Maryland Navy Alliance and the St. Mary's County Chamber of Commerce. Dr. Bridgett serves as chairman for the Sheriff's Office Retirement Board, Length of Services Award Program Trust, and the St. Mary's County Retirement Benefit Trust. She served as a member of the Huntsville, Alabama Trade Delegation examining economic diversity and its application to St. Mary's County. Dr. Bridgett developed the St. Mary's County Citizens Academy. She holds a ED.D from NOVA Southeastern University, a M.A. from Appalachian State University, and a B.A. degree from Campbell University.

L. JEANNETT CUDMORE, Chief Financial Officer, age 55, joined the County as Deputy Director in the Finance Department in October 1998 and was initially responsible for implementing and training all users on the County's new financial system. During her tenure, the County has focused on the improvement of a variety of fiscal practices, including procurement, budget development and management for both operating and capital project funds, multi-year planning, periodic evaluation and monitoring of capital project expenditures and the related debt capacity. She was promoted to Chief Financial Officer in May 2015. She is a trustee on the County's Sheriff's Office Retirement Board, the Building Authority, the St. Mary's County Retirement Benefit Trust, and Length of Service Awards Program Trust. She is a member of GFOA, MDGFOA, MACPA, and NIGP. The County's fiscal year 2017 Budget Book received the 1st "Distinguished Budget" Presentation Award from GFOA. Currently in fiscal year 2018 she is heading up the Impact Fee Focus Group (last update was in 2000) and is a member of the METCOM Chapter 113 Taskforce. She received her B.S. degree in Business Administration with a concentration in Management from Frostburg State University (1985) and B.S. in Accounting from University Maryland University College (1994). She received her certification as CPA in 1997. Prior to working in St. Mary's County, she worked for Charles County Government and held accounting positions in the automotive and construction field.

DAVID A. WEISKOPF, age 48, has recently been appointed as Acting County Attorney for St. Mary's County, after serving as Deputy County Attorney since 2008. He is admitted to practice before the Court of Appeals of Maryland (1996), and has years of legal experience in business, real estate and as a trial lawyer, and has been recognized as a Notable Attorney from the leading national law directory. He is a former Assistant Public Defender for St. Mary's County, and is currently serving as Treasurer for the St. Mary's County Bar Association (Past President). He is a graduate of St. Mary's College of Maryland (B.A., 1993) and the University of Baltimore School of Law (J.D., 1996). He is currently an instructor for business law and business ethics in the University of Maryland School System.

JOHN F. DEATRICK, P.E., AICP, BD+C, age 72, Director of Public Works and Transportation for the Government of St. Mary's County, received a BSCE (Civil Engineering) degree from the University of Cincinnati and a BA from the University of Maryland, with concentrations in Business Administration and History. Mr. Deatrick was appointed the Director in August 2017. He is responsible for engineering services; St. Mary's County Regional Airport; capital, asset management, maintenance, and private development work permits in the highway right-of-way and its related stormwater, lighting and other facilities; facility services including maintenance, project and asset management; the local transit system; the County owned vehicle fleet; solid waste and recycling; management of the public and non-public school bus transportation. Prior to that time, during his forty year plus career he has served as Director of Transportation and Engineering for the City of Cincinnati, Deputy Director and Chief Engineer for the Washington, DC, Department of Transportation, Project Executive for the Cincinnati Central Riverfront Redevelopment (The Banks Project) and recently the construction of the Cincinnati Streetcar.

CHRIS KASELEMIS, AICP, Director of Economic Development, age 58, received his B.S. degree from the University of Arizona with a major in Accounting, and his Master's in Business Administration, emphasis in Finance, also from the University of Arizona. Mr. Kaselemis was appointed Director of Economic Development for St. Mary's County in June 2015. He previously worked for the City of Tucson for 28 years, holding various positions including Senior Management Analyst, Comprehensive Planning Administrator, Community Development and Planning Administrator, Assistant to the City Manager, Program Evaluation Office Program Manager, and Economic Initiatives Program Director. He is certified by the American Planning Association's American Institute of Certified Planners (AICP).

Remuneration of Certain Officials

The following chart sets forth the current annual remuneration for calendar year 2017 to be paid certain County officials whose salary is either set by law or determined under contractual arrangement:

Official Title	Salary By Law	Salary by Contract
President, Board of County Commissioners	$44,303	
County Commissioner	39,152	
County Treasurer	51,005	
County Administrator		$174,250
Chief Financial Officer		131,328
Director of Public Works and Transportation		145,000
Director of Economic Development		126,075
Acting County Attorney		96,429

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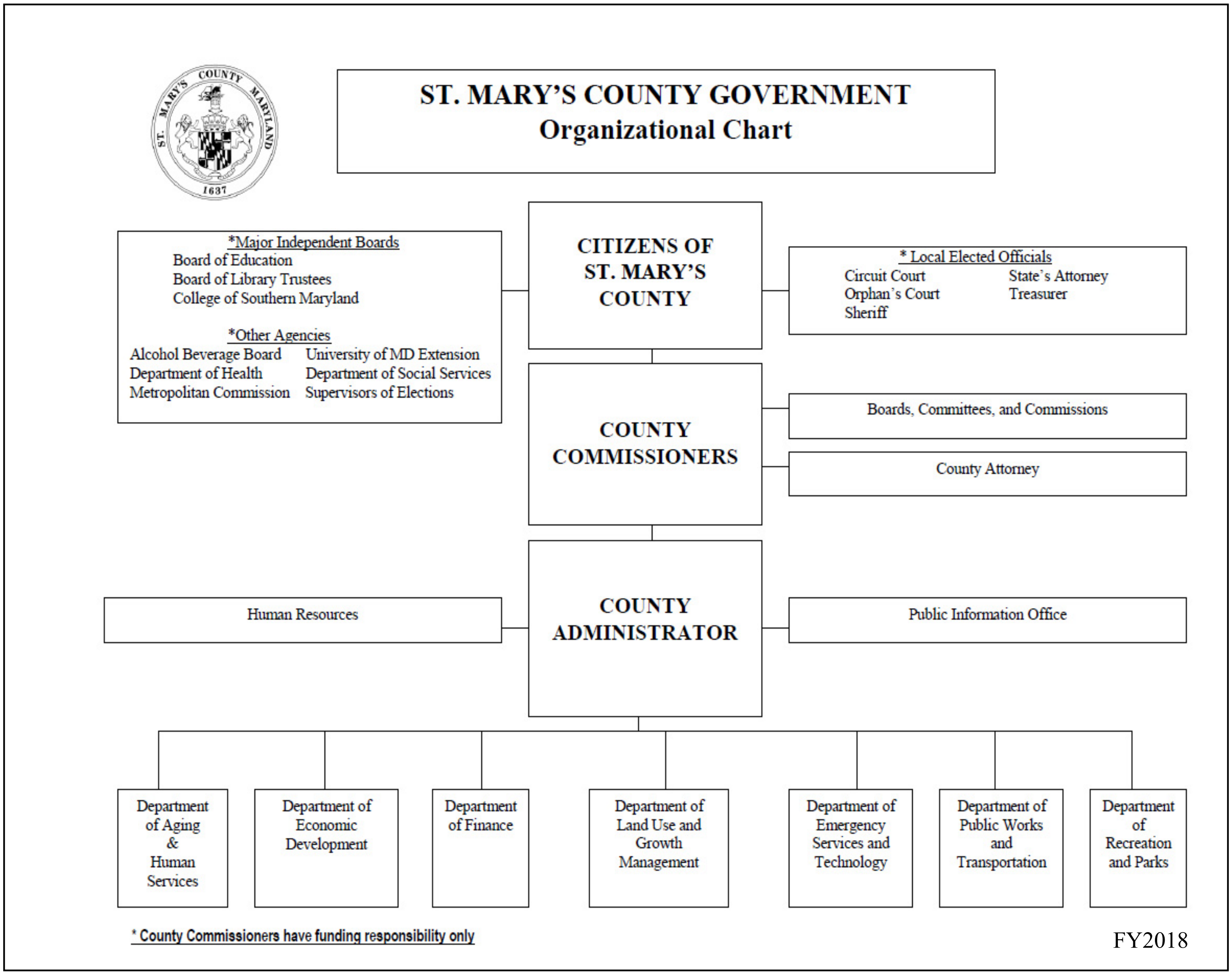
St. Mary's County Government Organization



Retirement and Pension Programs

Prior to January 1, 1980, all County employees were required to be members of the Employees' Retirement System of the State of Maryland (the "Retirement System"). During the 1979 legislative session, the Maryland General Assembly created, effective January 1, 1980, the Pension System for Employees of the State of Maryland (the "Pension System"). All County employees who were members of the Retirement System could elect to remain in that system or elect to join the Pension System. All employees hired after December 31, 1979 must join the Pension System.

The Retirement System provides annual pensions under one of three options for members who retire at age 60, or upon 30 years of service, equal to 1/55th of the average of the 3 highest annual salaries during the member's career multiplied by total months and years of credible service. A member having 25 years of service may retire prior to age 60 at a reduced benefit. Benefits are adjusted each year to reflect increases in the cost of living as evidenced by changes in the Consumer Price Index and may be capped dependent upon the selected plan option.

At its 1984 session, the General Assembly enacted legislation modifying the benefits of those who do not elect to join the Pension System by January 1, 1985. After that date, employees remaining in the Retirement System will be subject, at their option, to either a limitation of 5% (compounded) on the annual cost-of-living adjustment ("COLA") or an increase in the rate of contribution from 5% to 7% of compensation, to continue an unlimited COLA.

Members of the Pension System hired before July 1, 2011, are eligible to retire after 30 years of service regardless of age, and at age 65 with 2 years of service, at age 64 with 3 years of service, at age 63 with 4 years of service, or at age 62 with 5 years of service. Benefits payable under the Pension System were originally less than those payable under the Retirement System; however, the Pension System was converted to a Contributory Pension System on July 1, 1998, and again enhanced on July 1, 2006 (known as the Alternate Contributory Pension Selection Plan) which considerably improved the Pension System benefit. The pension payable to a member of the Pension System who retires after 30 years of service or at age 62 will be computed at 1.2% of that part of the member's highest average annual compensation for 3 consecutive years multiplied by the number of years of credited service prior to July 1, 1998. Years of credited service after June 30, 1998 will be computed at 1.8% multiplied by average annual compensation.

For members of the Pension System hired on or after July 1, 2011, normal retirement eligibility is when the sum of their age and their service is at least 90 or upon achieving age 65 with 10 years of service. The pension is equal to 1.5% of the member's average five highest consecutive annual salaries during their career. Members are eligible for early retirement after attaining age 60 and with at least 15 years of service.

Both the Retirement System and the Pension System are jointly contributory. Under the Retirement System an employee contributes 5% or 7% of compensation; under the Pension System an employee contributes 7% of compensation. The benefits payable under each system which are not funded by employee contributions are funded entirely by the County. As a percentage of payroll, effective July 1, 2017, the County's contribution rate for the Retirement System is 10.03% and 8.56% for the Pension System.

The County adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No.71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68, during the fiscal year ending June 30, 2015.

During the 1984 General Assembly, an Act was passed to authorize the County to adopt a separate pension plan or the supplementation of existing plans for personnel of the Sheriff's Office to enable such personnel to retire with benefits at an earlier age.

On July 1, 1986, the police and correctional officers participating in the previously described Retirement System and Pension System plans were given the option of transferring to the St. Mary's County Sheriff's Office Retirement Plan with membership mandatory after July 1, 1986. The Sheriff's Office Retirement Plan has a member contribution rate of 8%, with the County contributing, effective July 1, 2017, 39% of annual compensation. The retirement date is the earlier of the employee's 62nd birthday or completion of 25 years of service. The pension is payable at 2% (for years of service prior to July 1, 2008) and 2.5% (for years of service after June 30, 2008) of the member's highest average annual compensation for three consecutive years out of the ten years prior to employment separation multiplied by the number of years of creditable service. A member having 20 years of service may retire prior to age 62 at a reduced benefit. Cost of living adjustments are set at 3% annually.

The amount of the unfunded accrued liability attributable to the County as of June 30, 2016 for the Sheriff's Office Retirement Plan was $42,271,669. Changes to the plan's unfunded liability due to changes in assumptions and actuarial gains/losses recognized on or after July 1, 2016 will be amortized over closed periods of 20 years.

The following table sets forth the County's contribution for the Retirement System, the Pension System and the Sheriff's Department Retirement Plan for the five most recent fiscal years ended June 30 for which audited data are available:

Fiscal Year	Retirement and Pension System	Sheriff's Department Retirement Plan	Total
2016	$1,953,519	$4,815,590	$6,769,109
2015	2,187,861	5,011,496	7,199,357
2014	2,169,353	5,295,126	7,464,479
2013	1,917,141	4,903,976	6,821,117
2012	2,460,495	5,016,077	7,476,572

Source: St. Mary's County Department of Finance.

Effective July 1, 1985, the funding of retirement costs for members of the municipal corporations was separated from the funding of retirement costs for members of the State of Maryland with municipal corporations paying at a common normal cost and accrued liability percentage rate pay rolled on a pooled basis.

The County annually funds a length of service program (LOSAP) for volunteer fire rescue and advanced life support organization members. To be eligible, a member must be 55 years of age and have a minimum of 20 years of service. The minimum monthly benefits payable to any member certified to receive such compensation is $150. Any person who has reached the age of seventy (70) and fails to achieve the required twenty (20) years of service, shall receive a monthly benefit equal to the number of years of certified service completed, multiplied by five dollars* ($5.00), for life. The person must have at least two years of certified active service in the five (5) preceding years.

*Under the new provisions, this benefit amount was increased to eight dollars ($8.00). Therefore, for each additional full year of certified volunteer service you earn in excess of twenty (20) years after July 1, 2006, you will receive the new benefit amount of eight dollars ($8.00).

The cost to the County to meet these retirement benefits in fiscal year 2016 was $890,607 for current retirees and $600,000 was paid toward the LOSAP Trust.

Other Post- Employment Benefits ("OPEB")

St. Mary's County Government retirees, retirees' family members and the family members of deceased employees under age 65 are eligible for health, prescription drug and vision care insurance benefits. Those over age 65 are eligible for a Medicare supplement including health, prescription drug, and vision. The County adopted the requirements of GASB Statement No. 45 during the year ended 2008.

An actuarial study as of May 10, 2017, reported an unfunded accrued liability of $39,943,000 using a discount rate of 6%. The County budgeted full funding of the annual required contribution ("ARC") annually, beginning in fiscal year 2008. In addition, the County used fund balance to make contributions over and above the Annual OPEB Cost, resulting in Net OPEB Obligation – prepaid of $20,295,753 as of June 30, 2016. The amount budgeted in fiscal year 2017 and 2018 was $3,000,000 – estimated amount for retirees only.

The following table outlines the activity:

Fiscal Year	Retirees	Payments to Retirees	Annual OPEB Cost	Contributions Made
2016.............................	1,086	$2,685,268	$5,048,000	$2,685,268
2015.............................	1,046	2,281,082	6,079,000	7,079,000
2014.............................	1,047	2,412,046	5,872,000	6,872,000
2013.............................	1,042	2,045,136	5,669,000	8,479,000
2012.............................	1,005	2,030,476	5,400,000	7,076,862

Source: St. Mary's County Department of Finance.

All employees of the County, including general, elected and appointed, participate in the Federal Insurance Compensation Act ("FICA").

Labor Relations

As of July 1, 2017, the County employed approximately 730 full time equivalent employees. The County has not entered into any collective bargaining agreements. In addition, the County has not experienced a work stoppage due to labor problems and considers its relationships with employees to be satisfactory.

Leases and Other Contracts

In addition to contracts for goods and services arising in the ordinary course of business of the County, the County is a party to numerous other contracts, primarily with engineers, architects and contractors, relating to capital projects. Funds necessary to meet the County's obligations for these contracts have been appropriated and are a part of the Capital Improvement Fund of the County. (See "BUDGET AND ACCOUNTING.")

The County will acquire needed equipment through equipment lease/purchase agreements in future fiscal years as long as it proves to be an economical manner of handling such expenditures.

BUDGET AND ACCOUNTING

The formulation of the County's budget is the responsibility of the Chief Financial Officer who is subject to the supervision of the County Administrator.

The County Budget is comprised of the Current Expense Budget, the Capital Budget and Capital Program, and the Budget Message.

Current Expense Budget

The Current Expense Budget, which by law must be balanced, is prepared and submitted for approval to the Commissioners of St. Mary's County based upon estimated revenues and expenditures of operations for the ensuing fiscal year submitted to the Chief Financial Officer by the head of each office, court, department, institution, board, commission, corporation, or other agency of the County government. The proposed Current Expense Budget is required to contain not less than the following information: (1) a statement of all revenue estimated to be received by the County during the ensuing fiscal year, classified to show the receipts by funds and sources of income; (2) a statement of the debt service requirement for the ensuing fiscal year; (3) a statement of the estimated cash surplus, if any, available for expenditure during the ensuing fiscal year; (4) a statement of the bonded and other indebtedness of the County and its agencies, including self-liquidating and special taxing district debts; (5) a comparative statement of the receipts and expenditures for the last two completed fiscal years, the estimated receipts and expenditures of the current ending fiscal year and the expenditures recommended by the Commissioners of St. Mary's County for the ensuing fiscal year for each function, activity, and sub activity; and (6) any other material which the Commissioners of St. Mary's County may deem advisable.

Capital Budget and Capital Program

The Capital Budget of the County is its plan to receive and expend funds for capital projects during the ensuing fiscal year. The Capital Program of the County is its plan to receive and expend funds for capital projects during the fiscal year covered by the Capital Budget and the next succeeding five fiscal years thereafter. The Commissioners of St. Mary's County may direct that each office, court, department, institution, board, commission, corporation, or other agency of the County government submit to the Chief Financial Officer for transmission to the Planning Commission an itemized list of the capital projects which each agency proposes to undertake in the ensuing fiscal year and the next succeeding five fiscal years thereafter. After consideration by the Planning Commission, the Director of Land Use and Growth Management is required to transmit to the Chief Financial Officer the list of projects recommended by the Commission together with his recommendation of the projects to be undertaken, in the periods aforesaid and estimates of the costs thereof. The Commissioners, with the assistance of the Chief Financial Officer, shall consider such recommendations with the other budget proposals and shall recommend to the general public together with the Current Expense Budget, a complete Capital Budget and Capital Program. The proposed Capital Budget and Capital Program is required to be arranged so as to set forth clearly the plan of proposed capital projects to be undertaken in the ensuing fiscal year and in each of the next succeeding five fiscal years, and also the proposed means of financing them. The Capital Budget shall include a statement of the receipts anticipated during the ensuing fiscal year from all borrowing and from other sources for capital projects.

Budget Message

The Budget Message is required to contain supporting summary tables and to explain the proposed Current Expense Budget, Capital Budget and Capital Program, both in fiscal terms, and in terms of work to be done. It is required to outline the proposed financial policies of the County for the ensuing fiscal year and describe the important features of the Current Expense Budget. It must also indicate any major changes in financial policies and in expenditures, appropriations, and revenues as compared with the fiscal year currently ending and set forth the reasons for such changes. The Budget Message also must include such other material as the Commissioners of St. Mary's County may deem desirable.

Adoption of Budget

Before April 1 of each year, the Recommended County Budget must be prepared and signed by a majority of the Commissioners of St. Mary's County. Upon approval of the proposed County Budget, notice of the places and times of public hearing(s) on the proposed budget must be published in at least one newspaper of general circulation published in the County. The hearing(s) are to be held not less than 20, nor more than 40 days after the date of filing the proposed budget. After the public hearings, the Commissioners of St. Mary's County may revise the proposed budget and any part of it by increasing, decreasing, eliminating, or adding items. Items may not be consolidated in such a manner as to reduce the detailed statements of the appropriations. The Board is further authorized to revise the schedule of anticipated receipts and estimated rates for general and special taxes. The Annual Budget and Appropriation Act is required to be adopted by June 1. The adoption of the Budget must be by the affirmative vote of not less than three members of the Commissioners of St. Mary's County.

Basis of Accounting

Basis of accounting refers to the time at which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Both the General Fund and the Capital Improvement Fund of the County are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts taxes, and sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

Accounting Policies

The accounting policies of the County conform to generally accepted accounting principles ("GAAP") as applicable to governments.

COUNTY EXPENDITURES

The following table summarizes the actual expenditures of the County by major functional purpose for the County's five most recent fiscal years ended June 30 for which audited data are available.

General Fund
Summary of Expenditures and Transfers

	2016	2015	2014	2013	2012
General Government	$22,041,066	$20,764,244	$20,232,093	$19,682,658	$19,400,971
Public Safety	41,085,507	38,813,912	38,308,139	36,401,240	36,837,050
Public Works	8,405,478	9,792,568	10,584,964	8,793,214	8,667,288
Health	7,383,969	7,038,830	6,605,425	6,497,535	6,374,143
Social Services	4,133,352	3,949,191	3,938,347	3,652,744	3,781,795
Education	104,179,870	99,842,446	95,864,351	91,397,992	82,585,788
Recreation and Parks	3,743,517	3,791,820	3,601,772	3,492,289	3,549,573
Libraries	2,588,064	2,498,064	2,476,561	2,404,204	2,281,038
Conservation of Natural Resources	463,704	476,358	421,951	399,417	372,923
Economic Development and Opportunity	1,877,281	1,716,159	1,668,192	2,684,698	2,496,497
Debt Service	9,349,279	9,777,789	9,961,851	10,860,449	11,619,482
Intergovernmental	42,973	49,811	50,471	49,615	52,230
Miscellaneous	10,058,766	7,130,576	7,586,944	7,674,318	6,831,960
Total Expenditures	215,352,826	205,641,768	201,301,061	193,990,373	184,850,738
Other Financing Uses – Transfers	5,790,621	3,815,092	12,855,813	11,368,059	4,658,549
Total	$221,143,447	$209,456,860	$214,156,877	$205,358,432	$189,509,287

Source: St. Mary's County Department of Finance.

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The following table summarizes audited General Fund revenues and expenditures for fiscal year 2016 and the approved budgets for fiscal year 2017 and 2018. This information is presented on a budgetary basis.

	Audited 2016 Results	Approved 2017 Budget	Approved 2018 Budget
Revenues:			
Property Taxes	$105,273,048	$106,810,985	$108,280,130
Income Taxes	85,525,116	89,028,917	92,107,299
Highway User Fees	901,966	821,775	1,181,558
Other Local Taxes	8,822,279	8,580,000	8,730,000
Licenses and Permits	564,095	594,350	568,350
Grants	9,859,122	13,325,194	7,274,508
Service Charges	2,638,925	2,824,602	2,900,560
Fines and Forfeitures	31,929	42,000	36,000
Investment Earnings	88,847	60,000	139,000
Miscellaneous	99,090	79,200	106,700
Total Revenues	213,804,417	222,167,023	221,324,105
Other Financing Sources	11,872,005	0	0
Total Revenues and Other Financing Sources	$225,676,422	$222,167,023	$221,324,105
Expenditures:			
Current:			
General Government	22,041,066	24,769,601	25,408,524
Public Safety	41,085,507	43,286,759	43,839,256
Public Works	8,405,478	9,524,239	9,929,770
Public Health	7,383,969	7,263,198	2,930,933
Social Services	4,133,352	4,261,744	4,121,445
Education	104,179,870	109,000,221	108,652,974
Recreation and Culture	3,743,517	4,017,578	3,913,743
Libraries	2,588,064	2,684,573	2,800,572
Conservation of Natural Resources	463,704	507,184	610,476
Community Development & Housing			
Economic Development/ Opportunity	1,877,281	3,991,555	2,207,848
Human Services			
Debt Service	9,3449,279	10,634,319	11,255,230
Intergovernmental	42,973	43,943	44,916
Retiree Health (OPEB)	2,635,816	3,000,000	3,000,000
Miscellaneous	241,582	85,000	60,000
Total Expenditures	$207,951,458	$223,069,914	$218,475,687
Other Finance Uses:			
Reserves	7,401,368	2,070,101	2,482,900
Transfers	5,790,621	(2,972,992)	365,518
Total Expenditures and Other Financing Uses	$221,143,447	$222,167,023	$221,324,105

Source: St. Mary's County Department of Finance.

COUNTY SERVICES

Through its various departments and offices (see "COUNTY GOVERNMENT AND ADMINISTRATION"), the County supplies a typical array of governmental services. The following is a description of certain services provided by the County.

Education

The St. Mary's County Board of Education, consisting of five members elected for four year terms, is responsible for the overall operation and policy decisions of the County's public school system. During the 2016-2017 school year, the Board of Education exercised responsibility for 29 elementary and secondary schools, including a Career and Technology Center, Fairlead Academy, Head Start and pre-kindergarten programs, and a public charter school. The Maryland State Department of Education (MSDE) approved enrollment was 17,128 students in school year 2016-2017. The 2016-2017 level of professional teachers allowed average class sizes of 20.5 at the kindergarten level, 21.5 at grades 1 and 2, 22.9 for grades 3 to 5, 19.6 for middle schools, and 22.3 for high schools. In June 2016, 1,218 students graduated from St. Mary's County public schools. The County provided funding to the Board of Education in the amount of $93,910,979 in fiscal year 2015, $98,015,001 in fiscal year 2016, and $102,690,393 in fiscal year 2017. The original approved fiscal year 2018 budget allocation for the Board of Education is $102,189,940 for operating, and $6,253,000 for capital projects.

In addition, there are 10 private and parochial schools in St. Mary's County which accommodate approximately 2,548 students.

Police and Fire

The St. Mary's County Sheriff's Office is a full service law enforcement agency which includes the management of the St. Mary's County Adult Detention and Rehabilitation Center. The Sheriff has a staffing authority of one hundred and thirty-six (136) sworn deputies, six (6) court security officers, a jail warden who is a sworn deputy sheriff, eighty-four (84) correctional officers and seventy-four (74) civilian support personnel.

The Sheriff's Office provides law enforcement services to the citizens of St. Mary's County including, general patrol functions, i.e. criminal investigations, civil disturbances, accident investigation, traffic enforcement, service of arrest warrants and protective orders, and assisting other county agencies.

The St. Mary's County Detention Center is responsible for housing all adult inmates sentenced and awaiting trial. The rated capacity is designed to house 230 inmates and has a current inmate population of 220 with another 50 being monitored outside on pretrial. The County's capital budget and plan includes funding for a multi-phase renovation and expansion project.

(See "COUNTY GOVERNMENT AND ADMINISTRATION – Retirement and Pension Programs" for information on the Sheriff's Department pension plan.)

There are seven volunteer fire departments, operating from nine stations with 513 active members operating 75 pieces of equipment ranging from 100-foot aerial ladder trucks, 1500 GPM pumpers to small four-wheel drive vehicles for woods and brush fire suppression work and chiefs command vehicles. The departments are financed from state, county, dedicated fire property tax and private fund-raising sources.

There are also seven volunteer rescue squads, operating from nine stations with 437 active members operating 28 ambulances and eight command and utility vehicles. Except for one Combined Volunteer Fire Department and Rescue Squad, rescue squads are independent organizations not associated with the volunteer fire departments. A County-funded advanced life support unit is also operational and provides services with three vehicles.

The Department of Emergency Services & Technology is responsible for County-wide centralized emergency management and emergency communications response and preparedness activities. Complete emergency communications coverage for the protection of St. Mary's County's citizens along with Sheriff, Maryland State Police, volunteer fire departments and rescue squads is provided in one centralized location using a 800-MHZ 10-channel radio system and tower infrastructure. The "911 Center" houses the operations and allows a coordinated response to any emergency situation. The previous emergency operations center is used as an alternate or backup center.

(See "CERTAIN DEBT INFORMATION" for information on the County's authority to create a revolving loan fund for capital projects of the volunteer fire departments and rescue squads.)

Health

The St. Mary's County Health Department is the local health planning entity for the county and focuses on protecting and promoting health for all county residents and visitors. The agency has delegated duties to enforce local and state laws and regulations regarding health and the environment. As the population health leader for the county, the department provides support to a variety of community partners working collaboratively to address health and serves as a health education resource for local residents.

The Health Department addresses local environmental health through its efforts to prevent foodborne infections, poor water quality and water-related illness, unsanitary living conditions, diseases transmitted by various animals, and sewage-related health concerns. The agency also prevents and controls local infectious disease outbreaks, provides guidance in county efforts to address health-related emergency situations, and works closely with public and non-public schools to protect child health. Through its Health Clinic available to the public, the Health Department provides certain clinical services that have public health implications – including infection diagnosis and treatment, blood pressure screening, and women's wellness services. In addition, the agency provides multiple services to promote access to health care and address the health needs of Medicaid recipients, seniors, pregnant women, children, and individuals with disabilities. Vital records, including birth and death certificates, may be obtained via the Health Department.

The Local Behavioral Health Administration (LBHA) of the Health Department is responsible for the planning, oversight, and evaluation of a comprehensive Behavioral Health System in St. Mary's County. The LBHA will include population-based initiatives to improve behavioral health outcomes, including local efforts to address the current opioid drug crisis, suicide prevention, and addressing prevention of substance misuse in youth and adults. Behavioral Health includes substance misuse prevention and control, as well as, mental health.

Recreation and Parks

The Department of Recreation and Parks operates in collaboration with three advisory boards which are appointed by the Commissioners of St. Mary's County. These citizen advisory boards provide oversight for a comprehensive program of public recreation, parks and museums. The day-to-day operations of the department are carried out by a director, four division managers, and a staff of 40 full-time and approximately 450 part-time and/or seasonal employees.

The Recreation and Parks Department operates and manages 21 County parks; 16 public waterfront landings; various athletic facility sites; the Three Notch hiking/biking trail; the Wicomico Shores Golf Course and Riverview Restaurant/Banquet Facility; the St. Clement's Island Museum; the Little Red Schoolhouse; and the Piney Point Lighthouse, Museum and Historic Park. The Department also manages a historic shipwreck dive preserve; and the Drayden African American Schoolhouse. The Recreation Division manages the Gymnastics Center; Leonard Hall, Margaret Brent, Hollywood and Carver Recreation Centers; Chancellor's Run Activity Center; a skate park; a water sprayground; a disc golf course; and the Great Mills Swimming Pool.

Hundreds of youth and adult programs and services are offered each year and encompass a broad range of educational, leisure and sports activities. The Department also operates before and after care school programs, summer camps, sports camps and sponsors special events trips and tours.

Department of Land Use and Growth Management

The Department of Land Use and Growth Management (LUGM) is responsible for land use planning, zoning, site development review, permits, Critical Area and environmental review, zoning inspections, and final approval/issuing certificates of use and occupancy. Departmental staff is committed to fulfilling its responsibilities to promote quality development and protect the environmental and historic resources of St. Mary's County.

Roads and Highways

There are 1,635 County maintained roadways encompassing approximately 645 linear miles. The County's fiscal year 2018 operating budget for the County Highways Division in the Department of Public Works and Transportation is $4,284,261. The approved fiscal year 2018 capital budget for various highway projects includes projects totaling $9,782,991. The fiscal year 2018 State Highway User revenue is estimated to be $1,181,558 with an estimated $810,161 of unobligated State Aid available for capital projects, as of December 31, 2016.

Solid Waste

Trash collection is provided by private collectors and citizens can also dispose of trash and recyclables at six residential convenience centers located throughout the County. Rubble, yard waste, scrap metal/white goods, scrap tires, and oversized loads from residents continue to be collected at the St. Andrews Landfill site and is currently transported to the King George Landfill in Virginia. All wood / yard waste is ground into mulch and returned to the citizens. Recycling operations continue to offer both revenues and tipping fee cost avoidance opportunities. The County also maintains a collection facility permit and haulers license for scrap tires.

The entire site is 270 acres and includes a 55-acre Subtitle D disposal Area C that has been approved and is permitted by the State for future expansion through November 18, 2020. A State refuse disposal permit and operating license was approved on January 24, 2014 for the operation of a transfer station and processing facility as an additional contingency planning initiative. The site continues to operate under an environmental monitoring plan (approved on July 3, 2000) and gas remediation plans approved by the Maryland Department of the Environment ("MDE").

The County exports approximately 18,000-20,000 tons per year of municipal solid waste (collected at the County-operated convenience centers) and 6,000-8,000 tons of rubble to a combination of resource recovery /waste-to-energy facilities, and regional Subtitle D landfills (i.e. King George County, VA; Calvert County, MD). This will continue until the County makes a determination to initiate the landfill expansion or the construction of the approved transfer station and processing facility. An enterprise fund has also been established to partially fund the solid waste and recycling programs, which included implementation of an Environmental and Solid Waste Service Fee Ordinance, adopted on May 15, 2007. Ordinance 2016-15 was adopted on May 17, 2016 changing the fee to $72.

The County's Comprehensive Solid Waste Management and Recycling Plan update was formally approved by the MDE on December 23, 2015. The approved calendar year 2015 Maryland Recycling Rate ("MRA") Waste Diversion Rate for the County was approved on December 19, 2016 at 39.88%, which includes a 4% source reduction credit. The County is achieving above the State mandated goal of 20% for populations of 150,000 or less.

COUNTY REVENUES

General

The County's principal source of revenue is taxes, 48.92% of which are expected to be derived from ad valorem property taxes in fiscal year 2018.

The County's second most important source of revenue is income taxes. As a percentage of total general fund revenue, income tax is expected to be 41.62% of total revenue for fiscal year 2018.

The following table shows the various sources of revenue for the five most recent fiscal years ended June 30 for which audited data are available:

General Fund
Summary of Revenues

	Fiscal Year				
	2016	2015	2014	2013	2012
Taxes – Local Property	$105,273,048	$104,538,846	$103,011,131	$100,806,373	$100,043,223
– Local Income Tax	85,525,116	81,002,813	77,384,719	76,746,270	76,289,036
– Local Other	7,791,980	7,397,844	7,679,306	7,647,307	6,695,988
– State Shared	901,966	762,266	721,923	683,079	372,661
Licenses and Permits	1,574,154	1,581,154	1,504,387	1,497,437	1,498,956
Intergovernmental Revenue	9,859,122	10,364,668	10,418,326	9,581,499	12,421,869
Charges for Services	2,658,430	3,147,128	2,739,279	3,488,902	4,931,991
Fines and Forfeits	31,929	49,262	32,547	55,173	54,805
Miscellaneous	188,672	225,710	197,617	153,631	106,193
Total Revenues	$213,804,417	$209,069,691	$203,689,235	$200,659,671	$202,414,722

Source: St. Mary's County Audited Financial Statements.

Property Taxes and Assessments

The assessment of all real and tangible personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessments and Taxation, an independent State agency.

For State and County real property tax purposes, real property is valued at market value and assessed at 100% of market value. In order to make real property tax bills simpler and easier to understand, the General Assembly, under Chapter 80 of the Acts of 2000, has required that property tax rates on real property be based on a full cash value assessment. As a result, on October 1, 2000, real property tax rates were reduced to 40% of the rate effective July 1, 2000. Beginning in fiscal year 1992, a Homestead Tax Credit is applied to some owner-occupied residential property which limits the amount of assessment increase that can be taxed. The increase is limited to a range from 0% to 10%, which is set by the Commissioners of St. Mary's County annually. The current rate for St. Mary's County is 5%, which has been unchanged since July 1, 1999. All property is physically inspected once every three years and any increase in full cash value arising from a new property valuation phased in over the ensuing three taxable years in equal annual installments.

Tangible business personal property is assessed at cost in the year of acquisition. A 10% depreciation rate per annum is applied and property will not be depreciated below 25% of original cost. Commercial and manufacturing inventory of business is assessed at cost and is determined from annual reports filed with the State Department of Assessments and Taxation. The County provides a 100% exemption for five categories of personal property (commercial inventory, manufacturing inventory, manufacturing machinery, farm implements and livestock).

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale which indicates a maximum property tax liability for various income levels. The amount the County will provide in tax credits to homeowners in any given fiscal year will be offset by a 100% reimbursement from the State. Additionally, the County enacted a "Senior Tax Credit". This credit which is funded from County property tax revenues is provided for citizens who are age 70 and above and who receive the State's credit. Starting in fiscal year 2007, the County added a "Senior Tax Cap Credit" to cap the amount of assessment that is billed to seniors, this enables them to only pay increases if the property rate increases, not the assessment. Enabling legislation passed by the State in the 2016 General Assembly session, codified at Section 9-258 of the Tax-Property Article of the Annotated Code of Maryland, allowed counties to offer up to a 20% Senior Tax Credit for those that are 65 years old and have either lived in the same dwelling for at least the preceding 40 years or who are retired veterans. The County increased their Senior Credits for the fiscal year 2018 budget to include a 10% credit. Taxes saved by the qualifying senior residents as a result of these programs have increased to $1,185,000.

Assessed Values and Tax Rates

The following table sets forth the assessed value of all taxable property in the County for each of its five most recent fiscal years for which audited data are available and the County and State tax rates applicable in each of those years. Assessed value of tax-exempt properties owned by Federal, State, and County governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind, aggregating approximately $2.1 billion for the fiscal year ended 2016, are not included in the table. Under applicable law, there are no limits on the property tax rates as set forth in the table.

	2016	2015	2014	2013	2012
Assessed Value					
Real Property	$11,761,829,760	$11,586,454,810	$11,421,670,984	$11,206,190,186	$11,140,426,055
Personal Property Locally Assessed	16,416,300	16,797,000	14,600,000	15,040,000	15,320,000
Public Utilities	114,224,000	127,773,000	108,319,000	103,508,000	107,107,000
Business Corporation	147,746,700	151,173,000	131,400,000	135,360,000	137,880,000
Total Base	$12,040,216,760	$11,882,197,810	$11,675,989,984	$11,460,098,186	$11,400,733,055
County Tax Rate (Per $100 of Assessed Value)	.853	.857	.857	.857	.857
State Tax Rate (Per $100 of Assessed Value)	.112	.112	.112	.112	.112

Source: St. Mary's County Department of Finance.

The assessable base amounted to $12,203,800,890 for fiscal year 2017 and is projected to be $12,463,176,000 in fiscal year 2018. The property tax rate was reduced in fiscal year 2018 to $0.8478 for Real Property and $2.1195 for Non-Real Property.

Tax Levies and Collections

County taxes are due and payable as of July 1 of each year and the County records property tax revenues as the taxes are billed. A 100% allowance for uncollectibles is established for prior year taxes receivable. Beginning October 1, interest (at the rate of 1% per month) is charged for each month or fraction thereof that real property taxes remain unpaid for the current year plus a 3% one-time penalty for all unpaid County real property taxes due in that levy year. For personal property, the percentages are 1% per month and a 3% one-time penalty. Such taxes become delinquent on October 1 in the fiscal year of billing. Delinquent taxes are satisfied, after prior notice of delinquency, at tax sales conducted by the County Treasurer in the year following delinquency. Maryland Department of Assessments and Taxation has approved a service charge of .15% of the amount of tax due at the second installment to cover lost interest income and administrative expenses associated with the semiannual payment schedule pursuant to Section 10-204.3 of the Tax-Property Article of the Annotated Code of Maryland.

The following table sets forth certain information with respect to the County's tax levies and tax collections for each of the five most recent fiscal years ended June 30 for which audited data are available.

Fiscal Year	Total Tax Levy	Current Year's Taxes Collected in Year of Levy		Total Taxes Collected (Current and Delinquent)		Accumulated Delinquent Taxes	Accumulated Delinquent Taxes As A % of Current Year's Tax Levy
		Amount	%	Amount	%		
2016	$105,661,298	$103,835,253	98.3%	$106,592,053	100.9%	$2,782,444	2.6%
2015	104,948,981	102,532,660	97.7	105,143,931	100.2	3,713,199	3.5
2014	103,222,389	100,457,731	97.3	103,051,520	99.8	3,908,149	3.8
2013	101,445,246	98,684,795	97.3	101,044,048	99.6	3,737,280	3.7
2012	101,029,638	98,719,352	97.7	101,672,825	100.6	3,336,083	3.3

Source: St. Mary's County Department of Finance

County's Largest Taxpayers

The following table sets forth a list of the County's ten largest taxpayers in respect of ad valorem property taxes for fiscal year 2017.

St. Mary's County Ten Largest Taxpayers
(Real and Personal Property Assessments)

Owner	Assessed Valuation	Percentage of 2017 Assessed Valuation	Description of Business
So Md Electric Co-Op (Public Utility)	$85,479,330	0.7%	Commercial Real Estate Property
Great Mills IV, GM V, 3rd, 4th & 5th Exploration, Red Cedar (all LLCs)	82,451,134	0.7%	Pharmaceutical Biotechnology
Piney Point LLC, Saxon Woods LLC, Wilderidge Apts LLC	64,173,035	0.5%	Residential Real Estate Developer
Abberly Farms, Abberly Crest	53,585,066	0.4%	Office Real Estate Property
Mid-Atlantic Military	53,368,800	0.4%	Commercial Real Estate Property
Settlers Landing Apartments LLC	31,163,500	0.3%	Commercial Real Estate Property
Paragon Builders Inc., Expedition II LLC, Expedition Park Holdings LLC, Exploration One, LLC, Patuxent Station LLC, Sixth Exploration LLC, Wildewood Builders Inc., Wildewood One LLC, Wettengel	30,752,400	0.3%	Commercial Real Estate Developer
Millison, Parks Shopping, Big Chestnut LLC, Patuxent Corporate Center LLC	29,645,732	0.2%	Residential Real Estate Developer
LSREF3 Bravo MD LLC	28,898,533	0.2%	Commercial Real Estate Property
Lucy Ellen LLC, Home2-FDR LLC, Waring, Cherry Cove Land Dev Co Inc., Malbec Properties LLC, TCCG Rentals LLC, Home TW LLC, Posmart LLC, 21165 Medical Development LLC, Posuites LLC, JT Daugherty Conference Center, Lexington Park Hotel Partners	26,965,400	0.2%	Distribution Center
Total	**$486,482,930**		
Total 2017 Assessed Value	**$12,203,800,890**	**4.0%**	

Source: St. Mary's County Treasurer's Office.

Income Tax

The rate of local income taxation is set by the County, but collections are administered by the State. The local income tax is levied as a percentage of Maryland taxable income. Alternatively, the County must levy a local income tax at a rate equal to at least 1.00%, but not in excess of 3.20%. The County's local income tax rate remains at 3.0%. A distribution to the County of local income tax collections are made by the State in ten periodic payments.

On May 18, 2015, the United States Supreme Court issued its decision in *Comptroller of the Treasury of Maryland v. Wynne Et Ux*. In that case, the Supreme Court affirmed the judgment of the Court of Appeals of Maryland that Maryland counties are prohibited from collecting personal income taxes from their residents to the extent that the income was earned in another state and was subject to income taxation by the other state. As a result, each Maryland county, including the County, is likely to realize a reduction in future income tax revenue distributions from the State of Maryland. In addition, taxpayers who were eligible to claim the credit on their local income tax returns for certain prior years may be eligible for refunds. Any eligible refunds will be paid by the State and the State will withhold the County's share of such refunds and interest over the twenty quarterly income tax distributions made by the State to the County, beginning with the February 2019 quarterly distribution. The County believes that neither the reduction in future income tax distributions nor any refund amounts withheld from its quarterly distributions will have a material impact on County revenues.

STATE AND FEDERAL ASSISTANCE

During fiscal year 2016, the County received intergovernmental State and Federal grants for operating purposes in the amount of $9,859,122. Included in that amount are $868,695 for State aid for police protection, $711,324 for cooperative reimbursement agreements, $1,145,642 for transportation services, and various other grants for social services, public safety, recreation, and economic development.

The State also shares motor vehicle related revenues with the counties (motor fuel taxes, vehicle titling taxes, registration fees) and the funds are distributed based on road mileage and vehicle registrations. This State-shared tax distribution amounted to $901,966 for St. Mary's County in fiscal year 2016.

Unrestricted state aid for public education in St. Mary's County for fiscal year 2017 amounted to $100,958,591 and Federal impact aid amounted to $1,767,684. Fiscal year 2018 unrestricted state aid is estimated to be $104,751,744 and unrestricted Federal impact aid revenues are projected to be $1,780,000. State and Federal revenues for education are accounted for in the County budget process but are received directly by the Board of Education and are not recorded in the County government financial records.

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SUMMARY OF REVENUES AND EXPENDITURES

The following table indicates the General Fund revenues and expenditures for the five most recent fiscal years ended June 30 for which audited data are available.

General Fund
Statement of Operating Revenues and Expenditures

	2016	2015	2014	2013	2012
Operating Revenues					
Property Taxes	$105,273,048	$104,538,846	$103,011,131	$100,806,373	$100,043,223
Income Taxes	85,525,116	81,002,813	77,384,719	76,746,270	76,289,036
Other Local Taxes	7,791,980	7,397,844	7,679,306	7,647,307	6,695,988
Highway User Revenues	901,966	762,266	721,923	683,079	372,661
Licenses & Permits	1,574,154	1,581,154	1,504,387	1,497,437	1,498,956
Intergovernmental	9,859,122	10,364,668	10,418,326	9,581,499	12,421,869
Charges for Services	2,679,243	3,048,393	2,790,407	3,519,566	4,955,917
Fines & Forfeitures	212,776	264,853	208,573	227,571	185,070
Other Revenues	345,909	469,855	312,298	273,236	202,216
Total Revenues	$214,163,314	$209,430,692	$204,031,070	$200,982,338	$202,664,936
Expenditures					
General Government	21,943,087	20,662,550	20,288,779	19,559,509	19,234,482
Public Safety	43,357,939	38,266,497	39,631,748	44,072,846	36,536,138
Public Works	9,288,129	9,076,657	10,202,985	8,401,057	7,743,653
Health	7,383,969	7,038,830	6,605,425	6,495,400	6,374,143
Social Services	4,356,043	4,114,893	4,135,430	3,826,738	3,903,105
Primary & Secondary	99,922,025	95,846,940	91,990,408	87,616,703	78,938,358
Post-Secondary Education	4,257,845	3,995,506	3,873,943	3,781,289	3,647,430
Parks, Recreation & Culture	3,855,553	3,800,521	3,621,272	3,680,293	3,489,742
Libraries	2,588,064	2,498,064	2,476,561	2,404,204	2,281,038
Conservation of Natural Resources	478,171	491,408	437,638	399,618	372,923
Housing	0	0	0	1,100,256	946,677
Economic Development & Opportunity	1,818,051	1,515,675	1,505,754	1,570,887	1,547,966
Debt Service	9,356,779	9,787,899	9,959,968	10,884,872	11,619,482
Other, principally OPEB	9,700,366	7,036,710	6,867,002	7,422,174	6,747,317
Total Expenditures	$218,305,921	$204,132,150	$201,596,913	$201,215,846	$183,382,454
Excess of Revenues Over (Under) Expenditures	-4,142,607	5,298,542	2,434,157	-233,508	19,282,482
Other Financing Sources & Uses					
Exempt Financing Proceeds	2,917,045	1,659,342	3,684,217	6,711,403	0
Subsidy to Enterprise Fund	0	-950,000	-1,000,000	-980,065	-1,085,000
Capital Projects-General Fund PayGo	-5,790,621	-3,815,092	-12,855,816	-11,368,059	-4,658,549
Total Other Financing & Uses	-2,873,576	-3,105,750	-10,171,599	-5,636,721	-5,743,549
Net Increase(Decrease) in Fund Balances	-7,016,183	$2,192,792	$-7,737,442	$-5,870,229	$13,538,933
FUND BALANCE					
Beginning of the year	48,633,368	46,440,576	54,178,018	60,048,247	46,509,314
End of Year	$41,617,185	$48,633,368	$46,440,576	$54,178,018	$60,048,247

Source: St. Mary's County Department of Finance.

General Fund
Summary of Fund Balance
Fiscal Years Ended June 30

	Fiscal Year				
	2016	2015	2014	2013	2012
Fund Balances					
Non-Spendable	$2,182,860	$2,233,637	$2,050,354	$2,009,203	$786,922
Restricted	1,744,731	1,795,465	212,629	108,340	77,454
Committed	14,955,021	26,425,661	18,993,769	26,148,468	30,466,705
Assigned	1,207,947	1,498,441	2,311,819	2,424,822	3,819,813
Unassigned	21,526,626	16,680,164	22,872,005	23,487,185	24,897,353
Total Fund Balance	$41,617,185	$48,633,368	$46,440,576	$54,178,018	$60,048,247

Source: St. Mary's County Department of Finance.

FISCAL YEAR 2017 BUDGET

The approved General Fund Operating Budget for fiscal year 2017 is $222,167,023, a decrease of $5,182,526 when compared to the fiscal year 2016 budget of $227,349,549, primarily from removing the use of fund balance of $11,872,005. The budget is financed with a property tax rate of $0.8523 per $100 of assessed valuation for real property and $2.131 per $100 of assessed valuation on personal and other operating property, which is the same as the fiscal year 2016 rate. The local income tax rate is 3.00% of the individual's State taxable income, which the same as the fiscal year 2016 rate.

The approved fiscal year 2017 capital budget for St. Mary's County is $36,460,838 and the five-year capital program planned for fiscal years 2018 through 2022 amounts to $241,886,754.

FISCAL YEAR 2018 BUDGET

The fiscal year 2018 budget is based on an estimated assessable base of $12,463,176,000. Some of its highlights are:

- Property tax rate decreased to $0.8478 and the income tax rate remains at 3%.
- New senior property tax credit for those that are 65 years old and have either lived in the same dwelling for at least the preceding 40 years or who are retired veterans – 10% credit – estimated to be $250 for those in this group.
- General fund revenues decreased from $222,167,023 to $221,324,105, primarily due to the non-recurring grant funds.
- $365,518 grant from State Highway user revenue – was used as CIP Pay-Go funding for the asphalt overlay program.
- Regular county government employees received a 1 merit step increase, equivalent to 2.5%. Health benefits were level funded – zero increase, and other wellness incentives are provided.
- 76 vehicles being replaced under the Vehicle Replacement Schedule.
- Needs Assessment Study to determine how best the non-profit entities can serve the citizens of the County.
- Animal Shelter Study finalized.
- Streamlining Business Practices Study finalized.
- $1 million in Grants awarded to non-profit entities.
- Employer funding for OPEB is for current retirees only – budgeted at $3 million.
- Funding the Board of Education recurring at $102.2 million.
- Unassigned general fund balance of $21.5 million was not used in the fiscal year 2018 Budget.

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CERTAIN DEBT INFORMATION

General

The County may only issue general obligation bonds under authority conferred by legislation approved by the Maryland General Assembly. The General Assembly enacted legislation authorizing and empowering the County, from time to time, to borrow in the amounts listed below in order to finance the construction, improvement or development of public facilities in the County. Pursuant to such legislation, the County has previously issued general obligation bonds and currently has $71,524,310 of remaining bond authority as set forth in the following table.

Bill	Original Amount	Amount Issued to Date	Available Balance
Ch. 78, 2008	$ 35,000,000	$19,775,690	$15,224,310
Ch. 96, 2013	30,000,000	0	30,000,000
Ch. 427, 2017	26,300,000	0	26,300,000
TOTAL	$91,300,000	$19,775,690	$71,524,310

The County has also been authorized by the General Assembly to issue general obligation bonds or to engage in alternative financing arrangements in an aggregate amount not to exceed $5,000,000 in order to establish a revolving fund for the purchase of firefighting and rescue equipment and facilities for volunteer fire and rescue squad organizations. (See "COUNTY SERVICES – Police and Fire"). This fund was established by the Commissioners of St. Mary's County in 1998 and is providing low-interest loans to fire and rescue organizations.

Legal Debt Limitation

Unless and until otherwise provided by the Commissioners of St. Mary's County within the limitations provided by public general law, the aggregate amount of bonds and other evidences of indebtedness outstanding at any one time may not exceed a total of the sum of 2.15% upon the assessable real property in the County other than operating real property of a public utility and 5% upon the assessable personal property and operating real property of a public utility. However, (1) tax anticipation notes or other evidences of indebtedness having a maturity not in excess of 12 months, (2) bonds or other evidences of indebtedness issued or guaranteed by the County payable primarily or exclusively from taxes levied in or on, or other revenues of, special taxing areas or districts heretofore or hereafter established by law and (3) bonds or other evidences of indebtedness issued for self-liquidating and other projects payable primarily or exclusively from the proceeds of assessments or charges for special benefits or services are not subject to, or be included as bonds or evidences of indebtedness, in computing or applying the percent limitation described above.

All bonds or other evidences of indebtedness issued by the St. Mary's Metropolitan Commission (the "Commission") under the authority of the Metropolitan Commission Enabling Act are subject to the percent limitation described in the preceding paragraph, and are also subject to the debt limitation as from time to time provided in the Metropolitan Commission Enabling Act. Presently, the total principal amount of bonds issued pursuant to the Metropolitan Commission Enabling Act for any sanitary district may not exceed 25% of the assessed valuation within that sanitary district.

The following chart shows the County's present legal debt margin.

Schedule of Legal Debt
Margin of the County Under Existing Law

Estimated assessed value as of July 1, 2017	$12,358,943,770
Debt limit	2.15%
Borrowing limitation under the law	$265,717,291
Outstanding debt issued as of July 1, 2017	$196,169,304*
Debt margin as of July 1, 2017	$69,547,987
Ratio of debt to assessed value	1.58%

*Includes only debt which is subject to the legal debt limitation. The estimated assessed value represents the Final Assessment from State Department of Assessments - March 31, 2017 - SDAT Website.
Includes the debt of the Commission as of July 1, 2017 in the amount of $113,682,541 plus the County's debt of $82,486,763.

Other County Debt

The County is contingently liable as guarantor of bonds issued by the Commission under the Metropolitan Commission Enabling Act. Commission bonds are payable in the first instance from the benefit assessments and connection and service charges. The County expects these funds to be adequate to cover debt service on the Commission's bonds. All bonds or other evidences of indebtedness issued by the Commission are subject to the County debt limitation. (See "COUNTY SERVICES – Water Supply and Sewerage".)

On May 26, 2004, the Commissioners of St. Mary's County entered into a Loan Agreement with the Maryland Water Quality Financing Administration to finance the capping of St. Andrews Landfill Closure, cells 3 & 5. This loan, in the principal amount of $3,934,347 is payable in equal annual installments over a 15-year period, with interest of 1.10%. The balance as of June 30, 2017 is $549,873.

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Schedule of Debt Service Requirements

The following tables set forth the schedule of debt service requirements for certain County debt outstanding as of June 30, 2017.

Fiscal Years	General Obligation Bonds, Notes and Loans (1) Principal	Interest	Total Debt Service(2)
2018	$9,830,865	$2,432,4209	$12,263,285
2019	9,944,742	2,159,722	12,104,464
2020	9,664,187	1,877,335	11,541,522
2021	6,884,071	1,648,762	8,532,833
2022	7,088,071	1,456,667	8,544,738
2023	5,373,071	1,273,110	6,646,181
2024	5,522,071	1,105,587	6,627,658
2025	3,982,071	950,664	4,932,735
2026	2,907,768	808,197	3,715,965
2027	2,979,131	686,587	3,665,718
2028	3,084,131	567,024	3,651,155
2029	3,200,499	449,304	3,649,803
2030	3,320,499	325,797	3,646,296
2031	1,400,000	247,713	1,647,713
2032	1,460,000	216,413	1,676,413
2033	1,515,000	182,944	1,697,944
2034	1,580,000	147,138	1,727,138
2035	1,645,000	107,813	1,752,813
2036	1,710,000	65,875	1,775,875
2037	1,780,000	22,250	1,802,250
Total	$84,871,177	$16,731,320	$101,602,498

(1) Source: St. Mary's County Department of Finance.
(2) Totals may not add due to rounding.

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Schedule of Debt Service Requirements
As Adjusted to Reflect the Issuance of the Bonds

Fiscal Years	Debt Service(2)	LESS: Refunded Bonds Debt Service(2)	Public Improvement Refunding Bonds, Series 2017		LESS: Interest Payments from the Escrow Account(2)	Adjusted Total Debt Service(2)
			Principal	Interest(1)		
2018	$12,263,285	$ 0	$ 0	$ 0	$ 0	$12,263,285
2019	12,104,464	0	0	705,084	705,084	12,104,464
2020	11,541,522	454,802	0	605,800	302,900	11,389,620
2021	8,532,833	2,344,691	1,320,000	586,000	0	8,094,142
2022	8,544,738	2,312,406	1,360,000	539,000	0	8,131,332
2023	6,646,181	2,280,187	1,410,000	483,600	0	6,259,594
2024	6,627,658	2,248,209	1,460,000	426,200	0	6,265,649
2025	4,932,735	2,211,599	1,510,000	366,800	0	4,597,936
2026	3,715,965	2,174,669	1,565,000	305,300	0	3,411,596
2027	3,665,718	2,132,576	1,620,000	241,600	0	3,394,742
2028	3,651,155	2,092,748	1,680,000	175,600	0	3,414,008
2029	3,649,803	2,054,640	1,740,000	107,200	0	3,442,363
2030	3,646,296	2,015,860	1,810,000	36,200	0	3,476,636
2031	1,647,713	0	0	0	0	1,647,713
2032	1,676,413	0	0	0	0	1,676,413
2033	1,697,944	0	0	0	0	1,697,944
2034	1,727,138	0	0	0	0	1,727,138
2035	1,752,813	0	0	0	0	1,752,813
2036	1,775,875	0	0	0	0	1,775,875
2037	1,802,250	0	0	0	0	1,802,250
TOTAL:	$101,602,496	$22,322,386	$15,475,000	$4,578,384	$1,007,984	$98,325,513

(1) Interest rates range from 3.00% to 4.00%.
(2) Totals may not add due to rounding.

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The following table sets forth the County's long-term debt per capita and ratios of debt to assessed value and debt to estimated market value for the five most recent fiscal years for which audited data are available.

Fiscal Year	County Debt	Estimated Population	Estimated Market Value	Net Debt Per Capita	Debt to Estimated Value
2016	$66,022,727	112,587	$12,040,216,760	$586	.54%
2015	73,470,099	111,628	11,882,197,810	658	.61
2014	81,181,691	110,483	11,675,989,984	734	.69
2013	88,156,136	109,607	11,460,098,186	804	.76
2012	96,415,099	109,071	11,400,733,055	883	.84

Source: St. Mary's County Office of Finance. Note 6 in Financial Statements, less exempt financing.

The following table sets forth the County's debt service expenditures, exclusive of debt service in respect of Metropolitan Commission bonds as a percentage of General Fund revenues for the five most recent fiscal years ended June 30 for which audited data are available.

Fiscal Year	General Fund Revenues	Debt Service Expenditures	Percentage
2016	$213,804,417	$9,349,279	4.4%
2015	209,069,691	9,777,789	4.6
2014	203,689,235	9,961,851	4.8
2013	200,659,671	10,860,449	5.4
2012	202,414,722	11,619,482	5.7

Source: St. Mary's County Department of Finance.

The County has an above average rate of debt retirement as shown in the following table:

Rapidity of Debt Amortization*
Fiscal Years 2017-2030

Number of Years	Principal Retired	Percent of Debt Retired
5	$41,042,866	48%
10	20,764,112	73
15	12,465,129	88
20	10,599,070	100

*Does not include the Bonds offered herein.

Capital Financing

The Commissioners of St. Mary's County has developed the County's capital budget and program to meet the demands of growth and an aging infrastructure. The fiscal year 2018 budget reflects several projects related to the expansion and renovation of public facilities – specifically the replacement Leonardtown Library and Garvey Senior Center. The Board's attention continues to be directed to the need for additions and renovations to public school facilities, highway maintenance, park expansion and development projects, and various other public improvements. Almost 64.99% of the budget is to be financed from bond proceeds while the balance of the financing comes from other local revenue sources and State and Federal funds.

The adopted five-year capital program for fiscal year 2019 through 2023 amounts to $245.8 million. Approximately 37% of the program is targeted for public school projects and almost 32.12% is planned for various public facility projects. The program also includes a Adult Detention Center Upgrades and expansion of FDR Boulevard, various park projects, and agricultural land preservation projects. The County's financial planning for the capital budget and program attempts to provide a balanced approach which utilizes current revenues (transfer taxes, impact fees) as well as bonded indebtedness. The financial plan for fiscal years 2019 through 2023 is structured to provide overall project financing as follows: 51.71% from general obligation bonds, 15% from current revenues (transfer taxes and impact fees), and 33.29% from State, Federal and other sources.

The following table presents the capital budget and five-year capital program as adopted by the Commissioners of St. Mary's County.

Fiscal Year 2018 Capital Improvements Budget and Program

Capital Project	Total Project Cost	Approved Budget FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Capital Project Summary:							
Public Facilities	$ 82,608,959	$ 26,528,167	$ 25,551,017	$ 16,010,075	$ 9,303,200	$4,426,500	$ 790,000
Land Conservation	20,348,597	5,115,202	3,046,679	3,046,679	3,046,679	3,046,679	3,046,679
Highways	66,021,471	9,782,991	18,300,520	13,634,160	6,380,500	4,664,000	13,259,300
Marine	5,898,677	160,000	5,038,677	600,000	100,000	0	0
Recreation & Parks	35,274,695	1,693,931	6,879,500	4,895,914	2,163,500	3,943,500	15,698,350
Public Landings	30,000	5,000	5,000	5,000	5,000	5,000	5,000
Public Schools	86,261,000	7,296,000	14,367,000	23,241,000	24,673,000	10,199,000	6,485,000
Total Capital Projects	$296,443,399	$50,581,291	$73,188,393	$61,432,828	$45,671,879	$26,284,679	$39,284,329
Capital Project Financing:							
County Bonds	$ 159,988,722	$ 32,874,759	$ 37,623,577	$33,171,416	$22,647,200	$11,950,500	$21,721,270
Transfer Tax	34,086,773	5,900,773	5,811,000	5,1,82,500	6,011,500	5,543,000	5,638,000
Impact Fees	8,957,950	257,950	1,350,000	2,940,000	1360,000	777,000	2,273,000
General Fund Transfer	365,518	365,518	0	0	0	0	0
State/Federal Funds	86,214,362	10,085,612	27,557,137	19,292,233	14,806,500	7,167,500	7,305,380
Other Sources	58,830,074	1,096,679	846,679	846,679	846,679	846,679	1,346,679
Total Project Financing	$296,443,399	$50,581,291	$73,188,393	$61,432,828	$45,671,879	$26,284,679	$39,284,329

Source: St. Mary's County Department of Finance.

Future Plans to Issue County Debt

The County has plans to issue additional bonds in calendar year 2018 based on the current CIP plan.

CERTAIN ECONOMIC AND DEMOGRAPHIC FACTORS

Economic Growth and Development

Since 1982, the Commissioners of St. Mary's County has maintained a philosophy of protecting and growing the mission of the Naval Air Station Patuxent River and assisting local defense, manufacturing, hospitality, agriculture, and aquaculture businesses; directing commercial and high-density residential growth to the development districts and protecting the County's rural character. Integral to the efficient execution of this philosophy was the creation of the Department of Economic Development (DED). The Department's objectives include defense and high-technology industry growth and diversification; entrepreneurial development, new business incubation; expansion of the tourism, agriculture, and aquaculture industries; labor force development; and infrastructure improvements. Activities include marketing and public relations; policy development; information collection and dissemination; market expansion for existing businesses; liaison to private and public resources; and direct financial and technical assistance. Since 1998, the Department has coordinated public-private partnerships to provide business and community development assistance with partners that include the St. Mary's Chamber of Commerce, St. Mary's County Community Development Corporation, Southern Maryland Navy Alliance, The Patuxent Partnership and numerous State of Maryland agencies.

In 2014, an Economic Development Commission (EDC) was established and charged with the development of a strategic plan to reduce the County's reliance on defense spending by broadening the local economy. Consultants from the University of Maryland and Towson University completed industry cluster and innovation network analyses, comparative studies on cyber security, irregular warfare and unmanned systems, baseline economic studies on agriculture, and SWOT analyses on advanced manufacturing, defense, retail, service and agriculture and seafood businesses. In 2015, a private firm was engaged to analyze the County's tourism and hospitality industry with an eye to increasing quality of life aspects that support the retention and growth of a highly skilled workforce. The EDC synthesized the results of these studies and published "A Strategic Plan for Building an Innovation Driven Economy" which the Commissioners adopted in late 2016. The data and information provided in the section below, titled "Non-Defense Industries and Technology Commercialization" provides insight to the EDC's plan to broaden the local economy.

U.S. Naval Facilities

The Naval Air Station Patuxent River ("Pax River") is headquarters for the Naval Air Warfare Center Aircraft Division and Naval Air Systems Command and more than 50 other tenant commands. The Air Station has been in the County since 1941. Consolidation and expansion in the 1990s made Pax River the Navy's research, development, test and evaluation, engineering and fleet support and acquisition center for air platforms. Today, approximately 25,000 workers support the Navy in St. Mary's County. Specialized labs and expertise support technologies including aerial vehicles, propulsion, man-machine interface, crew survivability, training, test and evaluation, rapid prototyping, and logistics. The consolidation of activities at Pax River triggered the growth of high-technology businesses in the County. In fact, the number of technology workers has quintupled in the last ten years.

The Maryland Department of Commerce recently completed a study on the economic impact of military installations in the State. The results of this study show that Pax River generated the second highest annual economic output ($7.5 billion) of the 17 installations in Maryland and had the third largest workforce (39,956 includes direct, indirect, and induced) of all military installations in Maryland as of 2012.

Non-Defense Industries and Technology Commercialization

St. Mary's County was instrumental in working with the Maryland Department of Commerce to bring about a grant through the federal Department of Commerce, Office of Economic Adjustment (OEA) to fund a pilot project to explore opportunities to commercialize federal patents. At the time of application, there were 1,500 patents solely tied to individuals residing in Southern Maryland. Based on this finding, a scope of work was approved to analyze the commercial potential of Navy patents generated from the two naval facilities located in Southern Maryland, the one in Dahlgren, Virginia (which boarders Charles County) and the Naval Research Laboratory headquartered in nearby Washington, D.C.

The findings of the project culminated in the establishment of a user-friendly patent data-base including recommendations about their commercial potential as well as an online tool that maps defense spending in the State. Local defense contracting companies were assessed for dependency on defense spending. Those that are overly dependent on this single customer were targeted for technical support in the exploration of new markets. A manual providing instructions on licensing federal technologies and pursuing Small Business Innovative Research grants and other funding sources was published. Finally, the extent of the region's ecosystem to support technology start-ups and to attract investors was explored.

The general lack of awareness of the strength of the region's economy coupled with competition from the Baltimore–D.C. metropolitan market hamper the Counties' business attraction efforts. A joint initiative to articulate a strong marketing image will prove useful to Southern Maryland. To address this concern, a second phase of the project was funded in 2017 and will result in the creation of an online innovation portal to serve as a one-stop resource for Southern Maryland's entrepreneurs, innovators, and defense contractors. Furthermore, the region will engage in a facilitated exercise to identify how the three Southern Maryland Counties can crystalize an image of the region as one of the metro region's emerging technology communities.

Finally, as an outgrowth of this regional pilot project, a Partnership Intermediary Agreement is being forged between the three naval installations, the region's institutions of higher education and the three local governments to increase the likelihood of success in joint activities to make productive use of technology-related assistance from federal laboratories. Signing of this agreement will be a significant step toward greater regional cooperation to spur technology commercialization and local technology company growth.

Unmanned and Autonomous Systems

The University of Maryland (UMD) established a site for testing unmanned and autonomous vehicles (UAS) at the St. Mary's County Regional Airport with an auxiliary airstrip located on Maryland's Eastern Shore in 2014. Since then, the test site has become one of the busiest sites for the testing of unmanned and autonomous systems in the country. Furthermore, in 2015 the UMD announced its commitment to building an 80,000-sq. ft. UAS-focused research facility on the campus of the Southern Maryland Higher Education Center located directly adjacent to the Regional Airport. Construction of this facility is anticipated to begin in fiscal year 2018 with the opening anticipated in late 2020. Research conducted by the UMD will entail unmanned and autonomous vehicle testing in a laboratory environment and also in the air, on ground and underwater. The County is one of the few locations in the nation that can support such testing in both restricted and unrestricted air space, on ground and underwater as the County is a peninsula bordered by the Patuxent and Potomac Rivers. As unmanned and autonomous systems can be used for many commercial purposes, the County's locational advantages for testing and the investment in research facilities will allow the County to attract non-defense UAS work and spur the creation of new technology businesses.

Technology Business Growth and Incubation

In 2016, St. Mary's received a $2 million federal grant to establish a technology incubator. Construction of the 6,000-sq. ft. incubator, which sits adjacent to the UMD UAS Test Site at the Regional Airport, is now complete. The design of the incubator includes co-working spaces, a conference/classroom, private offices and 2,500 sq. ft. of lab space. Currently, the County is soliciting proposals for a qualified team to manage the incubator and deliver services to 6-10 tenants.

Enhancing the Growth of Technology Start-Ups

During the last three years, the County has invested funding and directed staffing toward the development of an initiative to support technology business start-ups. This effort has been pursued in cooperation with the Naval Air Warfare Center Aircraft Division Technology Transfer Office, the University of Maryland Unmanned Aircraft Systems Test Site, and the Maryland Technology Development Corporation (TEDCO). Called the Southern Maryland Innovation and Technology (SMIT), this initiative has matured to the point where there is collaboration and joint programing with all three of the region's offices of economic development. Furthermore, the Technology Transfer Offices of both the Naval Surface Warfare Centers at both Indian Head in Charles County and Dahlgren in King Georges County are actively participating along with the recently opened College of Southern Maryland Entrepreneur and Innovation Institute and the Maryland Department of Commerce.

Advanced Manufacturing

Currently, advanced manufacturing businesses generate the third highest wages of any industry sector in St. Mary's County. These jobs entail rapid-prototyping, fabrication, assembly, and systems integration. Several of the advanced manufacturing companies are exporting products internationally, exhibiting in international trade shows and participating in state-sponsored trade missions. As the Naval Air Warfare Center Aircraft Division (NAWC-AD) is the lead systems integrator for naval aviation to support existing platforms versus purchasing entirely new aircraft, St. Mary's County's manufacturers are well positioned to secure much of the work the Navy is now directing to small businesses versus large plane manufacturers.

Public and Private Investment in the St. Mary's County Regional Airport

The St. Mary's County Regional Airport opened for general aviation use in 1969. Since 1987, the County has engaged in public-private partnerships to provide the necessary capital to build aircraft T and box hangers and commercial business facilities.

Between 1987 and 2010, private investment in the airport totaled $7.5 million. Larger hangers, a maintenance facility, and office space was constructed along with separate hangers to house the MD State Police Aviation Division – Trooper 7 and the MedSTAR Transport for inter-hospital transport of critically ill or critically injured patients.

Since the ribbon cutting for the UMD UAS Test Site and the announcement of the UMD research facility to be built, company demand to locate at the airport has been considerable and is expected to increase in the years to come. Private purchase of 80-acres adjacent to the Regional Airport has been completed and the County is now in negotiations on yet another private-public partnership to support the construction of an additional 183,545 sq. ft. both adjacent to and within the fence line of the airport. Using public-private partnerships, the County has ensured that facilities at or near the airport will scale as needed to accommodate this demand. The Regional Airport's co-location with the Southern Maryland Higher Education Center, surrounded by ample amounts of Class-A and B offices space, retail, restaurants, and entertainment, creates the County's first recognizable "innovation district."

Leisure and Hospitality

In late 2015, the Commissioners initiated a master planning process focused on the tourism and hospitality industry in St. Mary's County. A Tourism and Hospitality Master Plan was completed in 2016. It calls for transferring the County's tourism functions to an independent non-profit organization that can expedite procurement, book hotels and other venues, provide commissions and bonuses to spur employee motivation, and engage in many other entrepreneurial-type activities customary of convention bureaus traditionally found in metropolitan areas. The Commissioners have given preliminary approval to this recommendation and work is now underway to bring this transition about by fiscal year 2019.

Recent data highlights of the economic impact of the tourism and hospitality industry on the County's economy show that a 13.8% increase in local Admissions and Amusement Tax revenue, and a 19.0% increase in local Accommodations Tax revenue in fiscal year 2017 over fiscal year 2016 sales. During this same time period, hotels realized an 8.4% increase in room occupancies. Receipts for the first six months of calendar year 2017 show an 11.1% increase in revenues over the first six months of calendar year 2016 suggesting another strong year for travel and tourism in St. Mary's County.

Agriculture and Seafood

More than 80% of the County's land is zoned Rural Preservation District. Traditional crop farming and commercial fishing continue but are in decline. Grains, oilseeds, and meat production are becoming the predominant agriculture products. Alternative forms of agriculture including agri-tourism, direct-sale farm markets, farm-to-table restaurants, organic produce, oyster aquaculture, wineries, and breweries are also developing profitability.

Small Business Creation

Franchise retail and restaurant offerings are clustered in the Lexington Park Development District while locally-owned specialty and seafood restaurants can be found county-wide.

New and Infill Retail Projects

Mixed-use projects in progress for new and infill development include the following.

1. Lexington Exchange in California, 140-acres approved for mixed use includes R&D, retail, and office. This project included a 2,500-seat RNC Movie Theater (open) and Aldi grocery store (scheduled to be expanded). Freestanding restaurants are scheduled to occupy the three remaining pad sites.
2. St. Mary's Marketplace, a 130,000 SF shopping center in California is in construction. Confirmed tenants include Harris Teeter grocery story, restaurants (Panda Express. Café Rio, and MOD Pizza), and retailer Bay Country Liquors
3. Hollywood Town Center, a 73,000-sq. ft. retail project in the Hollywood Town Center is in process for approvals. That development is proposed to include a bank, gas station, restaurant, pharmacy, supporting retail and relocated car dealership.
4. Infill in existing mixed-use retail developments include new-to-the county tenants Hobby Lobby (open) and PetSmart within Laurel Glenn Shopping Center, Planet Fitness and Pivot Physical Therapy coming to Wildewood Shopping Center and Tuesday Morning in San Souci Shopping Center.

Health Services

St. Mary's Hospital, the largest private employer and only hospital in St. Mary's County, has merged with MedStar Health, the region's largest nonprofit healthcare system. St. Mary's Hospital is the ninth hospital in MedStar Health's network and the first hospital in the Southern Maryland region to join the healthcare system. The community will benefit from the merger, as St. Mary's Hospital will have additional opportunities in and access to, medical teaching and residency programs, clinical trials, research programs, physician recruitment and outpatient treatment programs through MedStar Health.

Population

During the period between 1950 and 1990, the population of the County increased approximately 161% as reflected in the following table. The 2010 Census shows that the County has experienced a 22.7% growth in population in the past ten years.

1970	47,388	
1980	59,895	26.4%
1990	75,974	26.8%
2000	86,211	13.5%
2010	105,151	22.7%
2011	107,781 (est.)	2.50%
2012	109,071 (est.)	1.20%
2013	109,607 (est.)	0.50%
2014	110,483 (est.)	0.80%
2015	111,628 (est.)	1.04%
2016	112,587 (est.)	0.86%

Source: United States Department of Commerce, U.S. Census Bureau-American Fact Finder Population Estimate (as of July 1) Maryland Department of Planning.

Income

A comparison of St. Mary's County and the State of Maryland personal income is presented in the following table:

	Personal Income ($000's)		Percent Change from Previous Year	
Calendar Year	St. Mary's County	State of Maryland	St. Mary's County %	State of Maryland %
2015	$5,792,317	$336,187,435	4.6%	4.1%
2014	5,535,179	322,884,651	3.4	3.4
2013	5,354,319	312,369,522	.03	(.57)
2012	5,352,598	314,159,795	2.0	3.2
2011	5,248,979	302,712,263	(1.0)	.10%

Source: U.S. Bureau of Economic Analysis, 2016.

A comparison of St. Mary's County and the State of Maryland per capita personal income is presented in the following table:

	Per Capita Personal Income		Percent Change from Previous Year	
Calendar Year	St. Mary's County	State of Maryland	St. Mary's County %	State of Maryland %
2015	$51,990	$55,972	3.6%	3.6%
2014	51,160	54,036	2.6	2.7
2013	48,893	52,623	(0.4)	(1.3)
2012	49,098	53,331	0.8	2.4
2011	48,701	52,084	(1.0)	(1.0)

Source: U.S. Bureau of Economic Analysis, 2016.

A comparison of St. Mary's County and the State of Maryland median household income is presented in the following table:

Calendar Year	Median Household Income		Percent Change Decade	
	St. Mary's County	State of Maryland	St. Mary's County	State of Maryland
2015	$86,987	$74,551	38.2%	21.0%
2005	62,939	61,592		

Source: American Community Survey 1-Year Estimates, 2005-2015 Census, U.S. Census Bureau.

Sales and Use Tax Collections

As indicated in the following table, St. Mary's County's sales and use tax receipts for fiscal year 2017 increased slightly by 3.2% from fiscal year 2016, which is less than the State average of 2.0%.

St. Mary's Sales and Tax Receipts by County
Fiscal Year Ended June 30th

	Fiscal Year 2017	Fiscal Year 2016	Percentage Change
Calvert County	$41,109	$40,931	0.4%
Charles County	106,226	110,971	(4.3)
St. Mary's County	**56,186**	**54,432**	**3.2**
State of Maryland	4,637,789	4,548,552	2.0

Source: Maryland Comptroller Revenue Accounting Division. Summary by Subdivision and Business Activity 2017-2016.

Education

	St. Mary's County	Charles County	Calvert County	State of Maryland	U.S.
Ages 18-24:					
Less than high school graduate	**18.8%**	6.0%	12.2%	11.7%	13.1%
High school graduate	**38.5%**	39.0%	28.8%	29.4%	31.0%
Some college or associates degree	**40.2%**	49.9%	45.2%	44.7%	45.1%
Bachelor's degree or higher	**13.0%**	5.1%	13.8%	14.2%	10.8%
Ages 25 and older:					
Less than high school graduate	**13.5%**	6.4%	5.9%	9.8%	12.6%
High school graduate	**30.0%**	35.0%	31.7%	25.4%	27.2%
Some college or associates degree	**30.4%**	31.3%	32.3%	25.4%	29.0%
Bachelor's degree	**14.0%**	14.6%	14.0%	20.9%	19.3%
Graduate degree	**12.1%**	12.8%	16.1%	18.5%	11.9%

Source: U.S. Census, American Community Survey, 2016 data - Educational Attainment.

Dropout rates represent the percentage of students in grades 9-12 who withdrew from school before graduation or before completing a Maryland-approved educational program during the July to June academic year. A rate of 3.0% or less is considered satisfactory by State standards.

Dropout Rates, Grades 9-12, 2014-2015

Calvert County	1.02%
Charles County	1.02
St. Mary's County	**0.81**
State of Maryland	2.57

Source: Dropout Rates of Maryland Public High Schools Grades 9-12: 2014 - 2015, The Fact Book 2014-2015 Maryland State Department of Education.

Higher Education

St. Mary's County hosts a variety of outstanding higher education institutions offering graduate, undergraduate, noncredit, continuing education and enrichment programs.

Established in 1994 as the State of Maryland's provider of graduate degree programs for Southern Maryland citizens, the Southern Maryland Higher Education Center ("SMHEC") recruits and selects graduate degree programs and universities that meet the professional development needs of the Southern Maryland community. With nine university partners serving students at SMHEC, including the Capitol College, Catholic University of America, College of Notre Dame of Maryland, George Washington University, Gratz College, Johns Hopkins University, Towson University, the University of Maryland University College and the University of Maryland College Park, SMHEC presents 90 plus academic programs in the areas of engineering, applied sciences, management, nursing and education. Bachelor's degrees, graduate certification programs, graduate certificate programs, and doctoral degrees are presented at the SMHEC.

The SMHEC is a premier facility for training programs, including those for U.S. Navy military and civilian personnel and the defense support industry. Utilizing two classroom buildings in the enhancement of higher education opportunities, the Center now encompasses 60,000 square feet and a total of 35 high-tech classrooms. The second building, featuring state-of-the art instruction and training equipment and communications, was opened in 2003. Design for a third building is now underway. The building will be owned by the University of Maryland and will feature classrooms, labs and conference facilities to support research and development of unmanned and autonomous systems.

St. Mary's College of Maryland, located in St. Mary's City, is a public liberal arts honors college offering Bachelor of Arts degrees and continuing education programs. The College's enrollment is approximately 2,000 full-time students and 100 part-time students. Majors include art, dramatic arts, music, language and literature, human development, psychology, philosophy, history, political science, anthropology, sociology, public policy, economics, mathematics, biology, chemistry, physics, and natural science.

Florida Institute of Technology is an accredited university. Florida Tech's off-campus site, Patuxent River Site, is located on the Naval Air Station and all courses for the eleven programs offered are taught by experienced professionals who are currently working in their field. The Patuxent Site offers 11 masters degrees. There are approximately 35 graduates each year and approximately 150 students enrolled in about 25 courses offered each semester.

Embry-Riddle Aeronautical University specializes in aviation and aeronautical education. The Patuxent River campus offers Associate/Bachelor of Science degrees and a Master's degree. Approximately 200 plus students are enrolled for each of the nine five-week terms and 35-40 students graduate yearly.

The University of Tennessee Space Institute ("UTSI") is a graduate education and research institution internationally-recognized for its graduate study and research. Approximately 15 students are enrolled each year and approximately six students graduate yearly.

The College of Southern Maryland ("CSM") is a regionally accredited public two-year institution with an emphasis on workforce development. The St. Mary's County campus is currently comprised of 3 buildings on 62 acres. The campus offers an array of associate's degree programs, industry certifications, career training, and wellness and fitness activities. CSM is known as a progressive, innovative and technologically-advanced institution. CSM also serves as a catalyst for business, industry and government to identify the resources needed to grow and maintain a healthy economy and community.

CSM prepares its students for transfer to bachelor's degree programs and provides the tools and resources needed to immediately succeed in a competitive marketplace. Approximately 2,000 students are enrolled each term at the St. Mary's (Leonardtown) campus. CSM offers over 73 associate degree programs of study, 42 certificate programs of study and 30 letters of recognition, in addition to a variety of continuing education courses. CSM provides students of all ages with a wide variety of convenient and affordable educational options, including traditional classroom settings as well as alternative learning formats such as weekend and evening online classes, and web-hybrid courses which offer a mix of online and traditional classroom face-to-face instruction.

Commercial and Residential Building Permits

The number of commercial and residential building permits issued by the County for the last five years are listed below:

Residential	CY2012	CY2013	CY2014	CY2015	CY2016	Total
Multi-Family Apt. Bldg.	1	8	0	0	0	9
Custom Home	395	383	385	333	487	1,983
Mobile Home	19	25	15	22	19	100
Modular Home	12	4	8	1	2	27
Townhouse	74	63	92	61	96	386
Duplex	1	3	2	2	0	8
Accessory Apartment	18	11	14	8	8	59
Addition	481	402	341	361	359	1,944
Renovation	104	101	121	299	460	1,085
Accessory Structure	110	109	109	103	105	536
Access. Struct. Add'n	16	12	13	14	2	57
Access. Struct. Renov.	4	1	2	5	2	14
Swimming Pool	86	67	37	37	47	274
Solar Panels	0	0	0	0	108	108
Total	**1,321**	**1,189**	**1,139**	**1,246**	**1,695**	**6,590**
Commerical (Non-Residential)						
Amusement/Recreation	1	1	0	0	1	3
Church & Religious Bldg.	1	0	1	0	2	4
Hospoital & Institutional	1	0	0	0	0	1
Hotel	0	0	2	0	0	2
Industrial	0	0	0	3	1	4
Office, Bank, Prof Bldg.	4	4	4	9	10	31
Parking Garage	1	2	0	0	0	3
Utilty	0	0	0	2	3	5
Schools & Ed. Bldg.	2	5	1	1	0	9
Stores & Customer Service	13	15	12	6	12	58
Other Non-Res. Bldg.	16	7	21	10	12	66
Com. Struct. Other than Bldg.	34	18	32	49	26	159
Addition	12	11	12	13	11	59
Renovation	42	51	53	38	36	220
Total	**127**	**114**	**138**	**131**	**114**	**624**

Source: St. Mary's County Department of Land Use and Growth Management.

Business and Industrial Composition

In the following table, statistics are provided relating to the distribution of employment by employer classification. These figures exclude railroad, domestic service, self-employed, agricultural and unpaid family workers.

Classification	Number of Reporting Units	%*	Quarterly Average Employment	%*
Natural Resources and Mining	18	0.8	80	0.2
Construction	280	13.0	1,667	3.9
Manufacturing	33	1.5	373	0.9
Trade, Transportation and Utilities	450	21.0	6,611	15.3
Information	17	0.8	144	0.3
Financial Activities	142	6.6	818	1.9
Professional and Business Services	466	21.7	9,716	22.5
Education and Health Services	249	11.6	4,503	10.4
Leisure and Hospitality	220	10.3	4,161	9.6
Other Services and Unclassified	160	7.5	850	2.0
Local Government	50	2.7	3,838	8.9
State Government	11	0.5	906	2.1
Federal Government	41	1.9	9,544	22.1
Total	2,146	100.0	43,211	100.0

*Columns may not add due to rounding.
Source: Maryland Department of Labor, Licensing and Regulation. Office of Office of Innovation and Performance, Maryland Quarterly Census of Employment and Wages, First Quarter 2017.

Employment Classification

Employment related to government jobs in St. Mary's County rose by 14% since the 2000 Census for employed persons 16 and over. Comparative figures for the Southern Maryland counties are presented below:

	Calvert	Charles	St. Mary's
Private wage and salary workers	83.0%	77.5%	67.0%
Government workers	17.3	22.5	33.1
Total Workforce	24,145	42,902	43,323

Source: Maryland Department of Labor, License and Regulations, Maryland Quarterly Census of Employment and Wages-Annual Average 2016.

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Employment

Representative employment figures for some of the larger employers in the County follow:

Employer	Employment
Naval Air Station Patuxent River	25,000*
St. Mary's County Board of Education	2,200
MedStar St. Mary's Hospital	1,201
DynCorp. International.	1,019
BAE Systems	850
Wyle	705
St. Mary's County Government	657
Lockheed Martin	540
Engility	500
Boeing	450
HMR of MD/Charlotte Hall	438
SAIC	431
Booz ǀ Allen ǀ Hamilton	412
St. Mary's College of Maryland	407
PAE Applied Technologies	400
Northrop Grumman	368
General Dynamics	352
Walmart	350
J F Taylor	340
CACI	325
Food Lion	284
McKay's Foodland	275

Source: St. Mary's County Department of Economic and Community Development and Maryland Department of Commerce, 2016.
*Naval Air Warfare Center Aircraft Division, May 12, 2016 Presentation.

The following table sets forth St. Mary's County's unemployment rate as compared with other counties of Southern Maryland, the State of Maryland and the United States for the years 2012-2016.

Average Annual Unemployment Rate

	2012	2013	2014	2015	2016
Calvert County	6.3%	6.0%	5.3%	4.6%	3.8%
Charles County	6.7	6.5	5.7	5.0	4.2
St. Mary's County	**6.2**	**6.0**	**5.4**	**4.9**	**4.1**
State of Maryland	7.0	6.6	5.8	5.1	4.3
United States	8.1	7.4	6.2	5.3	4.9

Source: Maryland Department of Labor, Licensing and Regulation, - Workforce Information and Performance; Annual County Unemployment Statistics; Bureau of Labor Statistics Employment Status of the Civilian Non-Institutional Population 16 years and over, 1982 to date.

The number of persons living in St. Mary's County who were available for work and composed the County's labor force numbered 56,063 in August, 2017 while total employment was 53,772 resulting in an unemployment rate of 4.1% for this period. Comparative August 2017 unemployment rates are given below for other counties of Southern Maryland, the State of Maryland and the United States.

Calvert County	3.6%
Charles County	4.2%
St. Mary's County	**4.1%**
State of Maryland	4.0%
United States	4.4%

Source: Maryland Department of Labor, Licensing and Regulation, Office of Workforce Information and Performance – Monthly Labor Review – August, 2017; Bureau of Labor Statistics Employment Status of the Civilian Non-Institutional Population 16 years and over, 1982 to date.

Commuting Patterns

The U.S. Census Bureau 2011-2015 American Community Survey (ACS) 5-Year Estimate determined the work commuting patterns for the labor forces of each of Maryland's counties and the City of Baltimore. Of the counties located in Southern Maryland, St. Mary's County has the largest percentage of its labor force (those 16 and over) who work within their resident county. Comparative figures for the Southern Maryland counties are presented below:

Calvert County	38.3%
Charles County	37.9%
St. Mary's County	75.6%

Source: U.S. Census Bureau 2011-2015 American Community Survey (ACS) 5-Year Estimate.

LITIGATION

The County is party to numerous legal proceedings, many of which normally recur in governmental operations. The legal proceedings to which the County is a party are not, in the opinion of the County Attorney, likely to have a material adverse impact on the County's financial position.

EXPERTS

The audited financial statements included in Appendix A have been examined by Murphy and Murphy, CPA, LLC, independent certified public accountants for the County to the extent stated in the reports of such firms appearing herein. The audited financial statements have been included in reliance upon the reports of such firm, which reports are given upon their authority as experts in auditing and accounting.

INVESTMENT OF COUNTY FUNDS

County funds are invested by the Chief Finance Officer in accordance with the County's investment policy which conforms to State of Maryland law on the investment of public funds. The County does not leverage its investment portfolio, buy reverse repurchase agreements or enter into interest rate swaps or other derivatives. It does no borrowing or lending of securities. The County invests primarily in obligations of the United States government, its agencies or instrumentalities, repurchase agreements, and bankers' acceptances. The repurchase agreements into which the County enters are collateralized by United States government treasury obligations and obligations of agencies and instrumentalities of the United States government, held by an independent third-party custodian and marked to market daily.

CONTINUING DISCLOSURE

In order to assist participating underwriters (as defined in SEC Rule 15c2-12 (the "Rule")) to comply with the requirements of paragraph (b)(5) of the Rule, the County will execute a Continuing Disclosure Agreement (the "Disclosure Agreement") prior to or simultaneously with the issuance of the Bonds. In the Disclosure Agreement, the County will covenant for the benefit of the Beneficial Owners from time to time of the Bonds to provide certain financial information and operating data relating to the County (the "Annual Report") by not later than March 31 of each year, commencing March 31, 2017, and to provide notices of the occurrence of certain listed events. Potential investors should note that certain of the listed events have been included for purposes of compliance with the Rule but are not relevant to the Bonds. The form of the Disclosure Agreement is set forth in Appendix C.

The County has failed to comply with some of its obligations under its prior continuing disclosure undertakings within the last five years. In particular, the County's financial statements and supplemental annual financial information reports for the fiscal years ended June 30, 2012 through June 30, 2015, inclusive, were not filed with EMMA by the respective dates on which they were due under the County's continuing disclosure undertakings and the related failure to file notices were filed late. The County has made supplemental filings with EMMA to address these failures. In addition, the notice of S&P Global Ratings' 2014 rating upgrade was filed late. The County is committed to complying with its continuing disclosure obligations and has assigned responsibility for future compliance with the office of the Chief Financial Officer.

SALE AT COMPETITIVE BIDDING

The Bonds were offered by the County at a competitive bidding on October 24, 2017, in accordance with the Official Notice of Sale (the form of which is attached as Appendix D). The interest rates shown on the inside front cover page of this Official Statement are the interest rates to the County resulting from the award of the Bonds at the competitive bidding. The yields or prices shown on the cover page of this Official Statement were furnished by the successful bidder for the Bonds. All other information concerning the nature and terms of any reoffering should be obtained from the successful bidder for the Bonds and not from the County.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by Davenport & Company LLC, the financial advisor to the County, on behalf of the County relating to (a) computation of forecasted payments of principal and interest on the Government Obligations to pay interest due on the Bonds through and including the Crossover Date and the redemption price of the Refunded Bonds on the Crossover Date, and (b) computation of the yields on the Bonds and the Government Obligations was examined by Bingham Arbitrage Rebate and Verification Services, Inc. Such computations were based solely upon assumptions and information supplied by Davenport & Company LLC on behalf of the County. Bingham Arbitrage Rebate and Verification Services, Inc. has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

FINANCIAL ADVISOR

Davenport & Company LLC, Towson, Maryland, has rendered financial advice to the County in the preparation of this Official Statement.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of any of the Bonds.

The execution of this Official Statement and its delivery has been approved by Commissioners of St. Mary's County.

COMMISSIONERS OF
ST. MARY'S COUNTY

By: /S/ JAMES R. GUY
James R. Guy
President
Commissioners of St. Mary's County

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COMMISSIONERS OF ST. MARY'S COUNTY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2016

Murphy & Murphy, CPA, LLC

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Commissioners of St. Mary's County

June 30, 2016

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Commissioners of St. Mary's County

June 30, 2016

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Murphy & Murphy, CPA, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of St. Mary's County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commissioners of St. Mary's County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commissioners of St. Mary's County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 represent 65.54 percent, 65.79 percent and 89.68 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the St. Mary's County Public Schools, is 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

108 La Grange Avenue ◆ La Plata, Maryland 20646-9592 ◆ (301) 609-7515 ◆ (301) 870-3677 ◆ Fax: (301) 609-7510
8023 Malcolm Road ◆ Clinton, Maryland 20735-1717 ◆ (301) 856-4100 ◆ Fax: (301) 856-4105
www.murphycpallc.com
Member: AICPA Private Companies Practice Section

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregrate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners of St. Mary's County as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 4 - 15 and 104 - 110 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commissioners of St. Mary's County's basic financial statements. The combining and individual non-major fund financial statements, budget schedules and unexpended appropriations for capital projects are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The detailed budget schedules and unexpended appropriations for capital projects have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016, on our consideration of the Commissioners of St. Mary's County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commissioners of St. Mary's County's internal control over financial reporting and compliance.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
November 17, 2016

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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 the County for the fiscal year ended June 30, 2016. 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 and deferred outflows of the the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $242.7 million (*net position*). Approximately $18.5 million, or 7.6%, is attributable to the County's enterprise funds, which include business-type activities for Solid Waste and Recycling (SW&R), Recreation and Parks recreation activities, and the Wicomico Golf Course. Approximately 3% of the total net position, or $6.4 million (*unrestricted net position*), may be used to meet ongoing obligations to citizens and creditors. Other components of the net position are $17.4 million of restricted net position and approximately $219 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 position reflects a decrease of $28.2 million over the prior year.

- Government activities total indebtedness decreased by $4,372,126 during the fiscal year ended June 30, 2016. There was an increase in exempt financing of $2,907,520 and payments on the debt totaled $10,460,367. The estimated post-closure costs of the landfill increased by $3,029,000 and there was a net increase in the accrual for compensated absences of $151,724.

- As of June 30, 2016, the County's governmental funds reported combined fund balances of $58.4 million, a decrease of $11.4 million from the prior year. The general fund reflected a decrease of $7,016,183. The capital projects fund reflected a decrease of $3.2 million. The fund balance for the non-major funds decreased $1,120,598. The County's governmental fund balances at June 30, 2016 include $15.7 million for capital projects, $41.6 million in general funds, and $1.1 million for the other non-major funds. The general fund balance of $41.6 million includes: $2.1 million that is nonspendable, as well as, $14.9 million which is committed to the following: $13.3 million for the Bond Rating Reserve and $1.625 million for County's Rainy Day Fund. In addition, the general fund reflects assigned designations of approximately $1.2 million which includes encumbrances.

- With the FY2016 budget, the State's allocations/funding to the County continue to be lower than past years. Cost shifts continue and this budget continues to focus on funding recurring expenses with recurring revenues. There remains uncertainty with respect to the federal budget situation, with the possibility that federal budget balancing efforts may disproportionately affect St. Mary's County, given the federal presence in the County – directly through federal installations such as the Patuxent River Naval Air Station, and also the related impacts on the contractor community which is also a significant employment sector for the County. The County deems it prudent to stay the course with respect to basic government services, while maintaining reserves adequate to cushion against changes over which it has little influence. The County approved a plan for the use of fund balance in FY2016 and maintained balances that can be used to mitigate the impact or at least allow the County to transition to the potential new levels of economic activity, without undue and/or unnecessary disruption to citizen services.

- 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 financing their acquisition of capital assets.

- The business-type operating activities reflect a total increase in net position of $315,046. Fee-based recreation activities posted an increase of $249,228. This fund is an accumulation of a large number of recreation activities, and fees are adjusted so that the fund, over the long term, breaks even, with no significant net position being accumulated. Fee-based solid waste and recycling activities posted an increase of $74,104, the subsidy from the general fund ended in FY2015. The Wicomico Golf Course reflects a decrease of $8,286 in net position. Significant reduction in expenses was implemented in the FY2016 Budget to reduce this decline when compared to prior years. The enterprise funds are reviewed for sustainability, as a part of the annual budget process. At the same time, increased costs for personal, utilities and general operating costs has been realized. During FY2017, consideration will continue to be given to the fee schedules as well as cost control, to restore this activity to a balanced budget.

- At June 30, 2016, the unassigned fund balance for the general fund (primary operating fund) was $21.5 million, or 9.9% of general fund expenditures. Assigned fund balance of the general fund was $1.2 million, or 2.9% of the general fund total fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which comprise of 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 the County's finances, in a manner comparable to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 the County 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 County 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 the County in FY2016 include Wicomico Golf Course, Solid Waste and Recycling Activities and the Recreation Activities.

The government-wide financial statements include not only the Commissioners of St. Mary's County itself (known as the *primary government*), but also legally separate component units. The County has the following component units: St. Mary's County Public Schools, St. Mary's County Library, 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 16 to 19 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. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County 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.*

The Commissioners of St. Mary's County 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. The basic governmental fund financial statements can be found on pages 20 to 21 of this report.

The Commissioners of St. Mary's County 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 budget to actual statement can be found on page 104 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. The Commissioners of St. Mary's County uses enterprise funds to account for Wicomico Golf Course, and fee-based Solid Waste and Recycling Activities and Recreation Activities. The proprietary fund financial statements can be found on pages 23 to 25 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 the Commissioners of St. Mary's County'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, the Retiree Benefit Trust of St. Mary's County, Maryland, which addresses the County's retiree health benefits and the Length of Service Awards for Fire & Rescue. The basic fiduciary fund financial statements can be found on pages 26 to 31 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 32 to 103 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Commissioners of St. Mary's County's progress in funding its obligations to retiree benefits. Required supplementary information can be found on pages 104 to 110 of this report. Other supplementary information can be found on pages 111 to 121.

Government-wide Financial Analysis

As noted earlier, net position 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 $242.7 million at the close of the current fiscal year. The County's net position is divided into three categories: net investment in capital assets, restricted net position; and unrestricted net position. Approximately 90% of the County's net position reflects its net investment in capital assets (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 position represents 7.2% of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government has a balance of $6.3 million (2.6% of total net position) which may be used to meet the government's ongoing obligations to citizens and creditors.

NET POSITION

June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current Assets	$ 111,586,482	$ 125,038,989	$ 1,660,731	$ 2,905,737	$ 113,247,213	$ 127,944,726
Other Non-Current Assets	2,636,521	2,278,749	-	-	2,636,521	2,278,749
Capital Assets, Net of Accumulated Depreciation	272,793,854	259,708,769	18,223,532	16,923,227	291,017,386	276,631,996
DEFERRED OUTFLOW OF RESOURCES						
Pension	16,046,423	240,756	-	-	16,046,423	240,756
Bond Refunding	2,006,421	2,303,585	-	-	2,006,421	2,303,585
Total Assets & Deferred Outflow of Resources	$ 405,069,701	$ 389,570,848	$ 19,884,263	$ 19,828,964	$ 424,953,964	$ 409,399,812
LIABILITIES						
Current Liabilities	$ 26,884,801	$ 24,472,479	$ 749,930	$ 1,017,391	$ 27,634,731	$ 25,489,870
Non-Current Liabilities	144,820,291	101,816,715	668,773	661,059	145,489,064	102,477,774
DEFERRED INFLOW OF RESOURCES						
Pension	445,363	1,821,698	-	-	445,363	1,821,698
Unavailable Income Tax Distribution	8,643,717	8,610,524	-	-	8,643,717	8,610,524
Total Liabilities & Deferred Inflow of Resources	180,794,172	136,721,416	1,418,703	1,678,450	182,212,875	138,399,866
NET POSITION						
Net Investment in Capital Assets	201,346,613	179,507,678	17,675,590	16,430,851	219,022,203	195,938,529
Restricted	17,364,249	23,295,813	-	-	17,364,249	23,295,813
Unrestricted	5,564,667	50,045,941	789,970	1,719,663	6,354,637	51,765,604
Total Net Position	224,275,529	252,849,432	18,465,560	18,150,514	242,741,089	270,999,946
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 405,069,701	$ 389,570,848	$ 19,884,263	$ 19,828,964	$ 424,953,964	$ 409,399,812

At June 30, 2016, the Commissioners of St. Mary's County reports positive balances in all three categories of net position as a whole.

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

CHANGES IN NET POSITION

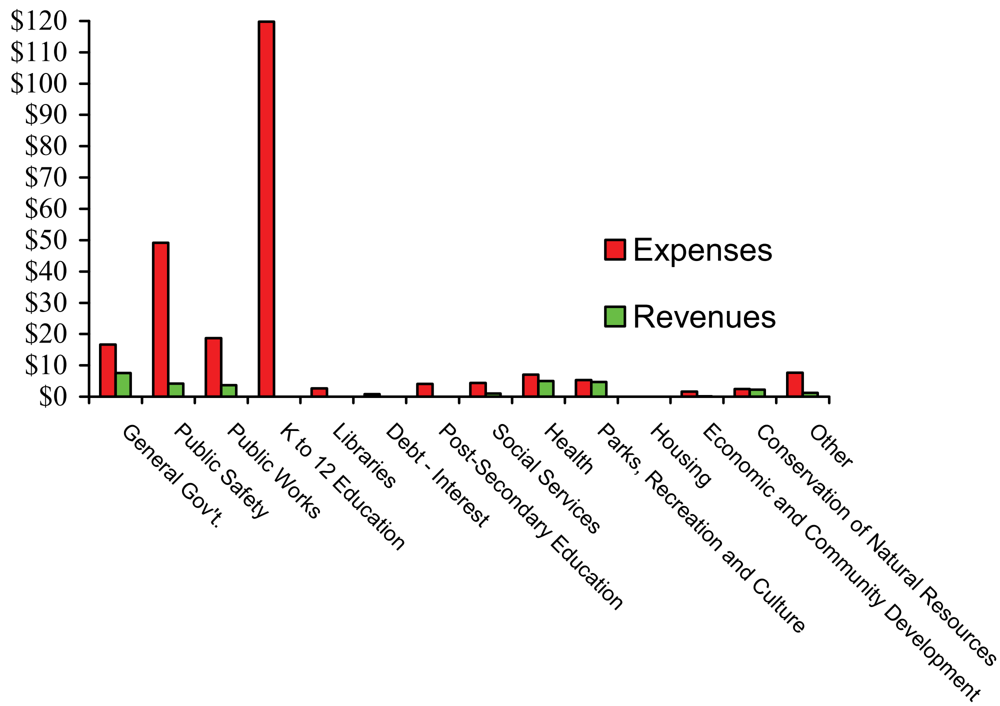
Years ended June 30, 2016 and 2015

	Governmental Activities		Business –Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for Services	$ 5,732,399	$ 6,479,642	$ 4,145,710	$ 3,985,643	$ 9,878,109	$ 10,465,285
Environment/Solid Waste Fees	-	-	2,586,093	2,492,387	2,586,093	2,492,387
Operating Grants and Contributions	11,551,791	11,887,785	29,781	29,781	11,581,572	11,917,566
Capital Grants and Dedicated Fees or Taxes	2,672,055	11,243,351	-	-	2,672,055	11,243,351
General Revenues:						
Property Taxes	105,273,048	104,543,652	-	-	105,273,048	104,543,652
Income Taxes	85,525,116	81,002,813	-	-	85,525,116	81,002,813
Other Taxes	15,772,665	15,112,462	-	-	15,772,665	15,112,462
Investment Earnings	101,644	107,103	348	29,206	101,992	136,309
Subsidies to Enterprise Funds	-	(950,000)	-	950,000	-	-
Roads Constructed by Third Parties	6,481,726	11,226,666	-	-	6,481,726	11,226,666
Capital Transfer	(971,925)	-	971,925	-	-	-
Miscellaneous, principally Capital Projects Funding	8,391,792	7,853,542	-	-	8,391,792	7,853,542
Total Revenues	240,530,311	248,507,016	7,733,857	7,487,017	248,264,168	255,994,033
Program Expenses:						
General Government	21,014,903	16,690,077	-	-	21,014,903	16,690,077
Public Safety	45,640,450	49,157,196	-	-	45,640,450	49,157,196
Public Works	21,758,117	18,690,775	3,882,758	3,497,818	25,640,875	22,188,593
Health	7,383,969	7,038,830	-	-	7,383,969	7,038,830
Social Services	4,459,132	4,372,071	-	-	4,459,132	4,372,071
Primary and Secondary Education	104,971,797	119,750,654	-	-	104,971,797	119,750,654
Post-Secondary Education	4,311,220	4,054,715	-	-	4,311,220	4,054,715
Parks, Recreation, and Culture	7,086,204	5,343,231	3,536,053	3,664,566	10,622,257	9,007,797
Libraries	2,770,245	2,680,245	-	-	2,770,245	2,680,245
Conservation of Natural Resources	1,712,422	2,468,972	-	-	1,712,422	2,468,972
Economic Development and Opportunity	1,848,637	1,661,458	-	-	1,848,637	1,661,458
Interest on Debt	1,970,528	799,904	-	-	1,970,528	799,904
Intergovernmental	42,973	49,811	-	-	42,973	49,811
Other, principally Retirees' Health	9,103,015	7,130,581	-	-	9,103,015	7,130,581
Total Expenses	234,073,612	239,888,520	7,418,811	7,162,384	241,492,423	247,050,904
Increase/(Decrease) in Net position	6,456,699	8,618,496	315,046	324,633	6,771,745	8,943,129
Net Position – Beginning, as Previously Stated	252,849,432	262,580,052	18,150,514	17,825,881	270,999,946	280,405,933
Prior Period Adjustment	(35,030,602)	(18,349,116)	-	-	(35,030,602)	(18,349,116)
Net Position – Beginning, as Restated	217,818,830	244,230,936	18,150,514	17,825,881	235,969,344	262,056,817
Net Position - Ending	$ 224,275,529	$ 252,849,432	$ 18,465,560	$ 18,150,514	$ 242,741,089	$ 270,999,946

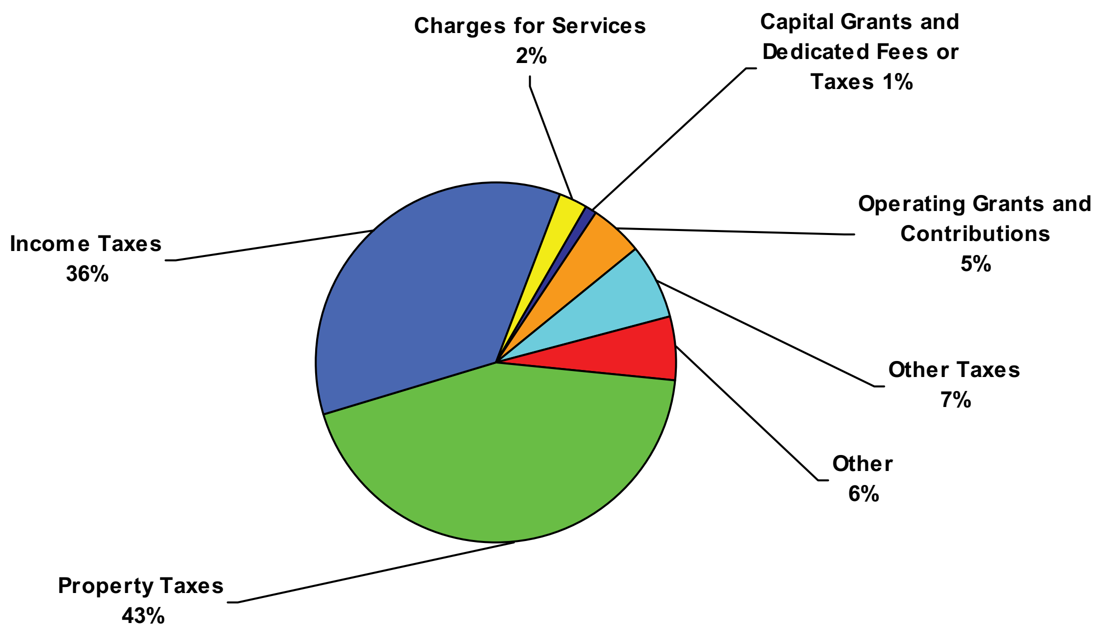
Governmental activities: Governmental activities reflected an increase in net position of $6.5 million. The governmental funds reflected a net decrease of $11.4 million.

Business-type activities: Business-type activities reflected an increase in net position of $315,046.

Expenses and Program Revenues – Governmental Activities
(in millions)



Revenues By Source – Governmental Activities



Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the Commissioners of St. Mary's County *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Commissioners of St. Mary's County financing requirements. In particular, *committed, assigned and unassigned 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, 2016, the Commissioners of St. Mary's County governmental funds reported combined ending fund balances of $58.4 million, a decrease of $11.4 million compared to the prior year. The Capital Projects fund accounts for $15.7 million. Approximately $22 million, or 37% of this total, constitutes *unassigned fund balance*, which is available for spending at the government's discretion in the General Fund. Assigned fund balance represents encumbrances and miscellaneous revolving fund reserved for specific uses. Restricted and committed fund balances include $15.6 million for capital projects, $13.3 million for the Bond Rating Reserve and $1.625 million for Rainy Day Fund. Non-spendable fund balance includes $1,253,760 committed to liquidate inventories, prepaid expenses of $41,059 and $888,041 in interfund advances. Unassigned fund balance represents almost 10% of general fund expenditures.

The fund balance of the Commissioners of St. Mary's County general fund has decreased $7,016,183 in FY2016, when compared to the prior year increase of $2.2 million. However, both FY2015 and FY2016 had planned use of fund balance for non-recurring expenses and application of capital project pay-go funding. The County prefers to use unassigned fund balance for non-recurring expenses.

The capital projects fund has a total fund balance of $15.7 million. This balance reflects the accumulated unspent balance of impact fees, transfer taxes, and pay-go, which has been appropriated for specific projects, but remains unspent as of June 30, 2016. These funds have been budgeted, and the capital projects are in progress. A listing of the unexpended balances appears on pages 120 and 121.

Proprietary funds: The Commissioners of St. Mary's County'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 year, the Wicomico Golf Course Fund reflected unrestricted net position of ($918,020). The Recreation Activities Fund reflected unrestricted net position of $563,842, and the unrestricted net position of the Solid Waste and Recycling Fund amounted to $1,144,148. On a combined basis, there was a $929,692 decrease in unrestricted net position over the prior year. Factors concerning these funds' finances are addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

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. FY2016 actual results reflect actual revenues that are about $1.7 million less than the original budget; however, this is largely attributable to the $1.1 million negative variance in income tax and $935,145 in grants (including the grant reserve). Such variances in grants can be the result of not getting grants that were budgeted as well as incurring the grant revenues in a subsequent period, when the corresponding revenues are then reflected. The grants variance has a corresponding level of reduced expenditure activity, which results in no net effect on fund balance. Property Taxes had a positive variance of $191,056. The FY2016 budget for income tax revenue is based upon an annual growth rate of 4% applied to tax year 2012 results based on returns filed. This growth percentage is the average from Tax Year 2011 through Tax Year 2013, 3.94%. As the information on pages 113 and 114 shows, there are a variety of smaller offsetting variances; these were considered when developing the revenue budget for FY2017. The County will continue to monitor closely the developments in property and income taxes, as these are such a significant component of funding. Given the economy, it is likely that the rate of growth in property taxes will be minimal, due to the contraction of assessed values and the slower rate of growth. As for income taxes, the County will continue to budget based on its specific taxable income statistics, as provided by the State, rather than the State's distributions, which are based on State-wide cash flow.

Expense variances fall into several categories. During the course of FY2016 there were a number of temporary vacancies within the County departments that resulted in turn-over and vacancy savings of almost $900,000. The FY2017 budget is based on updated estimates for salaries and benefits. County departments also realized savings in fuel, utilities, non-public student bus contracts, STS transportation system, and other contract services of about $2.4 million, combined. Unspent funds in the Sheriff's operating budget were $2.4 million, of which almost $1.5 million is from personal services costs, which include position costs and overtime. The FY2016 budget included $3.6 million for debt services costs related to selling bonds, this was deferred and this funding was transferred to the Commissioners emergency reserve along with $3.3 million that was reverted from CIP Pay-Go. $7 million was paid from the Commissioners reserve towards Landfill Settlement which is mentioned on page 91. Estimates for subsequent budgets will be reviewed in light of these recurring positive variances.

While the County's financial situation is strong and sustainable, the County continues to take a very conservative approach to revenue estimates, given the significant uncertainty surrounding the federal budget and the general economy – continuing to focus on efficiency measures, both as a part of budget adoption, and also throughout the operational year. The use of selected budget savings to pay down liabilities instead of increasing recurring cost is a good indicator of the County's conservative approach. Savings are not re-aligned to spend on recurring costs that carry future funding commitments. Instead, the savings are used to pay down liabilities to reduce future annual costs, or allowed to accrue to fund balance to fund future non-recurring costs. 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.

Recurring expenses must be supported by recurring revenues in order to be sustainable. The County builds a budget based on sustainable levels of revenues, and uses any excess generated in one year to fund non-recurring items in subsequent budget years. As indicated previously, the County has retained significant fund balance to position it to be able to address the uncertain future caused by the economy, especially as it relates to State and Federal funding. The federal budget situation can be expected to have an effect on the County's economy directly as well as through the State allocations, though it may be a couple of years until the effect is known with certainty. As a part of each annual budget process, the County Commissioners approved a fund balance plan that utilizes funds not needed for operating reserves for transfers to pay-go for capital or use for other non-recurring items over the next several years. It also retains a significant reserve balance not identified for such purposes. Higher reserves at this time will enable us to soften the impact of further cuts or cost shifts, allowing some additional time to implement longer term cost reduction measures, as might be appropriate. Commissioners approved a new Fund Balance policy in August 2015 which reinforces using fund balance for non-recurring expenses and it also stipulates that County Reserves, which includes the 6% Bond Rating Reserve, Rainy Day Fund and Unassigned fund balance, should be at or above 15% of general fund revenue. With the low property tax rate and an income tax rate that is less than the maximum allowed by the State, the County also has maintained ample capacity for revenue enhancement should future needs arise, and the circumstances warrant it.

Capital Asset and Debt Administration

- **Capital assets:** The Commissioners of St. Mary's County's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to $291 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 the County's investment in capital assets for the fiscal year ended June 30, 2016 is $14,385,390. 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.

CAPITAL ASSETS
(At Cost, Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 36,653,850	$ 36,435,884	$ 1,078,666	$ 1,078,666	$ 37,732,516	$ 37,514,550
Building and Improvements	71,135,256	68,432,870	2,586,210	2,658,332	73,721,466	71,091,202
Facilities Under Construction	9,855,893	7,935,407	-	-	9,855,893	7,935,407
Solid Waste Facilities	-	-	13,220,472	12,248,547	13,220,472	12,248,547
Infrastructure	134,954,321	129,260,831	147,614	164,308	135,101,935	129,425,139
Vehicles	6,173,277	3,650,066	1,081,459	660,461	7,254,736	4,310,527
Equipment	14,021,257	13,993,711	109,111	112,913	14,130,368	14,106,624
	$ 272,793,854	$ 259,708,769	$ 18,223,532	$ 16,923,227	$ 291,017,386	$ 276,631,996

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

- Approximately $10.1 million in road costs were capitalized, including $6.5 million in roads developed /constructed by third parties.
- Approximately $3.6 million in vehicle costs were capitalized, which includes $2 million for the Sheriff's Department vehicles.
- Capitalized bridge costs of approximately $1.8 million, most of which was Dr. Johnson Road bridge structure.

Additional information on the County's capital assets can be found in Note 3 of this report.

Long-term debt: At June 30, 2016, the Commissioners of St. Mary's County had the following debt, and other similar obligations outstanding, as set forth in the table below. The full faith and credit and unlimited taxing power of the Commissioners of St. Mary's 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 General Obligation Bonds.

GENERAL OBLIGATION DEBT

	June 30, 2016	June 30, 2015	Amounts due within one year
Primary Government			
General Obligation Bonds(GOB) – County	$ 63,633,000	$ 70,488,000	$ 7,475,000
Water Quality Loans	874,656	1,344,218	324,784
State Loans	1,514,771	1,637,439	124,963
Surplus Property Transfer of Debt	300	442	147
Exempt Financing (Equipment & Vehicles)	5,424,514	5,529,992	3,030,893
	$ 71,447,241	$ 79,000,091	$ 10,955,787
Business-Type Activities			
Exempt Financing (Equipment)	$ 547,942	$ 492,375	$ 237,952

The Commissioners of St. Mary's County's additions to debt were $3,200,000, reflecting new exempt financing for equipment and vehicles.

The County has an AA+ rating from Fitch Ratings, an "AA+" from Standard and Poors and an "Aa2" rating from Moody's Investors Service, Inc, which were confirmed with a visit to NY in June 2016. Rating reviews issued by the agencies have typically cited the County's low debt burden with rapid amortization, careful management of the capital program, healthy reserves, budget flexibility, a stable economy, and prudent fiscal policies. The County's debt policy, adopted by the Board, provides that the ratio of debt to assessed value not exceed 2%, and debt service expense 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 the Commissioners of St. Mary's County's long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

- The total general fund FY2017 expenditure budget is $222.1 million; unassigned fund balance was not used in this budget. The property tax income is based on information provided by the State as to estimated taxable assessed value of $12.2 billion, a small increase over the prior year's estimate of $12.0 billion. The impact of triennial assessments that shows a minimal increase in the full value are somewhat mitigated by the County's cap of 5%. Assessments continue to reflect slow growth; this resulted in revenue estimate at 1.6% over the prior year. Initial billings for FY2017 are comparable to the estimates. The real property tax rate remains at .8523 per $100 of assessed value, which is higher than the constant yield tax rate by .0055. The personal property tax rate, which is 2.5 times the real property tax rate, is $2.1308. The income taxes were budgeted at $89 million, based on a 4% growth in local tax returns. This represents an increase of 2.7% over the FY2016 budget, and reflects both the estimated County specific tax returns as well as $3.5 million which are estimated to be interest and penalties as well as the share of State-wide unallocated taxes that will be distributed to the County by the State. A $1 million reserve was set up in FY2013 for the settlement of the Wynne Case, actual refunds to taxpayers are being calculated now and refunds will be reduced from the County's Income Tax revenue starting in FY2019, this reserve was reversed and the $1 million is also part of revenue estimate for FY2017. Preliminary indications, based on the first of the four large distributions made by the State, indicate that budget will be met. Information has recently been received from the State showing TY2015 is 5.2% higher than TY2014, which is below the State average of 5.7%. This increase indicates that the tax base is recovering from impacts of furloughs and federal sequester actions in late calendar 2013. Continual monitoring of the property tax and income tax revenue, which represents 88% of the total revenues, will be a major part of the FY2018 budget development, any indications of reduction will be offset by reduced expenditures.

- Though the County may be impacted by the general and State economic situation, the activities and operations of the Patuxent Naval Air Base thus far have had a stabilizing effect. Operations at the base, which is the busiest flight center in the world, continued to grow. The number of jobs and related services, and the number and diversity of technology companies are relatively stable, actual jobs on the base have reached 25,000 as of May 2016. Nearing completion is the development of a Comprehensive Economic Development Strategy (CEDS) with University of Maryland and Towson University which will focus on the diversification of the County's future economy. The County's airport has been designated as an FAA UAS test site with the University of Maryland, while this designation is not for NAS Patuxent River, the local test site works with the Navy to arrange for testing within restricted air space as well as non-restricted air space, greatly enhancing the County's attractiveness to businesses pursuing unmanned and autonomous systems work.

- 24,000 square foot Patuxent River Naval Air Museum opened in 2016 which should attract many visitors to the County to learn the history of the Navy's presence in St. Mary's County.

- The population growth continues and was estimated at 111,000 as of July 1, 2015 and is estimated to grow to 125,150 by 2020.

- The County ranks near the top in the State for growth in the labor force, average weekly wages, and median household income. We consistently post unemployment rates that are well below State averages. These factors indicate a stable economy.

- Tourism and Hospitality Industry continues to be an important component of the local economy. A master plan is being developed for Tourism and Hospitality with completion by end of FY2017. The County's accommodations tax continues to reflect strong growth.

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 pay down its unfunded accrued liability for retiree health obligations. The County has funded the full required actuarially determined annual contribution for OPEB annually since FY2008 out of recurring revenues. Additionally, the County has used operating budget savings to make supplemental contributions to the OPEB Trust and to increase its pay-go funding of capital projects, which reduces the debt needed. Each of these actions served to reduce future annual expenditures. In the FY2016 and FY2017 Budget, OPEB was budgeted for current retirees only.

The Board intends to continue its use of multi-year outlooks and sustainability reviews as a part of the budget process, accompanied by interim reviews of selected revenues and expenditures. It is expected that cost-saving measures will continue, and that savings will be used to reduce future costs. County Departments (which does not include Law Enforcement or Corrections) staffing in the FY2017 budget remains level for over a decade, achieved through use of technology as well as operational stream-lining and privatization. Compensation study for Sheriff's Sworn was completed and provided a 9% and 7.8% increase to Law and Corrections, respectively in the FY2017 Budget. 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 Federal budget situation and its potential impact on Patuxent River NAS and the related County 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 challenging times. Tax rates for FY2017 remain unchanged, and the County's property tax rate continues to be among the lowest in the

State, thus retaining tax flexibility and capacity for the future. However, it is the goal to manage our way through these volatile times through a variety of measures, a balanced approach that considers the needs and priorities of our citizens. 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, Commissioners of St. Mary's County, 41770 Baldridge Street, P.O. Box 653, Leonardtown, Maryland 20650, or via email at Finance@stmarysmd.com.

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COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Units			
	Governmental Activities	Business-Type Activities	Total	Public Schools	Library	Metropolitan Commission	Building Authority
ASSETS							
Cash and cash equivalents	$ 62,900,639	$ 184,922	$ 63,085,561	$ 33,224,856	$ 790,714	$ 21,493,669	$ -
Internal balances	(1,150,707)	1,150,707	-	-	-	-	-
Restricted cash and investments	1,461,058	156,273	1,617,331	85,217	139,743	-	-
Taxes receivable	2,577,635	-	2,577,635	-	-	-	-
Income tax reserve, funds held by the state	8,643,717	-	8,643,717	-	-	-	-
Due from other governments	-	-	-	8,414,978	78,664	-	191,654
Special assessments receivable	415,430	-	415,430	-	-	-	-
Notes receivable, Fire and Rescue loans	434,468	-	434,468	-	-	-	-
Accounts receivable	14,295,876	128,444	14,424,320	523,584	188,761	42,437,933	-
Inventory	1,253,760	31,821	1,285,581	174,066	-	257,922	-
Prepaid post-retirement benefit (OPEB)	20,295,753	-	20,295,753	-	182,732	300,388	-
Other, principally prepaid expenses	458,853	8,564	467,417	200	-	54,462	-
Unamortized bond discount	-	-	-	-	-	28,390	-
Fire and Rescue loans receivable, net of short-term portion	2,636,521	-	2,636,521	-	-	-	-
Capital assets	448,585,784	23,489,637	472,075,421	414,946,524	6,128,734	210,160,208	-
Accumulated depreciation	(175,791,930)	(5,266,105)	(181,058,035)	(150,610,709)	(4,754,259)	(59,182,468)	-
Capital assets, net of accumulated depreciation	272,793,854	18,223,532	291,017,386	264,335,815	1,374,475	150,977,740	-
DEFERRED OUTFLOW OF RESOURCES							
Pension	16,046,423	-	16,046,423	2,925,650	-	783,173	-
Bond refunding	2,006,421	-	2,006,421	-	-	360,654	-
Total Assets and Deferred Outflow of Resources	$ 405,069,701	$ 19,884,263	$ 424,953,964	$ 309,684,366	$ 2,755,089	$ 216,694,331	$ 191,654

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Units			
	Governmental Activities	Business-Type Activities	Total	Public Schools	Library	Metropolitan Commission	Building Authority
LIABILITIES							
Current liabilities:							
Accounts payable	$ 7,892,520	$ 187,789	$ 8,080,309	$ 4,575,819	$ 151,342	$ 3,130,156	$ -
Compensation-related liabilities	10,261,879	319,752	10,581,631	16,612,406	128,443	834,169	-
Unearned revenue	3,755,540	242,389	3,997,929	6,874,603	-	25,611	-
Other liabilities	4,783,208	-	4,783,208	-	-	1,122,374	-
Due to other governments	191,654	-	191,654	2,174	71,891	-	-
Restrospective insurance premium call payable	-	-	-	232,047	-	-	-
Non-current liabilities:							
Due within one year	10,968,583	237,952	11,206,535	979,169	-	6,045,227	-
Due in more than one year	69,832,889	430,821	70,263,710	56,204,023	97,607	93,000,108	-
Net pension liability	64,018,819	-	64,018,819	12,514,609	-	4,394,022	-
DEFERRED INFLOW OF RESOURCES							
Pension	445,363	-	445,363	1,047,701	-	89,986	-
Unavailable income tax distribution	8,643,717	-	8,643,717	-	-	-	-
Total Liabilities and Deferred Inflow of Resources	180,794,172	1,418,703	182,212,875	99,042,551	449,283	108,641,653	-
NET POSITION							
Net investment in capital assets	201,346,613	17,675,590	219,022,203	263,570,366	1,374,475	87,486,749	-
Restricted for:							
Capital assets purchases	1,461,058	-	1,461,058	-	-	-	-
Capital projects	15,619,518	-	15,619,518	-	-	-	-
Other purposes	283,673	-	283,673	104,673	204,570	11,302,534	-
Unrestricted	5,564,667	789,970	6,354,637	(53,033,224)	726,761	9,263,395	191,654
Total Net Position	224,275,529	18,465,560	242,741,089	210,641,815	2,305,806	108,052,678	191,654
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 405,069,701	$ 19,884,263	$ 424,953,964	$ 309,684,366	$ 2,755,089	$ 216,694,331	$ 191,654

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues			
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Dedicated Fees or Taxes	Total Revenues
General government	$ 21,014,903	$ 2,669,287	$ 885,130	$ 1,273,213	$ 4,827,630
Public safety	45,640,450	1,356,186	2,128,718	-	3,484,904
Public works	21,758,117	567,975	2,054,433	415,376	3,037,784
Health	7,383,969	-	5,151,544	-	5,151,544
Social services	4,459,132	3,695	1,036,707	-	1,040,402
Primary and secondary education	104,971,797	-	-	-	-
Post-secondary education	4,311,220	-	-	-	-
Parks, recreation, and culture	7,086,204	62,030	23,639	504,848	590,517
Libraries	2,770,245	-	-	-	-
Conservation of natural resources	1,712,422	-	-	295,218	295,218
Economic development and opportunity	1,848,637	42,987	271,620	-	314,607
Debt interest	1,970,528	-	-	-	-
Intergovernmental	42,973	-	-	-	-
Other, including OPEB	9,103,015	1,030,239	-	183,400	1,213,639
TOTAL GOVERNMENTAL ACTIVITIES	234,073,612	5,732,399	11,551,791	2,672,055	19,956,245
Business-type activities:					
Recreation activity	2,295,079	2,514,516	29,781	-	2,544,297
Wicomico	1,240,974	1,232,350	-	-	1,232,350
Solid waste/recycling	3,882,758	398,844	-	-	398,844
TOTAL BUSINESS-TYPE ACTIVITIES	7,418,811	4,145,710	29,781	-	4,175,491
TOTAL PRIMARY GOVERNMENT	241,492,423	9,878,109	11,581,572	2,672,055	24,131,736
COMPONENT UNITS:					
Public schools	251,639,002	2,917,719	44,045,059	11,361,369	58,324,147
Library	3,972,822	286,447	1,025,997	-	1,312,444
MetCom	24,611,055	21,712,521	-	-	21,712,521
Building authority	-	-	-	-	-
	280,222,879	24,916,687	45,071,056	11,361,369	81,349,112

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
Environmental/solid waste fees
Roads constructed by third parties
Capital transfer
Miscellaneous, principally capital projects funding
Total general revenues

Increase/(decrease) in net position

Net position - beginning, as previously stated
Prior period adjustment
Net position - beginning, as restated

Net position - ending

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net (Expense) Revenue and Changes in Net Position						
Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Public Schools	Library	MetCom	Building Authority
$ (16,187,273)	$ -	$ (16,187,273)	$ -	$ -	$ -	$ -
(42,155,546)	-	(42,155,546)	-	-	-	-
(18,720,333)	-	(18,720,333)	-	-	-	-
(2,232,425)	-	(2,232,425)	-	-	-	-
(3,418,730)	-	(3,418,730)	-	-	-	-
(104,971,797)	-	(104,971,797)	-	-	-	-
(4,311,220)	-	(4,311,220)	-	-	-	-
(6,495,687)	-	(6,495,687)	-	-	-	-
(2,770,245)	-	(2,770,245)	-	-	-	-
(1,417,204)	-	(1,417,204)	-	-	-	-
(1,534,030)	-	(1,534,030)	-	-	-	-
(1,970,528)	-	(1,970,528)	-	-	-	-
(42,973)	-	(42,973)	-	-	-	-
(7,889,376)	-	(7,889,376)	-	-	-	-
(214,117,367)	-	(214,117,367)	-	-	-	-
-	249,218	249,218	-	-	-	-
-	(8,624)	(8,624)	-	-	-	-
-	(3,483,914)	(3,483,914)	-	-	-	-
-	(3,243,320)	(3,243,320)	-	-	-	-
(214,117,367)	(3,243,320)	(217,360,687)	-	-	-	-
-	-	-	(193,314,855)	-	-	-
-	-	-	-	(2,660,378)	-	-
-	-	-	-	-	(2,898,534)	-
-	-	-	-	-	-	-
-	-	-	(193,314,855)	(2,660,378)	(2,898,534)	-
105,273,048	-	105,273,048	-	-	-	-
85,525,116	-	85,525,116	-	-	-	-
15,772,665	-	15,772,665	-	-	-	-
101,644	348	101,992	45,663	7,885	26,783	-
-	-	-	187,483,751	2,588,064	-	-
-	-	-	-	-	-	-
-	2,586,093	2,586,093	-	-	-	-
6,481,726	-	6,481,726	-	-	-	-
(971,925)	971,925	-	-	-	-	-
8,391,792	-	8,391,792	706,208	230	3,897,874	-
220,574,066	3,558,366	224,132,432	188,235,622	2,596,179	3,924,657	-
6,456,699	315,046	6,771,745	(5,079,233)	(64,199)	1,026,123	-
252,849,432	18,150,514	270,999,946	215,721,048	2,370,005	107,026,555	191,654
(35,030,602)	-	(35,030,602)	-	-	-	-
217,818,830	18,150,514	235,969,344	215,721,048	2,370,005	107,026,555	191,654
$ 224,275,529	$ 18,465,560	$ 242,741,089	$ 210,641,815	$ 2,305,806	$ 108,052,678	$ 191,654

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

COMMISSIONERS OF ST. MARY'S COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Capital Projects	Non-Major	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 62,900,639	$ -	$ -	$ 62,900,639
Due from other funds	-	16,203,496	1,046,973	17,250,469
Restricted cash and investments	1,461,058	-	-	1,461,058
Taxes receivable	2,525,446	-	52,189	2,577,635
Income tax reserve, funds held by the state	8,643,717	-	-	8,643,717
Special tax assessments receivable	-	-	1,228	1,228
Notes receivable, Fire and Rescue loans	-	-	434,468	434,468
Accounts receivable	11,408,896	2,886,980	-	14,295,876
Inventory	1,253,760	-	-	1,253,760
Other	458,853	-	-	458,853
Fire and Rescue loans receivable, net of short-term portion	-	-	2,636,521	2,636,521
Special tax assessments receivable, net of short-term portion	-	-	414,202	414,202
DEFERRED OUTFLOW OF RESOURCES				
Bond refunding	-	-	-	-
Total Assets and Deferred Outflow of Resources	$ 88,652,369	$ 19,090,476	$ 4,585,581	$ 112,328,426
LIABILITIES				
Accounts payable	$ 4,532,976	$ 3,348,528	$ 11,016	$ 7,892,520
Compensation-related liabilities	10,261,879	-	10,022	10,271,901
Unearned revenue	230,596	37,974	3,486,970	3,755,540
Other liabilities	4,773,186	-	-	4,773,186
Due to other funds	18,401,176	-	-	18,401,176
Due to other governments	191,654	-	-	191,654
DEFERRED INFLOW OF RESOURCES				
Unavailable income tax distribution	8,643,717	-	-	8,643,717
Total Liabilities and Deferred Inflow of Resources	47,035,184	3,386,502	3,508,008	53,929,694
FUND BALANCES				
Nonspendable	2,182,860	-	-	2,182,860
Restricted	1,744,731	15,619,518	-	17,364,249
Committed	14,955,021	-	1,077,573	16,032,594
Assigned	1,207,947	-	-	1,207,947
Unassigned	21,526,626	84,456	-	21,611,082
Total Fund Balances	41,617,185	15,703,974	1,077,573	58,398,732
Total Liabilities, Deferred Inflow and Resources and Fund Balances	$ 88,652,369	$ 19,090,476	$ 4,585,581	$ 112,328,426

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Projects	Non-Major	Total
REVENUES				
Property taxes	$ 105,273,048	$ -	$ -	$ 105,273,048
Income taxes	85,525,116	-	-	85,525,116
Energy taxes	939,672	-	-	939,672
Recordation taxes	5,463,166	-	-	5,463,166
Transfer taxes	-	5,954,659	-	5,954,659
Agricultural/development taxes	-	559,139	-	559,139
Impact fees	-	1,715,143	-	1,715,143
Other local taxes	1,389,142	-	-	1,389,142
Highway user revenues	901,966	-	-	901,966
Licenses and permits	1,574,154	-	-	1,574,154
Intergovernmental	9,859,122	3,710,722	447,265	14,017,109
Charges for services	2,679,243	-	-	2,679,243
Fines and forfeitures	212,776	-	-	212,776
Special assessments	-	-	183,400	183,400
Other revenues	345,909	-	2,258,584	2,604,493
Sub-total	214,163,314	11,939,663	2,889,249	228,992,226
Pass-throughs	-	-	-	-
TOTAL GENERAL FUND REVENUES	214,163,314	11,939,663	2,889,249	228,992,226
EXPENDITURES				
General government	21,943,087	2,645,840	-	24,588,927
Public safety	43,357,839	1,860,384	2,860,897	48,079,120
Public works	9,288,129	7,921,401	-	17,209,530
Health	7,383,969	-	-	7,383,969
Social services	4,356,043	-	-	4,356,043
Primary and secondary education	99,922,025	3,504,772	-	103,426,797
Post-secondary education	4,257,845	-	-	4,257,845
Parks, recreation and culture	3,855,553	3,538,374	-	7,393,927
Libraries	2,588,064	-	-	2,588,064
Conservation of natural resources	478,171	1,234,250	-	1,712,421
Economic development and opportunity	1,818,051	-	-	1,818,051
Debt service - principal and interest	9,356,779	-	1,448,950	10,805,729
Other	9,700,366	-	-	9,700,366
Sub-total	218,305,921	20,705,021	4,309,847	243,320,789
Pass-throughs	-	-	-	-
TOTAL GENERAL FUND EXPENDITURES	218,305,921	20,705,021	4,309,847	243,320,789
Excess of Revenues Over (Under) Expenditures	(4,142,607)	(8,765,358)	(1,420,598)	(14,328,563)
OTHER FINANCING SOURCES AND USES				
Exempt financing proceeds	2,917,045	-	-	2,917,045
Fire & rescue revolving loan fund - capital projects fund pay-go	-	(300,000)	300,000	-
Capital projects - general fund pay-go	(5,790,621)	5,790,621	-	-
Total other financing sources / uses	(2,873,576)	5,490,621	300,000	2,917,045
Net Increase/(Decrease) in Fund Balances	(7,016,183)	(3,274,737)	(1,120,598)	(11,411,518)
FUND BALANCE				
Beginning of the year	48,633,368	18,978,711	2,198,171	69,810,250
End of year	$ 41,617,185	$ 15,703,974	$ 1,077,573	$ 58,398,732

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

Commissioners of St. Mary's County
Reconciliations of the Governmental Funds to the Governmental Activities
For the Year Ended June 30, 2016

Balances reflected as Fund Balance for Governmental Funds are different from Net Position for Governmental Activities because:	
Fund Balance - Governmental Funds	$ 58,398,732
Capital assets, net of accumulated depreciation, are not reported in the balance sheet for governmental funds	272,793,854
Prepaid OPEB is not reported in the balance sheet for governmental funds	20,295,753
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 does include debt applicable to assets reported in the component unit for the Board of Education	(80,801,472)
Net pension liability	(64,018,819)
Deferred inflow of resources - pension obilgation	(445,363)
Deferred outlfow of resources - general obligation bond refunding	2,006,421
Deferred outlfow of resources - pension obligation	16,046,423
Net position - governmental activities	$ 224,275,529
Amounts reported for change in fund balances - governmental funds are different from change in net position of governmental activities because:	
Net increase(decrease) in fund balances - total governmental funds	$ (11,411,518)
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. Capital outlays:	24,211,507
Depreciation expense:	(11,064,145)
Cost of capital assets disposed less accumulated depreciation which is reported in the statement of activities, but not reflected as an expenditure for governmental activities	(62,276)
Repayment of debt	10,460,370
Issuance of long-term debt	(6,088,244)
Effect of refunding	(297,164)
Debt escrow not on balance sheet	(118,996)
Recognized pension costs less than the pension amount contributed	3,189,897
Decrease in prepaid OPEB not reported on balance sheet for governmental funds	(2,362,732)
Increase(decrease) in net position of governmental activities	$ 6,456,699

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ -	$ 184,922	$ -	$ 184,922
Due from other funds	772,713	28,101	1,237,934	2,038,748
Restricted cash from Investments	-	-	156,273	156,273
Accounts receivable	68,337	461	59,646	128,444
Inventory	-	31,821	-	31,821
Other, prepaids	-	8,564	-	8,564
Total Current Assets	841,050	253,869	1,453,853	2,548,772
Non-current assets:				
Capital assets	305,389	6,467,833	16,716,415	23,489,637
Accumulated depreciation	(168,277)	(2,698,498)	(2,399,330)	(5,266,105)
Capital assets, net of accumulated depreciation	137,112	3,769,335	14,317,085	18,223,532
Total Assets	$ 978,162	$ 4,023,204	$ 15,770,938	$ 20,772,304
LIABILITIES				
Current liabilities:				
Accounts payable	$ 31,699	$ 45,195	$ 110,895	$ 187,789
Compensation-related liabilities	104,651	75,099	140,002	319,752
Unearned revenue	140,858	101,531	-	242,389
Noncurrent Liabilities:				
Due within one year:				
Financing agreements	-	9,059	228,893	237,952
Advance from general fund	-	70,365	-	70,365
Due in more than one year:				
Financing agreements	-	-	309,990	309,990
Advance from general fund	-	817,676	-	817,676
Compensated absences	-	62,023	58,808	120,831
Total Liabilities	277,208	1,180,948	848,588	2,306,744
NET POSITION				
Net investment in capital assets	137,112	3,760,276	13,778,202	17,675,590
Unrestricted	563,842	(918,020)	1,144,148	789,970
Total Net Position	700,954	2,842,256	14,922,350	18,465,560
Total Liabilities and Net Position	$ 978,162	$ 4,023,204	$ 15,770,938	$ 20,772,304

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
OPERATING REVENUES				
Charges for services	$ 2,448,190	$ 1,232,350	$ 398,844	$ 4,079,384
Environmental/solid waste fees	-	-	2,586,093	2,586,093
	2,448,190	1,232,350	2,984,937	6,665,477
OPERATING EXPENSES				
Personal services	1,378,404	652,363	1,011,260	3,042,027
Operating supplies	252,601	222,337	34,404	509,342
Professional services	242,897	74,223	1,281,218	1,598,338
Communications	10,186	2,795	4,976	17,957
Transportation	50,168	22,620	55,512	128,300
Rentals	151,625	40,091	49,426	241,142
Public utilities	167,579	57,574	25,240	250,393
Other operating costs	9,507	20,211	-	29,718
Tipping fees	-	-	1,192,854	1,192,854
Retiree health benefits (OPEB)	-	36,000	23,000	59,000
Interest expense	-	323	6,873	7,196
Equipment	16,442	849	38,408	55,699
Depreciation	15,670	111,588	159,587	286,845
Total operating expenses	2,295,079	1,240,974	3,882,758	7,418,811
Operating Income (Loss)	153,111	(8,624)	(897,821)	(753,334)
Non-operating revenue:				
Other	10	338	-	348
Fraud recovery	66,326	-	-	66,326
Construction in progress	-	-	971,925	971,925
Grants revenue	29,781	-	-	29,781
General fund subsidy	-	-	-	-
Increase/(Decrease) in net position	249,228	(8,286)	74,104	315,046
NET POSITION				
Beginning of the year	451,726	2,850,542	14,848,246	18,150,514
End of year	$ 700,954	$ 2,842,256	$ 14,922,350	$ 18,465,560

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Recreation Activity Fund	Wicomico	Solid Waste/Recycling	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Charges for services	$ 2,375,608	$ 1,240,365	$ 3,002,978	$ 6,618,951
Personal services	(1,343,161)	(728,765)	(1,159,930)	(3,231,856)
Other expenses	(920,789)	(490,161)	(2,787,404)	(4,198,354)
Net cash provided (used) by operating activities	111,658	21,439	(944,356)	(811,259)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:				
Net change in interfund loans	(160,398)	56,014	1,273,963	1,169,579
Grant revenue	29,781	-	-	29,781
General operating subsidy	-	-	-	-
Net cash provided (used) by non-capital and related financing activities	(130,617)	56,014	1,273,963	1,199,360
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Construction / purchase of capital assets	(47,377)	-	(567,848)	(615,225)
Proceeds from exempt financing	-	-	292,480	292,480
Principal payments on long-term debt	-	(8,947)	(227,966)	(236,913)
Fraud recoveries	66,326	-	-	66,326
Other reductions in long-term debt	-	(68,506)	-	(68,506)
Net cash used by capital and related financing activities	18,949	(77,453)	(503,334)	(561,838)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	10	338	-	348
Net increase (decrease) in cash	-	338	(173,727)	(173,389)
CASH				
Beginning of year	-	184,584	330,000	514,584
End of year	$ -	$ 184,922	$ 156,273	$ 341,195
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 153,111	$ (8,624)	$ (897,821)	$ (753,334)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Depreciation	15,670	111,588	159,587	286,845
(Increase) decrease in accounts receivable	(46,419)	690	18,041	(27,688)
(Increase) decrease in inventory	-	(1,768)	-	(1,768)
(Increase) decrease in other prepaids	-	-	-	-
Increase (decrease) in accounts payable	(19,784)	(11,370)	(75,493)	(106,647)
Increase (decrease) in compensation-related liabilities	35,243	(76,402)	(148,670)	(189,829)
Increase (decrease) in unearned revenue	(26,163)	7,325	-	(18,838)
Net cash provided (used) by operating activities	$ 111,658	$ 21,439	$ (944,356)	$ (811,259)
SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES:				
Total capital asset additions	$ 47,377	-	$ 1,539,773	$ 1,587,150
Less transfer of assets from other funds	-	-	(971,925)	(971,925)
Less amount financed	-	-	-	-
Net cash used for purchase of capital assets	$ 47,377	$ -	$ 567,848	$ 615,225

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

COMMISSIONERS OF ST. MARY'S COUNTY

STATEMENT OF FIDUCIARY NET POSITION - SHERIFF'S OFFICE RETIREMENT PLAN

JUNE 30, 2016

	Sheriff's Office Retirement Plan
ASSETS	
Cash and cash equivalents	$ 6,133,529
Restricted cash and investments	61,941,974
Total assets	$ 68,075,503
NET POSITION	
Net position held in trust for pension benefits	$ 68,075,503
Total net position	$ 68,075,503

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - SHERIFF'S OFFICE RETIREMENT PLAN
FOR THE YEAR ENDED JUNE 30, 2016

	Sheriff's Office Retirement Plan
ADDITIONS	
Contributions - employer	$ 4,805,826
Contributions - employee	1,020,935
	5,826,761
Interest and dividends	1,221,750
Realized gain	(169,560)
Net unrealized loss on investments	(2,582,315)
	(1,530,125)
Total additions	4,296,636
DEDUCTIONS	
Benefits	(3,435,705)
Administrative costs	(395,100)
Total deductions	(3,830,805)
Change in net position	465,831
NET POSITION	
Beginning of year	67,609,672
End of year	$ 68,075,503

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF FIDUCIARY NET POSITION
RETIREE BENEFIT TRUST OF ST. MARY'S COUNTY, MARYLAND
JUNE 30, 2016

		Retiree Benefit Trust of St. Mary's County, Maryland
ASSETS		
Restricted cash and investments	$	63,602,482
Total assets	$	63,602,482
LIABILITIES		
Due to primary government	$	9,548
Total liabilities		9,548
NET POSITION		
Net position restricted for other post-employment benefits		63,592,934
Total liabilities and net position	$	63,602,482

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
RETIREE BENEFIT TRUST OF ST. MARY'S COUNTY, MARYLAND
YEAR ENDED JUNE 30, 2016

		Retiree Benefit Trust of St. Mary's County, Maryland
ADDITIONS		
Contributions to the trust - employer	$	-
Payments to retirees - employer		2,685,268
		2,685,268
Interest and dividends		1,658,107
Realized gain		137,109
Net unrealized gain/(loss) on investments		157,564
		1,952,780
Total additions		4,638,048
DEDUCTIONS		
Benefits paid directly to retirees		(2,685,268)
Administrative costs		(234,399)
Total deductions		(2,919,667)
Change in net position		1,718,381
NET POSITION		
Beginning of year		61,874,553
End of year	$	63,592,934

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

COMMISSIONERS OF ST. MARY'S COUNTY

STATEMENT OF FIDUCIARY NET POSITION - LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) OF ST. MARY'S COUNTY, MARYLAND

JUNE 30, 2016

	LOSAP of St. Mary's County, Maryland
ASSETS	
Restricted cash and investments	$ 995,180
Total assets	$ 995,180
NET POSITION	
Net position restricted for benefits	$ 995,180
Total liabilities and net position	$ 995,180

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

COMMISSIONERS OF ST. MARY'S COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) OF ST. MARY'S COUNTY, MARYLAND
YEAR ENDED JUNE 30, 2016

	LOSAP of St. Mary's County, Maryland
ADDITIONS	
Contributions to the trust - employer	$ 1,460,347
Interest and dividends	748
Total additions	1,461,095
DEDUCTIONS	
Benefits paid directly to retirees	(860,347)
Administrative costs	-
Total deductions	(860,347)
Change in net position	600,748
NET POSITION	
Beginning of year	394,432
End of year	$ 995,180

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

Commissioners of St. Mary's County

Index - Notes to Financial Statements

June 30, 2016

1. Reporting entity and summary of significant accounting policies

Financial reporting entity

St. Mary's County (the 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 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. Component units are also included as part of the Financial reporting entity.

The financial statements of the reporting entity include those of the Commissioners of St. Mary's County (the primary government) and its component units. As defined by GASB Statement Numbers 14, 39 and 61, 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 the County. 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.

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

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

Financial reporting entity (continued)

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.

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 does not own or lease any property. Until June 2010, they owned and leased property to the St. Mary's Nursing Center, Inc. Until June 2013, they also owned and leased property to the State of Maryland; the Carter State Office Building was transferred to the State of Maryland in FY2013.

St. Mary's County Library 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
23121 Camden Way
California, Maryland 20619

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

St. Mary's County Library
23250 Hollywood Road
Leonardtown, Maryland 20650

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

Financial statements

The financial statements of the Commissioners of St. Mary's County, (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.

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 trust 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 Park programs, 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 Position 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 position resulting from the current year's activities. In the government-wide Statement of Net Position, 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 position is reported in three parts – (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. Net position should be reported as restricted when constraints placed on net position 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 position restricted for other purposes results from special revenue funds and the restrictions on their net position 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 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.

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, deferred outflow of resources, liabilities, deferred inflows of resources, 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. Non major funds by category are summarized into a single column.

Governmental funds

The measurement focus of the governmental fund financial statements is based 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 or committed 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.

4. Debt Service Fund is a non-major fund used to account for servicing of long-term debt.

Proprietary funds

The focus of proprietary fund measurement is based upon determination of operating income, changes in net position, financial position, and cash flows. 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). 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.

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

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. 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 reporting focus for fiduciary funds is on net position and changes in net position and accounting principles used are similar to proprietary funds.

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

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.

c. 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.

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

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 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 and fiduciary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (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 position.

Accounting policies

The more significant accounting policies established in the GAAP and used by the County are discussed below.

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 Commissioners of 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 Commissioners of 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.

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

Budget and budgetary accounting (continued)

f. The budget for the general fund is adopted on a basis consistent with accounting principles generally accepted 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 Commissioners of 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.

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 position and in the general fund on the governmental fund balance sheet.

Investments in the Pension Trust Fund of the Sheriff's Department Retirement Plan, the Length of Service Award Program 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. These investments are offset by a restriction, which indicates that they do not constitute available spendable resources even though they are a component of net position. The trusts are governed by separate investment policies and allow investments in common stocks, equity funds, fixed income and alternative investments.

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 nonspendable fund balance in the general fund, which indicates that they do not constitute available spendable resources since they are not a component of net current assets.

Annual, personal and sick leave benefits

Full-time employees can earn annual leave at a rate of from 80 hours per year (one through five years of service) up to a maximum of 200 hours per year (if over twenty years of service). Leave for permanent part-time employees is prorated according to the number of hours worked.

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

Annual, personal and sick leave benefits (continued)

There are no requirements that annual leave be taken; however, the maximum permissible accumulation to be carried into the new calendar year is 360 hours for full-time employees and 180 hours for permanent part-time employees. At calendar year end, any hours in excess of 360 hours for full-time employees and 180 hours for permanent part-time employees are deducted from the employees' annual leave balance and credited to their sick leave balance. 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 120 hours 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 160 hours 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. 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. An employee leaving County service shall receive a lump sum payment at their current rate of pay for any unused accumulated annual leave.

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.

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.

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

Capital assets (continued)

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
Infrastructure	10-50 years
Component units	
St. Mary's County Public Schools	
Buildings and improvements	20-50 years
Furniture and equipment	5-15 years
St. Mary's County Library	
Leasehold improvements	50 years
Furnishings and equipment	5 years
Vehicles	5 years
Books	7 years
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	20-30 years
St. Mary's County Building Authority Commission	
Buildings	40 years
Furniture and equipment	10 years

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

Inventory and prepaid expenditures

Inventory is valued at the lower of cost (first-in, first-out method) 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 nonspendable fund balance, 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 position, or proprietary fund type balance sheet. Bond premiums and discounts are deferred and amortized over the life of the bond.

Pension accounting

Employee contributions are recognized in the Pension Trust Funds in the period the contributions are due. Employer contributions are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are funded from investment income. Any net pension liability or asset is calculated on an actuarial basis consistent with the requirements of GASB Statement No 68 – Accounting and Financial Reporting for Pensions. Expenditures are recognized when paid or are expected to be paid with current available resources. The net pension liability (asset) is reported in the government-wide financial statements.

2. 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 and retiree health benefit 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.

2. Cash, cash equivalents and investments (continued)

PRIMARY GOVERNMENT (continued)

Cash deposits

At year end, the carrying amount of the County's deposits was $57,898,351 (in addition, petty cash totaling $12,550 at various County Departments) and the collected bank balance was $67,168,318. Of the collected bank balance, $660,231 was covered by Federal Deposit Insurance Corporation (FDIC), and $66,508,087 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.

Fair values of assets measured on a recurring basis at year end were as follows:

Investment Type		Fair Value
Government-wide financials:		
U.S. government securities – Cash Deposits and Treasuries	$ 57,782,980	
Money Market - Exempt Financing	1,617,331	
Maryland Local Government Investment Pool (MLGIP)	5,302,581	
Subtotal – Government-wide financials		$ 64,702,892
Retiree Benefit Trust (OPEB):		
Cash and Equivalent	1,007,292	
Common Stock/Equity Funds	38,301,826	
Common/Collective Funds	966,212	
Bond Funds	15,841,970	
Venture/Limited Partnership/Closely Held	7,485,182	
Subtotal – Retiree Benefit Trust (OPEB)		63,602,482
Length of Service Awards Program (LOSAP):		
Cash		995,180
Pension investments – Sheriff's Office Retirement Plan:		
Cash	6,133,529	
Bond Funds	17,047,002	
Common Stock	13,976,754	
Venture/Limited Partnership/Closely Held	6,548,398	
Equity Funds	24,113,253	
Other – Miscellaneous	256,567	
Subtotal – Sheriff's Office Retirement Plan		68,075,503
Total investments		$ 197,376,057

2. Cash, cash equivalents and investments (continued)

PRIMARY GOVERNMENT (continued)

Investments (continued)

Money market account is not evidenced by securities.

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. The MLGIP is rated "AAAM" by Standards and Poor's.

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

In FY2015, the County joined the Maryland Association of Counties (MACo) Pooled OPEB Trust (the "Trust"). There are nine members to this wholly-owned instrumentality of its members. The Trust is a common trust fund which is comprised of shares or units in a commingled fund that is not publicly traded. The assets of the Trust are managed by a Board of Trustees and consist of U.S. treasury obligations, U.S. government agencies, corporate & foreign bonds, municipal obligations, taxable fixed income securities, mutual funds, global funds and international equity securities.

At June 30, 2016 the net position of the Trust was valued at $20.9 million; the County's interest was $1.0 million. Contributions to the Trust Fund qualify as "contributions in relation to the actuarial required contribution" within the meaning of GASB Statement No. 45 and the Trust Fund qualifies as a "trust or equivalent arrangement" under the meaning of GASB Statement No. 43. The Trust is audited annually by an independent CPA firm. Separately issued financial statements may be obtained by sending a request to the following address: Board of the MACo Pooled Investment Trust, 169 Conduit Street, Annapolis, MD 21401.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

2. Cash, cash equivalents and investments (continued)

PRIMARY GOVERNMENT (continued)

Investments (continued)

Equity and fixed income securities classified in level 1 are valued using prices quoted in active markets for those securities.

	Investments at fair value			
June 30, 2016	Level 1	Level 2	Level 3	Total
Debt Securities:				
U.S. Treasury obligations	$ 2,384,035	$ -	$ -	$ 2,384,035
U.S. Governmental agencies	88,948	-	-	88,948
Corporate & foreign bonds	3,604,936	-	-	3,604,936
Municipal obligations	102,665	-	-	102,665
Taxable fixed income funds	1,059,925	-	-	1,059,925
Equity Investments:				
Mutual funds	8,034,618	-	-	8,034,618
Global funds	1,016,288	-	-	1,016,288
International	2,606,141	-	-	2,606,141
Total	$ 18,897,556	$ -	$ -	$ 18,897,556

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

The County may terminate its membership in the Trust and withdrawal its allocated investment balance by providing written notification to the Trust six months prior to the intended withdrawal date.

COMPONENT UNITS

St. Mary's County Public Schools

Deposits - 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 unit's 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, 2016 all of the School System's deposits, including the certificate of deposit, 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, the State's sponsored investment pool, or interest bearing accounts in any bank. At June 30, 2016, short-term investments consist primarily of deposits in the MLGIP. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The carrying amount and market value of such investments were $16,048,112, $407,111, and $599,051 for governmental activities, business-type activity, and fiduciary responsibilities, respectively.

2. Cash, cash equivalents and investments (continued)

COMPONENT UNITS (continued)

St. Mary's County Public Schools (continued)

Investments (continued)

The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. The MLGIP seeks to maintain a constant unit value of $1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a $1.00 per unit constant value. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940.

St. Mary's County Library

Deposits

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

At June 30, 2016, the carrying amount of the Library's cash was $409,965, and the bank balances totaled $391,345. All of the bank balances in financial institutions were covered by federal depository insurance or collateral at June 30, 2016.

Investments

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. The separately issued financial statement of the MLGIP may be obtained by contacting the contractor.

	Carrying Amount	Market Value
Unrestricted:		
Investment in Maryland Local Government Investment Pool	$ 380,749	$ 380,749
Restricted:		
The Vanguard Group	$ 139,743	$ 139,743

None of the Library's deposits or 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.

2. Cash, cash equivalents and investments (continued)

COMPONENT UNITS (continued)

St. Mary's County Metropolitan Commission

Deposits

The carrying amount of MetCom's deposits was $14,213,573 at June 30, 2016, and the bank balance was $15,438,132. Of the bank balances, $250,000 was covered by federal depository insurance at June 30, 2016, with the remaining $15,188,132, adequately covered by collateral.

Cash and cash equivalents consisted of the following:

Investments	$ 7,279,196
Cash	14,213,573
Petty cash	900
	$ 21,493,669

Investments

Investments in the MLGIP are not evidenced by securities. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. Separately issued financial statements may be obtained from the contractor: David Rommel, PNC Bank, Two Hopkins Plaza, Baltimore, Maryland 21201. 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. The MLGIP is rated AAAm by Standard and Poors. As of June 30, 2016, MetCom's investments, for both custodial and credit risk purposes, consisted solely of shares in the MLGIP. This investment is not deemed to have either risk. The Pool is managed as a Rule 2a-7 pool. Therefore, MetCom faces no interest rate risk. The cost and fair value of the MLGIP investments at June 30, 2016 was $7,279,196.

MetCom also joined the MACo Pooled OPEB trust in FY2015. Its interest in the trust at June 30, 2016 was $3.4 million.

3. Changes in capital assets

PRIMARY GOVERNMENT

A summary of changes in capital assets is as follows:

	Balance June 30, 2015	Additions	Transfers/ Disposals	Balance June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 36,435,884	$ 217,967	$ (1)	$ 36,653,850
Construction in progress	7,935,407	14,319,613	(12,399,127)	9,855,893
911 system & equipment	1,423,733	-	-	1,423,733
Total capital assets not being depreciated	45,795,024	14,537,580	(12,399,128)	47,933,476
Capital assets being depreciated:				
Buildings & improvements	111,471,581	4,834,323	-	116,305,904
Computer equipment	2,260,687	343,560	-	2,604,247
Other equipment	285,160	-	-	285,160
Vehicles - licensed	12,268,051	3,603,649	(586,932)	15,284,768
Off-road vehicles	2,097,761	65,921	(16,300)	2,147,382
Miscellaneous equipment	5,999,390	399,989	-	6,399,379
Roads	189,783,578	10,075,809	-	199,859,387
Curbing	946,791	-	-	946,791
Sidewalks	982,973	145,866	-	1,128,839
Guardrails	1,493,847	66,370	-	1,560,217
Airport infrastructure	4,677,970	232,754	-	4,910,724
Airport equipment	579,104	-	-	579,104
Baseball fields	802,670	-	-	802,670
Bridges	6,764,889	1,779,546	-	8,544,435
Parks & recreation	14,180,324	-	-	14,180,324
Marinas & docks	8,176,125	-	-	8,176,125
Irrigation systems	241,853	-	-	241,853
Signage	475,433	-	-	475,433
Parking lots	1,067,134	-	-	1,067,134
911 system & equipment	14,627,165	525,267	-	15,152,432
Total capital assets being depreciated	379,182,486	22,073,054	(603,232)	400,652,308
Accumulated depreciation for:				
Buildings & improvements	(43,038,711)	(2,131,937)	-	(45,170,648)
Computer equipment	(2,125,494)	(88,671)	-	(2,214,165)
Other equipment	(180,490)	(12,471)	-	(192,961)
Vehicles - licensed	(9,205,686)	(1,016,650)	524,656	(9,697,680)
Off-road vehicles	(1,510,060)	(67,433)	16,300	(1,561,193)
Miscellaneous equipment	(3,715,814)	(413,858)	-	(4,129,672)
Roads	(80,005,778)	(5,548,801)	-	(85,554,579)
Curbing	(728,322)	(19,524)	-	(747,846)
Sidewalks	(513,414)	(23,235)	-	(536,649)
Guardrails	(530,423)	(34,707)	-	(565,130)
Airport infrastructure	(4,551,797)	(30,309)	-	(4,582,106)
Airport equipment	(531,064)	(8,735)	-	(539,799)

3. Changes in capital assets (continued)

PRIMARY GOVERNMENT (continued)

	Balance June 30, 2015	Additions	Transfers/ Disposals	Balance June 30, 2016
Accumulated depreciation for: (continued)				
Baseball fields	$ (451,522)	$ (15,863)	$ -	$ (467,385)
Bridges	(2,786,267)	(153,390)	-	(2,939,657)
Parks & recreation	(4,785,883)	(439,362)	-	(5,225,245)
Marinas & docks	(5,045,034)	(262,581)	-	(5,307,615)
Irrigation systems	(130,862)	(5,787)	-	(136,649)
Signage	(420,166)	(7,975)	-	(428,141)
Parking lots	(383,288)	(65,321)	-	(448,609)
911 equipment	(4,628,666)	(717,535)	-	(5,346,201)
Total accumulated depreciation	(165,268,741)	(11,064,145)	540,956	(175,791,930)
Total capital assets being depreciated, net	213,913,745	11,008,909	(62,276)	224,860,378
Governmental activities capital assets, net	$ 259,708,769	$ 25,546,489	$ (12,461,404)	$ 272,793,854
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,078,666	$ -	$ -	$ 1,078,666
Solid waste facilities	12,248,547	971,925	-	13,220,472
Total capital assets not being depreciated	13,327,213	971,925	-	14,299,138
Capital assets being depreciated:				
Buildings & improvements	4,324,284	9,890	-	4,334,174
Computer equipment	57,188	-	-	57,188
Other equipment	39,359	-	-	39,359
Vehicles - licensed	2,001,734	479,043	(47,713)	2,433,064
Off-road vehicles	1,122,562	115,388	-	1,237,950
Miscellaneous equipment	567,874	10,904	-	578,778
Irrigation systems	509,986	-	-	509,986
Total capital assets being depreciated	8,622,987	615,225	(47,713)	9,190,499
Accumulated depreciation for:				
Buildings & improvements	(1,665,952)	(82,012)	-	(1,747,964)
Computer equipment	(57,188)	-	-	(57,188)
Other equipment	(38,634)	(130)	-	(38,764)
Vehicles - licensed	(1,608,366)	(116,080)	47,713	(1,676,733)
Off-road vehicles	(855,469)	(57,353)	-	(912,822)
Miscellaneous equipment	(455,686)	(14,576)	-	(470,262)
Irrigation systems	(345,678)	(16,694)	-	(362,372)
Total accumulated depreciation	(5,026,973)	(286,845)	47,713	(5,266,105)
Total capital assets being depreciated, net	3,596,014	328,380	-	3,924,394
Business-type activities capital assets, net	$ 16,923,227	$ 1,300,305	$ -	$ 18,223,532

3. 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	$	1,396,588
Public Safety		1,975,017
Public Works		6,533,499
Social Services		104,703
Post -Secondary Education		49,328
Parks, Recreation, and Culture		821,601
Libraries		182,181
Economic Development and Opportunity		1,228
Total Depreciation - Governmental Activities	$	11,064,145
Business-type activities		
Recreation Activity Fund	$	15,669
Solid Waste/Recycling		159,588
Wicomico		111,588
Total Depreciation - Business-Type Activities	$	286,845

3. Changes in capital assets (continued)

COMPONENT UNITS

St. Mary's County Public Schools

Capital asset activity for the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Additions	Deletions/ Transfers	Balance June 30, 2016
Governmental activities				
Capital assets not being depreciated:				
Land	$ 2,862,240	$ 773,833	$ -	$ 3,636,073
Construction in process	38,670,956	11,873,367	(29,014,551)	21,529,772
	41,533,196	12,647,200	(29,014,551)	25,165,845
Capital assets being depreciated:				
Buildings and improvements	345,869,521	26,395,840	-	372,265,361
Furniture and equipment	8,319,043	850,655	(179,335)	8,990,363
Equipment leased under financing agreements	6,676,139	-	-	6,676,139
	360,864,703	27,246,495	(179,335)	387,931,863
Accumulated depreciation for:				
Buildings and improvements	(130,220,543)	(8,223,793)	-	(138,444,336)
Furniture and equipment	(9,211,535)	(1,825,152)	160,146	(10,876,541)
	(139,432,078)	(10,048,945)	160,146	(149,320,877)
Governmental activities capital assets, net	$ 262,965,821	$ 29,844,750	$ (29,033,740)	$ 263,776,831
Business-type activities				
Capital assets being depreciated:				
Furniture and equipment	$ 1,851,824	$ 18,292	$ (21,300)	$ 1,848,816
Accumulated depreciation for:				
Furniture and equipment	(1,218,149)	(92,983)	21,300	(1,289,832)
Business-type activities capital Assets, net	$ 633,675	$ (74,691)	$ -	$ 558,984

3. Changes in capital assets (continued)

COMPONENT UNITS (continued)

St. Mary's County Public Schools (continued)

Depreciation expense was charged in the Statement of Activities for the year ended June 30, 2016, as follows:

Governmental activities	
Administration	$ 25,448
Mid-level administration	29,726
Other instructional costs	952,742
Special education	6,869
Student personnel services	682
Student transportation services	103,642
Operation of plant	8,915,760
Maintenance of plan	14,076
Total governmental activities depreciation expenses	$ 10,048,945
Business-type activities	
Food services	$ 92,983

St. Mary's County Library

Activity for the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Additions	Deletions/ Transfers	Balance June 30, 2016
Capital assets:				
Furnishings and equipment	$ 1,021,566	$ 5,580	$ 74,611	$ 952,535
Leasehold improvements	87,735	-	-	87,735
Vehicles	34,944	-	-	34,944
Books	5,060,786	415,635	422,901	5,053,520
	6,205,031	421,215	497,512	6,128,734
Accumulated depreciation:				
Furnishings and equipment	950,986	24,784	74,611	901,159
Leasehold improvements	8,775	1,755	-	10,530
Vehicles	25,042	1,828	-	26,870
Books	3,825,654	412,947	422,901	3,815,700
	4,810,457	441,314	497,512	4,754,259
Net capital assets	$ 1,394,574	$ (20,099)	$ -	$ 1,374,475

Governmental activities depreciation expense of $441,314 was charged to Library services.

3. Changes in capital assets (continued)

COMPONENT UNITS (continued)
St. Mary's County Metropolitan Commission

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets:				
Utility plants	$ 106,564,122	$ 34,658,356	$ 7,304,727	$ 133,917,751
Water plant systems	39,963,541	7,950,851	1,332,689	46,581,703
Equipment	8,468,753	603,249	310,727	8,761,275
Capitalized interest	818,201	-	-	818,201
Buildings	3,899,703	-	33,072	3,866,631
Subtotal	159,714,320	43,212,456	8,981,215	193,945,561
Not being depreciated:				
Utility plant construction in process	28,372,251	14,194,613	34,658,356	7,908,508
Water Plant construction in process	9,015,154	6,175,018	7,950,850	7,239,322
Land/land rights	879,562	187,255	-	1,066,817
	197,981,287	63,769,342	51,590,421	210,160,208
Accumulated depreciation:				
Utility plants	40,413,276	6,824,637	7,304,727	39,933,186
Water plant systems	10,541,752	1,904,106	1,332,689	11,113,169
Equipment	5,744,218	698,513	310,727	6,132,004
Capitalized interest	335,462	16,364	-	351,826
Buildings	1,525,652	159,703	33,072	1,652,283
	58,560,360	9,603,323	8,981,215	59,182,468
Net capital assets	$ 139,420,927	$ 54,166,019	$ 42,609,206	$ 150,977,740

Depreciation expenses of $9,603,323 was charged to activities as follows:

Sewer activities	$ 7,237,249
Water activities	2,224,072
Engineering activities	32,609
Administrative	109,393
Total	$ 9,603,323

4. 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 if the 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 applied to 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, 2016, was $.8523 per $100 of assessed value based on the full valuation method. The Constant Yield tax rate for FY2016 was $.8523. The personal property tax rate during the year ended June 30, 2016 was $2.1308 per $100 of assessed value. The County Treasurer 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, 2016, net of the allowance for uncollectibles of $784,383, is $1,998,060 (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).

5. Special tax assessment receivable and unearned 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 unearned 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 unearned 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 fund balance. The current portion of the special assessment receivable is considered available spendable resources.

As of June 30, 2016, the amount of delinquent special assessment receivables due from taxpayers was $266.

COMPONENT UNITS

St. Mary's County Public Schools

Unearned revenue

General fund

Unearned revenue primarily consists of payments received under restricted programs in excess of the expenses/ expenditures incurred to date under those programs at June 30, 2016, of $2,612,196.

5. Special tax assessment receivable and unearned revenue (continued)

COMPONENT UNITS (continued)
St. Mary's County Public Schools (continued)

Unearned revenue (continued)

Capital projects fund

Unearned revenue consists of prefunding in the amount of $4,000,000 for construction projects at Spring Ridge Middle School, $23,994 for funding related to an energy efficient lighting project, and funds received for a removal security deposit to be used either towards the purchase of, or removal of an installed solar generating facility upon the expiration of a solar power purchase agreement in the amount of $81,837.

Enterprise fund

Unearned revenue of $156,576 represents student lunch ticket sales collected in advance which will be consumed by students in fiscal year 2017.

6. Long-term obligations

PRIMARY GOVERNMENT

Governmental activities	June 30, 2015	Additions	Deductions	Principal Repayment	June 30, 2016	Amounts due within one year
General obligation bonds - county	$ 70,488,000	$ -	$ -	$ (6,855,000)	$ 63,633,000	$ 7,475,000
Water quality loans	1,344,218	-	-	(469,562)	874,656	324,784
State loans	1,637,439	-	3	(122,665)	1,514,771	124,963
Surplus property transfer of debt	442	-	-	(142)	300	147
Exempt financing	5,529,992	2,907,520	-	(3,012,998)	5,424,514	3,030,893
	79,000,091	2,907,520	3	(10,460,367)	71,447,241	10,955,787
Landfill post-closure costs	1,201,000	3,029,000	-	-	4,230,000	-
Compensated absences (long-term)	4,972,507	151,724	-	-	5,124,231	12,796
	6,173,507	3,180,724	-	-	9,354,231	12,796
Amount reported in statement of net position	$ 85,173,598	$ 6,088,244	$ 3	$ (10,460,367)	$ 80,801,472	$ 10,968,583
Business-type activities						
Exempt financing	$ 492,375	$ 292,480	$ -	$ (236,913)	$ 547,942	$ 237,952
Compensated absences (long-term)	168,684	-	47,853	-	120,831	-
Amount reported in statement of net position	$ 661,059	$ 292,480	$ 47,853	$ (236,913)	$ 668,773	$ 237,952

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

6. 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 November 17, 2009, the County issued General Obligation Bonds of $13,055,000 Series A Tax Exempt Bonds, $16,945,000 Series B Build America Bonds, and a $15,645,000 Series C Refunding Bond. The Bonds will mature on July 15, in 20 annual serial installments, beginning in the year 2010 and ending in the year 2030. Interest on the Bonds is payable semiannually on each January 15 and July 15 to maturity with an average interest rate of 3.09%.

The Series B, Build America Bonds, are taxable with a bi-annual credit of 35% of the interest from the Internal Revenue Service.

The Series C Refunding Bond of $15,645,000 is an advanced refunding on the 2001 General Obligation Bond, on principal payments of $15,085,000. The last payment for the un-refunded portion of the 2001 General Obligation Bond was in 2012.

On November 8, 2011, the 2002 Refunding Bonds and the 2003 Public Facilities and Refunding Bonds were refunded in the 2011 General Obligation Refunding Bonds for $34,357,000. The 2002 Refunding Bonds will mature on October 1, in 8 installments, beginning in 2013 and ending in 2019. The 2003 Refunding Bonds will mature on November 1, in 12 installments, beginning in 2013 and ending in 2023. Both the 2002 and 2003 Refunding Bonds carry interest rates ranging from 2.25-2.41%.

On April 10, 2014, the 2005 General Obligation Bonds were refunded with an advance refunding for $9,934,000. The 2014 Direct Bank Loan Refunding will mature on March 1, in 10 installments, beginning in 2016 and ending in 2025. The Refunding Bonds carry an interest rate of 2.32%. The County refunded these bonds to reduce its total debt service payments and to obtain an economic gain of $626,595.

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

Governmental activities (continued)

2004 Maryland water quality loan

On May 26, 2004, Commissioners of 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, 2016, based on the final loan amount of $3,934,347, are as follows:

Years ending June 30,	Principal	Interest	Administrative fee	Total
2017	$ 324,784	$ 9,621	$ 11,448	$ 345,853
2018	328,356	6,049	11,448	345,853
2019	221,516	2,437	11,448	235,401
Total	$ 874,656	$ 18,107	$ 34,344	$ 927,107

2006 Surplus property, transfer of net debt

On June 6, 2006, Commissioners of 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, 2016, the principal and interest payments through 2018 are as follows:

Years ending June 30,	Principal	Interest	Total
2017	$ 147	$ 11	$ 158
2018	153	6	159
Total	$ 300	$ 17	$ 317

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

Governmental activities (continued)

2012 Exempt financing equipment lease

On September 20, 2012, Commissioners of St. Mary's County entered into an agreement with TD Equipment Finance, Inc. to borrow $11,100,000 for the purchase of equipment and vehicles. The lease bears interest at a rate of 1.26% per annum, payable bi-annually through 2017. As of June 30, 2015, $11,100,000 has been drawn to pay for eligible purchases. 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 primary government portion of the 2012 exempt financing equipment lease as of June 30, 2016, based on the total final lease amount of $11,100,000 are as follows:

Years ending June 30,	Principal	Interest	Total
2017	$ 2,149,366	$ 20,333	$ 2,169,699
Total	$ 2,149,366	$ 20,333	$ 2,169,699

2015 Exempt financing equipment lease

On February 17, 2015, Commissioners of St. Mary's County entered into an agreement with TD Equipment Finance, Inc. to borrow $1,910,000 for the purchase of vehicles. The lease bears interest at a rate of 1.49% per annum, payable annually through 2019. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. 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 primary government portion of the 2015 exempt financing equipment lease as of June 30, 2016, based on the total final lease amount of $1,910,000 are as follows:

Years ending June 30,	Principal	Interest	Total
2017	$ 312,198	$ 14,164	$ 326,362
2018	316,849	9,513	326,362
2019	321,427	4,791	326,218
Total	$ 950,474	$ 28,468	$ 978,942

2016 Exempt financing equipment lease

On October 29, 2016, Commissioners of St. Mary's County entered into an agreement with Banc of America Public Capital Corp. to borrow $3,200,000 for the purchase of vehicles. The lease bears interest at a rate of 1.37% per annum, payable annually through 2020. The balance will be used to reimburse eligible purchases upon delivery and approval of the invoice. 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 primary government portion of the 2016 exempt financing equipment lease as of June 30, 2016, based on the total final lease amount of $3,200,000 are as follows:

Years ending June 30,	Principal	Interest	Total
2017	$ 569,329	$ 31,934	$ 601,263
2018	577,150	24,113	601,263
2019	585,079	16,185	601,264
2020	593,116	8,148	601,264
Total	$ 2,324,674	$ 80,380	$ 2,405,054

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

Governmental activities (continued)

Long-term obligations at June 30, 2016 consist of the following:

Description	Due	Rate	Amount
MD Water quality loans and other state loans			
Maryland department of natural resources:			
Point Breeze	1993-2018	None	$ 16,284
Holly Point Shores	2008-2032	None	160,455
Murray Road Revetment	2004-2028	None	43,584
Maryland Water Quality Loan	2005-2019	1.10%	874,656
Piney Point Lighthouse	2009-2026	None	336,370
Villas on Water Edge	2009-2032	None	348,736
Kingston Creek II	2010-2037	None	221,415
North Patuxent Beach	2009-2025	None	254,727
Thomas Road	2016-2030	None	133,200
	Total state loans		2,389,427
General obligation bonds			
2009 Refunding Bonds, Series A	2010-2020	2.5-4.0%	5,515,000
2009 Bonds, BAB, Series B	2021-2030	4.519%-5.7%*	16,945,000
*Rate shown does not reflect 35% rebate			
2009 Refunding Bonds, Series C	2010-2022	2-5%	10,120,000
2011 Refunding Bonds	2012-2024	2.25-2.41%	21,603,000
2014 Refunding Bonds	2016-2025	2.32%	9,450,000
	Total general obligation bonds		63,633,000
Total state loans and bonds			66,022,427
Surplus property transfer of debt			300
Accrued landfill closure and postclosure costs			4,230,000
Exempt Financing			5,424,514
Accumulated unpaid annual leave			5,124,231
Total			$ 80,801,472

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

Business-type activities

2012 Exempt financing equipment lease

The annual requirements to amortize the business-type activities portion of the 2012 exempt financing equipment lease as of June 30, 2016, based on the total final lease amount of $11,100,000 are as follows:

Years ending June 30,	Principal	Interest	Total
2017	$ 115,508	$ 1,093	$ 116,601
Total	$ 115,508	$ 1,093	$ 116,601

2015 Exempt financing equipment lease

The annual requirements to amortize the business-type activities portion of the 2015 exempt financing equipment lease as of June 30, 2016, based on the total final lease amount of $1,910,000 are as follows:

Years ending June 30,	Principal	Interest	Total
2017	$ 65,172	$ 2,957	$ 68,129
2018	66,143	1,986	68,129
2019	67,270	1,000	68,270
Total	$ 198,585	$ 5,943	$ 204,528

2016 Exempt financing equipment lease

The annual requirements to amortize the business-type activities portion of the 2016 exempt financing equipment lease as of June 30, 2016, based on the total final lease amount of $3,200,000 are as follows:

Years ending June 30,	Principal	Interest	Total
2017	$ 57,272	$ 3,212	$ 60,484
2018	58,058	2,426	60,484
2019	58,856	1,628	60,484
2020	59,663	820	60,483
Total	$ 233,849	$ 8,086	$ 241,935

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

Special assessment debt

Special assessment fund debt payable as of June 30, 2016 is composed of the following loans payable to the Maryland Department of Natural Resources:

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 the County.	$ 160,455
Villas on Waters Edge Shore Erosion, payable in twenty annual installments of $21,796, without interest, guaranteed by the full faith and credit of the County.	348,736
Kingston Creek Waterway #2, payable in twenty-five annual installments of $10,544, without interest, guaranteed by the full faith and credit of the County.	221,415
	$ 730,606

St. Mary's County Government has agreed that the above amounts borrowed shall be reimbursed and that these obligations shall be supported by the full faith and credit of the County.

6. Long-term obligations (continued)

PRIMARY GOVERNMENT (continued)

The annual requirements to amortize all debt outstanding as of June 30, 2016, including interest of $9,946,549, 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
2017	$ 7,599,963	$ 1,824,920	$ 9,424,883
2018	7,805,963	1,606,109	9,412,072
2019	7,999,821	1,366,526	9,366,347
2020	8,206,821	1,128,350	9,335,171
2021	5,979,821	926,324	6,906,145
2022-2026	19,756,802	2,538,038	22,294,840
2027-2031	7,703,509	556,282	8,259,791
2032-2036	84,535	-	84,535
2037-2038	10,536	-	10,536
Total	$ 65,147,771	$ 9,946,549	$ 75,094,320

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

	General Obligation Bonds	State Loans	Special Assessment Fund	Total
Principal	$ 63,633,000	$ 784,165	$ 730,606	$ 65,147,771
Interest	9,946,549	-	-	9,946,549
	$ 73,579,549	$ 784,165	$ 730,606	$ 75,094,320

6. Long-term obligations (continued)

COMPONENT UNITS

St. Mary's County Public Schools

Long-term liabilities

Long-term debt at June 30, 2016, consists of equipment financing obligations, accumulated compensated absences payable, net OPEB obligation, and net pension liability. The following is a summary of changes in the School System's long-term liabilities for the year ended June 30, 2016.

	June 30, 2015	Additions	Deductions	June 30, 2016	Amounts due within one year
Governmental activities:					
Equipment financing agreements	$ 2,825,673	$ -	$ (2,060,224)	$ 765,449	$ 460,534
Compensated absences	4,496,779	994,158	(561,072)	4,929,865	504,608
Net OPEB obligation	40,997,310	16,413,000	(6,108,261)	51,302,049	-
Net pension obligation	9,640,511	2,874,098	-	12,514,609	-
	$ 57,960,273	$ 20,281,256	$ (8,729,557)	$ 69,511,972	$ 965,142
Business-type activities:					
Compensated absences	$ 151,736	$ 46,102	$ (12,009)	$ 185,829	$ 14,027

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

During previous years, the School System entered into various lease-purchase agreements to acquire certain office equipment and various student, teacher and administrative computers. These agreements have varying terms consisting of combined monthly payments of $47,810, and quarterly payments of $1,824, at interest rates ranging from 3.74% to 7.88% expiring through April 2020. All items purchased under the lease-purchase agreements are pledged as collateral under the agreements. Principal and interest payments for lease-purchase agreements are recorded as expenditures of the General Fund when due. Principal payments are reported as reductions of long-term obligations in the government-wide financial statements.

St. Mary's County Library

Long-term debt

Long-term debt consists of accrued compensated absences. The following is a summary of the changes in long-term debt for the year ended June 30, 2016:

June 30, 2015	Increases	Decreases	June 30, 2016	Amounts due within one year
$ 107,380	$ -	$ (9,773)	$ 97,607	$ -

6. Long-term obligations (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan Commission

Long-term debt - bonds

Long-term bonds payable as of June 30, 2016 are as follows:

Bonds payable description	Due	Rate	Principal	Interest
Twenty-third Issue	2008-2027	3.5 - 4.25%	$ 1,613,300	$ 130,404
Twenty-seventh Issue	2011-2030	0.75 - 4.31%	9,570,300	3,117,424
Thirtieth Issue	2012-2029	2.96 - 3.4%	1,115,402	248,994
Thirty-first Issue	2013-2032	0.61 - 3.42%	7,231,900	2,004,537
Thirty-sixth Issue	2014-2033	4.31%	14,115,000	6,344,543
Thirty-eighth issue	2015-2034	3.51%	20,428,000	7,627,183
Thirty-ninth issue	2015-2021	1.31%	2,110,000	60,339
Forieth issue	2015-2027	2.08%	5,594,000	853,798
			61,777,902	20,387,222
Less current portion			3,772,809	2,018,814
			$ 58,005,093	$ 18,368,408

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2016 are as follows:

Years ending June 30,	Principal	Interest	Total
2017 (current)	$ 3,772,809	$ 2,018,814	$ 5,791,623
2018	3,880,834	1,945,893	5,826,727
2019	3,968,206	1,861,366	5,829,572
2020	3,410,908	1,765,971	5,176,879
2021	3,446,339	1,681,952	5,128,291
2022-2026	18,486,333	6,897,130	25,383,463
2027-2031	17,707,473	3,666,167	21,373,640
2032-2034	7,105,000	549,929	7,654,929
Total	$ 61,777,902	$ 20,387,222	$ 82,165,124

6. Long-term obligations (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan Commission (continued)

Long-term debt - bonds (continued)

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 was payable on May 1, 2004 and semiannually thereafter on each May 1 and November 1, to maturity.

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

On August 6, 2015 MetCom refinanced $1,645,000 of this debt with TD bank. This bond was paid in full as of June 30, 2016.

Twenty-first issue

On April 15, 2006, the Commission issued Refunding Bonds 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 was payable on November 1, 2006 and semiannually thereafter on each May 1 and November 1 to maturity.

The bonds were issued to refund all the outstanding maturities of the Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). 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, the Thirteenth Issue, with a coupon rate of 5.579% and $500,000 in outstanding 1995 series A bonds, the Tenth Issue, 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.

On August 6, 2015 MetCom refinanced $432,600 of this debt with TD bank. This bond was paid in full as of June 30, 2016.

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, 2015, MetCom had drawn only $10,101,170 of the proceeds.

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 was 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.

On August 6, 2015 MetCom refinanced $5,914,800 of this debt with TD bank.

6. Long-term obligations (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan Commission (continued)

Long-term debt - bonds (continued)

Twenty-seventh issue

On August 25, 2010, the Commission issued $12,613,963 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2016, the unspent proceeds were $2,467,518.

The bonds mature on May 1, in 20 annual installments, beginning in 2011 and ending in 2030. Interest rates on the bonds range from .75%-4.31%. Interest was payable on November 1, 2010 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, 2020. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

Thirtieth issue

On March 15, 2012, MetCom issued refunding bonds in the principal amount of $1,448,492. The bonds mature on May 1, in 18 annual installments, beginning in 2012 and ending in 2029. Interest was payable May 1, 2012 and semiannually thereafter on each May 1 and November 1 until maturity.

The bonds may be prepaid at the following premiums:

Period	Price
May 1, 2020 through April 30, 2021	102%
May 1, 2021 through April 30, 2022	101%
On or after May 1, 2022	100%

The bonds were issued to refund all the outstanding maturities of Financing Bond Issue number fourteen, issued in conjunction with the Maryland Community Development Administration (CDA). These bonds were issued with an interest rate of 2.96% that may be increased up to 3.4% in the event of a decrease in the marginal maximum corporate income tax rate. The refunded bonds had a true interest cost ranging from 4.5% to 5.0%. These bonds were issued to take advantage of a favorable interest rate environment.

MetCom refunded these bonds to reduce its total debt service payments by $249,357 and to obtain an economic gain of $197,055.

Thirty-first issue

On December 19, 2012, the Commission issued $8,719,514 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2016, the unspent proceeds were $4,739,483.

The bonds mature on May 1, in 20 annual installments, beginning in 2013 and ending in 2032. Interest rates on the bonds range from .61%-3.42%. Interest was payable on May 1, 2013 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2022. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

6. Long-term obligations (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan Commission (continued)

Long-term debt - bonds (continued)

Thirty-sixth issue

On October 2, 2013, the Commission issued $15,948,168 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2016, the unspent proceeds were $10,701,202.

The bonds mature on May 1, in 20 annual installments, beginning in 2014 and ending in 2033. The average interest yield on these bonds is 4.31%. Interest was payable on May 1, 2014 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2023. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

Thirty-eighth issue

On August 28, 2014, the Commission issued $22,075,230 of Infrastructure Financing Bonds in conjunction with the Maryland Community Development Administration (CDA). As of June 30, 2016, the unspent proceeds were $17,646,141.

The bonds mature on May 1, in 20 annual installments, beginning in 2015 and ending in 2034. The average interest yield on these bonds is 3.51%. Interest was payable on May 1, 2015 and semiannually thereafter on each May 1 and November 1 to maturity. The bonds may be prepaid, in whole or in part, at any time after June 1, 2024. Any partial prepayment shall not be less than the outstanding balance or $50,000, whichever is less.

Thirty-ninth issue

On August 6, 2015, MetCom issued Refinancing Bonds Series 2015A in the principal amount of $2,157,000. These bonds were issued with a true interest cost of 1.31% to refund certain maturities of MetCom's Refunding Bonds of 2003, the Seventeenth Issue, with a coupon rate ranging from 2.75% to 4.4% and certain maturities of MetCom's 2006 Series A Bonds, the Twenty-first Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from 3.65% to 4.275% and for the cost to refinance the loans.

These bonds were issued to take advantage of a favorable interest rate environment. Funds in the amount of $449,973 were deposited with an escrow agent to provide for all future debt service payments of the refinanced bonds. Funds in the amount of $1,680,395 were used to complete the defeasance of MetCom's Refunding Bonds of 2003. The remaining proceeds were used for prepayment fees and bond issuance costs.

MetCom refunded these bonds at a premium to reduce its total debt service payments by $87,229 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $102,135.

6. Long-term obligations (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan Commission (continued)

Long-term debt - bonds (continued)

Fortieth issue

On August 6, 2015, MetCom issued Refinancing Bonds Series 2015B in the principal amount of $5,619,000. These bonds were issued with a true interest cost of 2.08% to refund certain maturities of MetCom's 2007 Series B Bonds, the Twenty-third Issue, issued in conjunction with the Maryland Community Development Administration (CDA), with a coupon rate ranging from 3.5% to 4.25% and for the cost to refinance the loans.

These bonds were issued to take advantage of a favorable interest rate environment. Funds in the amount of $6,310,569 were deposited with an escrow agent to provide for all future debt service payments of the refinanced bonds. The remaining proceeds were used for prepayment fees and bond issuance costs.

MetCom refunded these bonds at a premium to reduce its total debt service payments by $537,674 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $431,337.

Notes, leases, and loans payable

Notes, leases and loans payable as of June 30, 2016 are as follows:

Note description	Due	Rate	Principal	Interest	Undrawn
Sixth Issue	2017	6.682%	$ 16,847	$ 1,126	$ -
MD Water Quality Loan #11	2017	4.260%	300,088	12,784	-
MD Water Quality Loan #15	2020	2.700%	204,343	24,830	-
MD Water Quality Loan #16	2023	1.200%	178,152	16,387	-
MD Water Quality Loan #18	2025	1.100%	2,248,418	238,243	-
MD Water Quality Loan #19	2024	1.100%	435,653	44,105	-
MD Water Quality Loan #20	2024	1.100%	442,050	37,425	-
MD Water Quality Loan #22	2027	1.100%	629,643	72,317	-
MD Water Quality Loan #25	2029	1.000%	134,174	16,782	-
MD Water Quality Loan #26	2030	1.000%	419,786	54,636	-
MD Water Quality Loan #28	2030	2.200%	344,273	80,633	-
SunTrust Bank Loan #29	2016	2.030%	23,700	120	-
MD Water Quality Loan #32	2034	1.800%	4,083,306	961,910	572,496
MD Water Quality Loan #33	2033	1.700%	357,305	76,542	-
MD Water Quality Loan #34	2035	2.100%	18,750,200	5,305,375	1,473,124
MD Water Quality Loan #35	2035	2.100%	4,687,550	1,326,363	368,281
MD Water Quality Loan #37	2034	2.000%	2,306,445	557,823	-
Leonardtown #41	2037	1.800%	1,705,500	459,069	-
			37,267,433	9,286,470	$ 2,413,901
Less current portion			2,272,418	844,453	
			$ 34,995,015	$ 8,442,017	

6. Long-term obligations (continued)

COMPONENT UNITS (continued)
St. Mary's 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, 2016, are as follows:

Years ending June 30,	Principal	Interest	Total
2017 (current)	$ 2,272,418	$ 844,453	$ 3,116,871
2018	2,038,328	809,411	2,847,739
2019	2,075,230	770,637	2,845,867
2020	2,112,840	732,935	2,845,775
2021	2,070,440	691,795	2,762,235
2022-2026	9,979,823	2,846,211	12,826,034
2027-2031	9,289,970	1,836,720	11,126,690
2032-2036	7,327,892	747,816	8,075,708
2037	100,492	6,492	106,984
Total	$ 37,267,433	$ 9,286,470	$ 46,553,903

As of June 30, 2016, MetCom has fifteen loans from the Maryland Water Quality Financing Administration. 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 was used to replace the Lexington Park Wastewater Pumping Station. Loan number twenty for $1,466,576 was for water meter installations. Loan number twenty-two for $1,136,984 was used for the Andover Road/Estates sewer projects and for arsenic remediation wells. Loan number twenty-five for $191,593 was used for the Hollywood Water Extension to provide arsenic remediation. Loan number twenty-six for $582,547 was used for Patuxent Park Sewer Line Repair and the Marlay-Taylor Methane Powered CoGeneration Project. Loan number twenty-eight for $443,927 was used for the St. Clements Shore Well. Loan number thirty-two in the amount of $4,874,202 is for the Radio Read Meter Project. As of June 30, 2016, MetCom had drawn $4,301,706 of the proceeds. Loan number thirty-three in the amount of $394,000 is for the Shangri La Drive/South Essex Drive Sewer Rehabilitation. Loan number thirty-four in the amount of $21,082,400 is for the Marlay-Taylor Wastewater Reclamation Facility Enhanced Nutrient Removal, ENR, project. Loan number thirty-five in the amount of $5,270,600 is also for Marlay-Taylor Wastewater Reclamation Facility ENR project. This loan will be paid for by Navy charges and is therefore taxable. As of June 30, 2016, MetCom has drawn $24,511,594 of the proceeds on loans thirty-four and thirty-five. Loan number thirty-seven in the amount of $2,420,291 is for the Route 235 and Route 712 Interceptor Rehabilitation. As of June 30, 2016, MetCom had drawn $2,420,291 of the proceeds.

Loan number twenty-nine is with SunTrust Bank in the amount of $270,682 at an interest rate of 2.03%. Payments are made monthly on this loan from December 2011 through November 2016. The proceeds of this loan were used to purchase a Vactor truck. Loan number forty-one in the amount of $1,705,500 is for MetCom's share of Leonardtown's MDE loan for the ENR project.

6. Long-term obligations (continued)

COMPONENT UNITS (continued)

St. Mary's Metropolitan Commission (continued)

Changes in long-term debt

The changes in long-term debt payable for the year ended June 30, 2016 were as follows:

	June 30, 2015	Additions	Deductions	June 30, 2016	Amounts due within one year
Bonds payable	$ 65,166,391	$ 7,776,000	$ 11,164,489	$ 61,777,902	$ 3,772,809
Notes, Leases and loans payable	29,201,907	10,428,666	2,363,140	37,267,433	2,272,418
Total long-term debt	$ 94,368,298	$ 18,204,666	$ 13,527,629	$ 99,045,335	$ 6,045,227

7. Fund balances

A summary of the nonspendable, restricted, committed, assigned and unassigned fund balances as of June 30, 2016 is as follows:

		Special Revenue Funds		Debt Service Fund	
	General Fund	Fire & Rescue Revolving	Emergency Support	Special Assessments	Capital Projects Fund
Nonspendable					
Inventory	$ 1,253,760	$ -	$ -	$ -	$ -
Prepaid expenses	41,059				
Interfund advance (Wicomico)	888,041	-	-	-	-
Total nonspendable	2,182,860	-	-	-	-
Restricted					
Domestic Violence Programs	2,385	-	-	-	-
County matching funds for approved grants	281,288	-	-	-	-
Funding sources specified for capital projects					
Land preservation	-	-	-	-	1,451,941
Various capital projects - transfer tax	-	-	-	-	10,199,785
Roads- impact fees	-	-	-	-	155,486
Roads- mitigation	-	-	-	-	511,794
Parks- impact fees	-	-	-	-	848,254
Parks- mitigation	-	-	-	-	46,753
Schools-impact fees	-	-	-	-	2,371,380
Schools-mitigation	-	-	-	-	34,125
Capital asset purchases	1,461,058	-	-	-	-
Total restricted	1,744,731	-	-	-	15,619,518
Committed					
Bond rating reserve	13,330,021	-	-	-	-
CIP pay-go	(2,972,992)	-	-	-	9,532,486
Rainy day fund	1,625,000	-	-	-	-
Operating budget, non-recurring items	2,972,992	-	-	-	-
Other, net, including grants	-	171,824	644,261	261,488	(9,448,030)
Total committed	14,955,021	171,824	644,261	261,488	84,456
Assigned	1,207,947	-	-	-	-
Unassigned	21,526,626	-	-	-	-
Total fund balances	$ 41,617,185	$ 171,824	$ 644,261	$ 261,488	$ 15,703,974

7. Fund balances (continued)

St. Mary's County spends funds in the following order: committed, then assigned, then unassigned.

The Board of County Commissioners (Board) is the highest level of decision-making authority, and committed funds are established by resolution, legislation, ordinance, and/or contractual action through the budget process. Those committed amounts cannot be used for any other purpose without Board action.

The authority for assigning fund balance is delegated to the Finance Department by the Board to carry out their approved plan.

The nonspendable fund balance includes:
Inventory - The amount of inventory at June 30, 2016, carried as an asset.

The restricted fund balance includes:
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 FY2016, but for which the period extends beyond June 30, 2016. These funds will be needed to meet the obligations of the grant.

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

The committed fund balance includes:
Bond Rating Reserve – set by ordinance, at a minimum of 6% of the next year's revenues

Bond Rainy Day Fund – established by the Commissioners for unanticipated events.

Fund balance appropriated as a part of the FY2017 budget for the transfer of pay-go funding to the FY2017 capital budget and other non-recurring.

The debt service fund assigned fund balance includes:
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.

The general fund assigned fund balance is composed of:

Encumbrances	$ 481,380
Miscellaneous revolving fund	726,567
	$1,207,947

7. Fund balances (continued)

As a part of our FY2017 budget process, unassigned fund balance was not used.

When unassigned fund balance is used, it is for one-time, non-recurring expenses. We intend to apply the fund balance in ways that will reduce future annual operating costs for periods up to 20 years. For example, using fund balance instead of bonds for a capital project already in the plan translates to annual cost savings in debt service of $750,000 for every $10 million applied. Similar returns can be achieved by applying fund balance to pay down the accrued liability for unfunded retiree health benefits.

In May 2016, as a part of the approval of the FY2017 budget, the Board approved not to use unassigned fund balance to increase reserves percent to revenue above 15% per fund balance policy.

UNASSIGNED ($16,680,164)
Remains unassigned; to help avoid sudden disruption or elimination of services, by allowing time for a plan to be developed to address such changes, revenue shortfalls, or cost shifts. And, given the still uncertain economy and the federal budget situation and its impact on the County's largest employment sector, it can help the County to weather negative revenue results for a limited period of time.

Each subsequent budget will include evaluation of the fund balance levels and assumptions upon which the plan was developed to determine whether it needs to be revised.

8. Retirement plans

PRIMARY GOVERNMENT

For the year ended June 30, 2016, the County recognized aggregated pension expense of $11,717,855 for all three pension systems.

State retirement and pension system of Maryland

Plan description

All permanent, full-time employees of the County, (other than those covered by the Sheriff's Office Retirement Plan) are eligible to participate in the retirement plans of the State Retirement and Pension System of Maryland (the System). The System is a cost sharing multiple-employer defined benefit pension plan administered in accordance with Article 73B of the annotated Code of Maryland by the State Retirement Agency of Maryland (SRA) to provide survivor, disability, and retirement benefits to State and local government employees, teachers, police, correctional and law enforcement officers, judges, and legislators. The SRA operates under the direction of a 15-member Board of Trustees, which establishes policy, oversees investments, and represents various employee interests. The Maryland State Retirement and Pension System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Baltimore, Maryland 21202-1600, calling (800) 492-5909 or www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2015.pdf . 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.

Eligible employees participate in one of two State sponsored plans:

a. The Employees' Retirement System, established October 1, 1941 (closed to all new members in January 1980). Membership is a condition of employment. Members participate under one of three options: Plan A – member elected to pay a higher contribution rate to maintain all benefits, including unlimited cost-of-living adjustments; Plan B – member continued pre-1984 contribution rate to maintain all benefits except unlimited cost of living. Cost of living adjustments are capped at 5%; Plan C – member chose a combination, or two-part (bifurcated) benefit. The portion of the service prior to the election is calculated at retirement as a Retirement System benefit; the portion of service after the election is calculated at retirement as a Pension System benefit.

b. The Employee's Pension System, established January 1, 1980. Membership is a condition of employment.

Plan benefits

Members of the Employees' Retirement Systems qualify for a normal service retirement upon attaining the age of 60, regardless of service or upon accumulating 30 years of eligibility service, regardless of age. The annual retirement allowance for members who opted to join Plan A or B equals 1/55 of a member's average final compensation (AFC) for each year of creditable service. For members of Plan C (bifurcated plan), a two part calculation is required. Part of Plan C benefits are calculated using the Retirement System formula. The remainder of the benefit is calculated using the Pension System formula. A member may retire with reduced benefits after completing 25 years of eligibility service.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
State retirement and pension system of Maryland (continued)

Plan benefits (continued)

1. Members of the Employees' Pension Retirement System hired prior to July 1, 2011 (Alternate Contributory Pension Selection (ACPS))

- Members are eligible for full service pension allowances upon accumulating 30 years of eligibility service regardless of age. Absent 30 years of eligibility service, members must meet one of the following conditions to be eligible for full service pension allowances:

  a. age 62, & five years of eligibility service
  b. age 63, & four years of eligibility service
  c. age 64, & three years of eligibility service
  d. age 65 or older, & two years of eligibility service

- The annual pension allowance is equal to 1.2% of AFC for the three highest consecutive years as an employee for each year of creditable service accrued prior to July 1, 1998 plus 1.8% of AFC for the three highest consecutive years as an employee for each year of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.
- The cost of living adjustments for ACPS limits the increase the retiree may receive to a maximum of 3%, compounded annually. The adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate.

2. Members of the Employees' Pension System hired on or after July 1, 2011 (Reformed Contributory Pension Benefit (RCPB))

- Eligibility for normal service retirement is determined by the Rule of 90. Members become eligible once the sum of their age and eligibility service is at least 90 or upon attaining at least age 65 and has accrued at least 10 years of eligibility service.
- The annual pension allowance is equal to 1.5% of AFC for the five highest consecutive years as an employee for each year of creditable service accrued on or after July 1, 2011. Members are eligible for early service pension allowances upon attaining age 60 with at least 15 years of eligibility service.
- The cost of living adjustments for RCPB is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate (currently 7.5%). The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate.

Various retirement options are available under each System which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's or spouse's attained age and similar actuarial factors.

For all other plans, a two-part adjustment applies. For service earned before July 1, 2011, the COLA rate is capped at 3% and is not tied to investment performance. For service earned on or after July 1, 2011, the same caps apply as for retirees of the Reformed Contributory Pension Benefit.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

State retirement and pension system of Maryland (continued)

Plan benefits (continued)

The System has adopted Governmental Accounting Standards Board (GASB) Statement No.67, *Financial Reporting for Pension Plans* and amendment of GASB Statement No. 27.

Actuarial assumptions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for State system, 24 years for LEOPS Muni, and 31 years for CORS Muni as of June 30, 2015. For ECS Muni, 5 years remaining as of June 30, 2015 for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.20% wage
Salary Increases	3.20% to 8.95% including inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2006-2010
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience
Note	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2015 valuation: Investment return assumption changed from 7.65% to 7.55% Inflation assumption changed from 2.90% to 2.70%

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

State retirement and pension system of Maryland (continued)

Investments

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	100%	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2015.

Contributions required and made

The State Personnel and Pensions Article of the Annotated Code of Maryland require contributions by active members and their employers. Rates for required contributions by active members are established by law. Members of the Employees' Retirement Systems are required to contribute 7% (or 5% depending upon the plan option selected) of earnable compensation. Members of the Employees' Pension Systems are required to contribute 7% of earnable compensation.

The unfunded actuarial liability (UAAL) was being amortized in distinct layers. The unfunded actuarial accrued liability which existed as of the June 30, 2000, actuarial valuation was being amortized over a 40-year period (as provided by law) from July 1, 1980 and as provided by law, any new unfunded liabilities or surpluses arising during the fiscal year ended June 30, 2001, or any fiscal year thereafter, was being amortized over a 25-year period from the end of the fiscal year in which the liability or surplus arose. However, in the 2014 legislative session, the Legislature changed the method used to fund the System. The unfunded liability for each System is being amoritized over a single closed 25-year period. Employee contributions, which are applied to normal cost, for fiscal year 2015 totaled approximately $755,444,000. The County's contribution to the System for the year ended June 30, 2016 was $1,953,519.

Contribution rates for employer and other "nonemployer" contributing entities are established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. These contribution rates have been established as the rates necessary to fully fund normal costs and amortize the unfunded actuarial accrued liability.

The State of Maryland (which is also a non-employer contributor to the Teachers' Retirement and Pension Systems and the Judges' Retirement System), the Maryland Automobile Insurance Fund, the Injured Workers' Insurance Fund, and more than 150 participating governmental units make all of the employer and other (non-employer) contributions to the System.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

State retirement and pension system of Maryland (continued)

Discount rate

A single discount rate of 7.55% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability

The following presents the plan's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher.

	(Expressed in thousands) 1% Decrease to 6.55%	Current Discount Rate 7.55%	1% Increase to 8.55%
Total System Net Pension Liability	$29,371,763	$20,781,713	$13,658,848

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, Commissioners of St. Mary's County reported liability of $21,747,150 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of that date. Commissioners of St. Mary's County's portion of the net pension liability was based on Commissioners of St. Mary's County's share of contributions to the pension plan relative to the contribution of all participating employers. At June 30, 2016, Commissioners of St. Mary's County proportion was .104646%.

For the year ended June 30, 2016, Commissioners of St. Mary's County recognized pension expense of $2,679,244 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 1,088,617	$ -
Net difference between projected and actual investment earnings	1,915,471	-
Difference between actual and expected experience	-	445,363
Contributions subsequent to measurement date	1,973,642	-
Total	$ 4,977,730	$ 445,363

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

State retirement and pension system of Maryland (continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred Inflows of resources related to pensions (continued)

The $1,973,642 reported as deferred outflows of resources related to pensions resulting from Commissioners of St. Mary's County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. The $1,088,617 from the change in assumptions, and the $445,363 from the difference between actual and expected experience, will be amortized over the service life of all employees, and the difference between projected and actual earnings of $1,915,471 will be amortized over a five year period. The amortization is as follows:

Year ending June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	$751,022	$111,341
2018	$751,022	$111,341
2019	$751,022	$111,341
2020	$751,022	$111,340
2021 and thereafter	-	-

Sheriff's office retirement plan

Plan description

The County administers the Sheriff's Office Retirement Plan which is a single employer defined benefit pension plan. The effective date of the plan is July 1, 1986, with amendments effective October 2000, September 2006, June 2007, July 2008 and January 2013. Generally all Sheriff's Office covered employees ("Covered Employee" means any Employee who is classified by the County as the Sheriff, a Deputy Sheriff, a Correctional Officer, or an Inmate Services Coordinator of the Sheriff's Office) hired after June 30, 1986 participated in the plan. Also, each Sheriff's Department covered 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.

The membership data related to the St. Mary's County Sheriff's Office Retirement Plan at July 1, 2014 was as follows:

Retirees and beneficiaries currently receiving benefits	81
Terminated plan members entitled to but not yet receiving benefits	31
Active plan members	206
Total	318

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
Sheriff's office retirement 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, reduced by 25% for benefit accrual purposes.

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 is on an incremental basis, with up to one year of service each time the participant completes four years of eligibility service, 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.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
Sheriff's office retirement plan (continued)

Normal retirement

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

The amount of the annual retirement income shall be equal to the lesser of: (1) 80% of the Participant's average compensation, plus the Participant's unused sick leave, or (2) the sum of:

(i) 2.5% of the Participant's average compensation multiplied by the number of years (and fractional years) of credited service earned by, or credited to, the Participant on and after July 1, 2008, plus
(ii) 2.0% multiplied by all years (and fractional years) of credited service earned by, or credited to, the Participant prior to July 1, 2008.

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 subject to a maximum benefit of 80% of the Participant's average compensation.

Disability benefit

Eligibility - A participant with five years of service 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 the greater of the benefit for ordinary disability or 66 2/3% of average compensation, 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 the greater of the benefit for ordinary disability or 50% of average compensation.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
Sheriff's office retirement plan (continued)

Pre-retirement death benefit

Lump sum benefit

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

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 five 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).

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.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
Sheriff's office retirement plan (continued)

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.

The Commissioners assign the authority to establish and amend the benefit provisions of the plan.

Net pension liability of the county

The components of the net pension liability of the Sheriff's plan at June 30, 2016, were as follows:

Total pension liability	$ 110,347,172
Plan fiduciary net position	(68,075,503)
County's net pension liability	$ 42,271,669
Plan fiduciary net position as a percentage of the total pension liability	61.69%

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2014 rolled forward to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Rates vary by participant service
Investment rate of return	7.25 percent, net of pension plan investment expense, including Inflation
Mortality	RP-2000 Combined Healthy tables with Blue Collar adjustment and generational projection by Scale AA

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2014 actuarial valuation report.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
Sheriff's office retirement plan (continued)

Sensitivity of the net pension liability to changes in the discount rate

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Sheriff's Plan net pension liability	$59,003,811	$42,271,669	$28,704,353

Asset allocation

The long-term nominal expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Allocation
Equity investments	51.5%
Fixed income	25%
Cash equivalents	7.9%
Alternatives (including real estate, hedge funds, multi-strategy & private equity)	15.6%
Total	100%

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the Sheriff's office retirement plan reported a net pension liability of $42,271,669. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2016.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
Sheriff's office retirement plan (continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred Inflows of resources related to pensions (continued)

For the year ended June 30, 2016, the Sheriff's office retirement plan recognized pension expense of $8,178,264 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 2,460,896	$ -
Net difference between projected and actual earnings on pension plan investments	8,607,797	-
Net difference between actual and expected experience	-	-
Contributions subsequent to measurement date	-	-
Total	$ 11,068,693	$ -

The $2,460,896 from the change in assumptions will be amortized over the service life of all employees, and the $8,607,797 from the difference between projected and actual earnings on pension plan investments will be amortized over a five year period as follows:

Year ending June 30,	
2017	$2,908,955
2018	$2,908,955
2019	$2,908,956
2020	$1,849,647
2021	$ 492,180
2022 and thereafter	$ -

Discount rate

The current discount rate on the Sheriff's Office plan is 7.25%.

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.

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.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)
Sheriff's office retirement plan (continued)

Recommended contribution level

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

The county is required to contribute at an actuarially determined rate, currently 37.8% of covered payroll. Contribution requirements of plan members and the county are established and may be amended by the Commissioners. The amount of the Sheriff's Department's current year covered payroll is $14,700,662 and the Sheriff's Department's total payroll for all employees is $18,111,224. The following employer contributions were made during the fiscal year ended June 30, 2016:

	Contributions	% of Covered Payroll
Actuarially determined	$ 4,815,590	37.8%

Volunteer fire departments, rescue squads and advanced life support unit

Plan description

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 Commissioners of 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.

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

Volunteer fire departments, rescue squads and advanced life support unit (continued)

Eligibility and benefits (continued)

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 dollars ($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.

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 Commissioners of 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).

8. Retirement plans (continued)

PRIMARY GOVERNMENT (continued)

Volunteer fire departments, rescue squads and advanced life support unit (continued)

Point system

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.

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, 2016 was $1,460,347.

8. Retirement plans (continued)

COMPONENT UNITS

The component units are covered under the same State retirement plan as the County.

St. Mary's County Public Schools

Contribution rates for employer and other non-employer contributing entities (including the State of Maryland) are established by annual actuarial valuations using the individual 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. The School System made required contributions totaling $5,726,545 or 4.73% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling $13,152,926 or 10.86% of current covered payroll for fiscal year 2016. 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 the GASB Codification.

At June 30, 2016, the School System reported a liability of $12,514,609 or .06% of the total liability of $20,781,712,000.

St. Mary's County Library

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2016, the Library's total payroll and payroll for covered employees were $2,197,646 and $1,806,916, respectively. No contributions were made by the Library for the year ended June 30, 2016.

For fiscal year 2016, the State contributed $323,711 to the State Retirement and Pension System on behalf of the Library. In accordance with GASB Statement No. 24, the State's contribution amount has been shown as State aid revenue and pension expenditure. The State's contribution amounted to approximately 17.91% of covered payroll.

St. Mary's Metropolitan Commission

Retirement and pension plan

MetCom's contribution to the System was $419,241 for year ended June 30, 2016.

At June 30, 2016, MetCom reported a liability of $4,394,022 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MetCom's proportion of the net pension liability was based on MetCom's share of contributions to the pension plan relative to the contribution of all participating employers. At June 30, 2016, MetCom's proportion was .02114%

Nationwide Retirement Solutions

On March 18, 2004, MetCom adopted a Section 457 plan. Under the terms of the plan, employees may contribute up to 100% of their salary, up to the contribution limits, to the plan. No employer contributions are made to this plan.

9. Interfund balances

Individual fund interfund receivable and payable balances are composed of the following as of June 30, 2016:

	Interfund Receivables	Interfund Payables
PRIMARY GOVERNMENT		
General fund		
Fire & Rescue Revolving Loan Fund	$ -	$ 171,824
Emergency Services Support Fund	-	613,110
Debt Service Fund	262,039	-
Capital Projects Fund	-	16,203,496
Enterprise Fund	-	1,150,707
Special Revenue Funds		
General Fund	784,934	-
Debt Service Fund		
General Fund	-	262,039
Capital Projects Fund		
General Fund	16,203,496	-
Enterprise Funds		
General Fund	1,150,707	-
Total due from/to other funds	$ 18,401,176	$ 18,401,176
COMPONENT UNITS		
St. Mary's County Building Authority Commission	$ 191,654	$ -
Primary Government-General Fund	$ 191,654	$ 191,654

10. 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.

Marcas, LLC vs Board of County Commissioners of St. Mary's County was settled in FY2016. The owner of land adjacent to landfill owned and operated by St. Mary's County was awarded $7,000,000 in damages related to settlement of case involving land that had been contaminated by the migration of methane gas.

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, 2016 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.

School construction

As of June 30, 2016, the School System had entered into various school construction commitments which are not reflected in the Statement of Net Position or Balance Sheet – Governmental Funds, since they will be funded by the State of Maryland or County bond issues, totaling approximately $4,590,976.

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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.

Health insurance

The School System is under a modified retrospective billing arrangement with a commercial insurance carrier to provide group health coverage. Under this arrangement, the insurance carrier assesses an initial charge paid by the School System through monthly premiums. At the end of the coverage period, there is a settlement of the difference between the billed premium and the actual claims and expenses. A deficiency in the billed premium represents the callable margin, which is owed by the School System, up to a maximum of 5%. If the actual claims and expenses are less than the billed premium, the School System would be entitled to a refund. For the year ended June 30, 2016, management does not anticipate a material deficiency or refund, and no such amount has been recorded.

10. Commitments and contingencies (continued)

COMPONENT UNITS (continued)
St. Mary's County Library

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.

11. Other post-employment benefits

The reporting entity 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.

PRIMARY GOVERNMENT

Plan description

The County provides health, prescription and vision care insurance benefits to eligible retirees and their eligible dependents and life insurance for retirees only. Eligible persons include employees, former employees, or beneficiaries who are receiving pensions, and meet the eligibility requirements of the Maryland State Retirement and Pension System (General Employees) and the St. Mary's County Sheriff's Department Retirement Plan (Sheriff Employees). The County pays a percentage of premiums based on years of service. For employees retiring prior to July 1, 2010, the percentage ranges from 26.6% with five 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 10 years of service to 85% with 25 years of 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:

	2016	2015	2014
Retirees and their Beneficiaries Currently Receiving Benefits	418	391	380
Active Employees	668	655	667
Total	1,086	1,046	1,047

11. Other post-employment benefits (continued)

PRIMARY GOVERNMENT (continued)

Annual OPEB costs and net OPEB obligation

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:

	2016	2015	2014
Annual Required Contribution	$ 5,021,000	$ 6,097,000	$ 5,925,000
Interest on Net OPEB	(1,360,000)	(1,255,000)	(1,194,000)
Adjustment to ARC	1,387,000	1,237,000	1,141,000
Annual OPEB Cost	5,048,000	6,079,000	5,872,000
Contributions Made to the Trust	-	4,797,918	4,459,954
Payments to Retirees	2,685,268	2,281,082	2,412,046
Net OPEB Obligation (Prepaid), Beginning of Year	(22,658,485)	(21,658,485)	(20,658,485)
Net OPEB Obligation (Prepaid), End of Year	$ (20,295,753)	$ (22,658,485)	$ (21,658,485)
The funded status of the plan was as follows:			
Actuarial Accrued Liability (AAL)	$ 95,612,000	$ 98,927,000	$ 93,108,000
Actuarial Value of Plan Assets	63,635,000	49,035,000	42,404,000
Unfunded Actuarial Accrued Liability	$ 31,977,000	$ 49,892,000	$ 50,704,000
Funded Ratio (Value of Plan Assets/AAL)	66.56%	49.57%	45.54%
Covered Payroll (Active Plan Members)	$ 35,433,314	$ 36,772,533	$ 35,221,122
UAAL as a percentage of covered payroll	90.25%	135.68%	143.96%

Funding progress

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2015 actuarial valuation (report issued October 29, 2014), the liabilities were computed using the project unit credit method, with linear proration to assumed benefit commencement. The actuarial assumptions included a 6.0% annual rate of return, 3.5% annual salary increases and an initial annual healthcare cost trend rate of 8.0%, decreasing gradually to an ultimate rate of 5.0 %. The UAAL is being amortized as a level percentage of projected payroll over 30 years with 22 years remaining.

11. Other post-employment benefits (continued)

COMPONENT UNITS

St. Mary's County Library

For the year ended June 30, 2016, the cost of post-employment benefits was $44,768.

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 July 1, 2010, or hired before July 1, 1991, regardless of retirement date, the percentage ranges from 26.6% with five 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 10 years of service to 85% with 25 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:

	2016	2015	2014
Retirees and Beneficiaries Currently Receiving Benefits	11	9	8
Active Employees	21	20	17
Total	32	29	25

Funding policy

During FY2008, the Library established a trust fund, the Retiree Health Benefit Trust of St. Mary's County Library, to fund certain retiree health benefits. The Library's funding policy is to contribute at least the funded expenses. The Net OPEB Obligation is overpaid by $182,732 as of June 30, 2016

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)
St. Mary's County 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) was calculated as follows:

	2016	2015	2014
Annual Required Contribution	$ 94,000	$ 112,000	$ 108,000
Interest on Net OPEB	(14,000)	(8,000)	(8,000)
Adjustment to ARC	14,000	8,000	7,000
Annual OPEB Cost	94,000	112,000	107,000
Contributions Made	(44,768)	(91,361)	(123,444)
Net OPEB Obligation, Beginning of Year	(231,964)	(252,603)	(236,159)
Net OPEB Obligation, End of Year	$ (182,732)	$ (231,964)	$ (252,603)
The funded status of the plan was as follows:			
Actuarial Accrued Liability (AAL)	$ 1,540,000	$ 1,712,000	$ 1,620,000
Actuarial Value of Plan Assets	800,000	646,000	558,000
Unfunded Actuarial Accrued Liability	$ 740,000	$ 1,066,000	$ 1,062,000
Funded Ratio (Value of Plan Assets/AAL)	51.95%	37.73%	34.44%
Covered Payroll (Active Plan Members)	$ 1,806,916	$ 1,951,389	$ 1,875,641
UAAL as a percentage of covered payroll	40.95%	54.63%	56.62%

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, 2015 actuarial valuation, the liabilities were computed using the projected unit credit method, with linear proration to assumed benefit commencement. The actuarial assumptions included a 6% annual rate of return and 3.5% annual payroll increase. The initial annual healthcare cost trend rate was 8%, decreasing gradually each year to a rate of 4.20% in 2099. The UAAL is being amortized as a level percentage of projected payroll over closed 22 year period for the year ended June 30, 2016.

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 and healthcare cost trends.

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)
St. Mary's County Library (continued)

Actuarial methods and assumptions (continued)

Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits. The actuarial value of assets was based on the estimated July 1, 2015 asset figure of $800,000.

St. Mary's Metropolitan commission

To fund the retiree health benefits, MetCom established a trust fund, the Retiree Benefit Trust of St. Mary's County Metropolitan Commission.

Plan description

MetCom provides health, prescription, dental and vision care insurance benefits to eligible retirees, eligible retirees' family members and the family members of deceased employees as a single-employer plan. Eligible persons include employees with a minimum of ten years of eligible MetCom service entering an immediate retirement, family members of eligible 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:

	2016	2015	2014
Retirees and their Beneficiaries Currently Receiving Benefits	10	10	10
Active Employees	71	67	66
Total	81	77	76

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)
St. Mary's Metropolitan commission (continued)

Funding policy

MetCom's Board determines how much is contributed to the OPEB Trust as part of the budget process. It is MetCom's intention to fully fund the OPEB cost each year. The FY 2016 Operating Budget included fully funding the OPEB cost. MetCom contributed $507,000 to the trust in FY 2016. The net OPEB obligation is overpaid by $300,388 as of June 30, 2016.

Annual OPEB costs and net OPEB obligation

MetCom's annual other post-employment benefit (OPEB) cost (expense) 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 following table shows the components of MetCom's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in MetCom's net OPEB obligation:

	2016	2015	2014
Annual Required Contribution	$ 508,000	$ 574,000	$ 552,000
Interest on Net OPEB	(21,000)	(20,000)	(20,000)
Adjustment to ARC	20,000	19,000	18,000
Annual OPEB Cost	507,000	573,000	550,000
Contributions Made	507,000	573,000	550,000
Net OPEB Obligation, Beginning of Year	(300,388)	(300,388)	(300,388)
Net OPEB Obligation, End of Year	$ (300,388)	$ (300,388)	$ (300,388)

The funded status of the plan was as follows:

	2016	2015	2014
Actuarial Accrued Liability (AAL)	$ 6,763,000	$ 7,238,000	$ 6,595,000
Actuarial Value of Plan Assets	3,908,000	3,575,000	2,957,000
Unfunded Actuarial Accrued Liability	$ 2,855,000	$ 3,663,000	$ 3,638,000
Funded Ratio (Value of Plan Assets/AAL)	57.79%	49.39%	44.84%
Covered Payroll (Active Plan Members)	$ 5,195,578	$ 4,911,310	$ 4,320,628
UAAL as a percentage of covered payroll	54.95%	74.58%	84.20%

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)

St. Mary's Metropolitan commission (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 November 13, 2014 actuarial valuation, the liabilities were computed using the project unit credit, with proration to benefit eligibility method. The actuarial assumptions included a 7% annual rate of return. The medical cost trend varied between 6.5% and 4.2% using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The rates include a 2.5% rate of inflation assumption. The UAAL is being amortized as a 30-year level percentage of projected payroll, closed basis, with 21 years remaining.

Summary of significant accounting policies

The Trust's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable. The Trust assets are invested with the Maryland Local Government Investment Pool (MLGIP) and the Maryland Association of Counties (MACo) Pooled Other Post Employment Benefits (OPEB) Trust. The Trust does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or of another entity.

St. Mary's County Public Schools

Post-employment healthcare and life insurance plan

Plan description

In addition to providing the pension benefits described previously, the School System provides post-employment health care and life insurance benefits (OPEB Plan) 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 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 Retiree Benefit Trust of the Board of Education of St. Mary's County (Benefit Trust) in order to facilitate the partial funding of the actuarially calculated OPEB liability. The Benefit Trust established a trust account with, and became a member of, the Maryland Association of Boards of Education Pooled OPEB Investment Trust (MABE Trust). The School System reserves the right to establish and amend the provisions of its relationship with the MABE Trust with respect to participants, any benefit provided there under, 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 of the MABE Trust.

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)
St. Mary's County Public Schools (continued)

Post-employment healthcare and life insurance plan (continued

Plan description (continued)

The MABE Trust was established to pool assets of its member Boards of Education for investment purposes only. Each member of the Investment Trust is required to designate a member trustee who is a trustee of the member trust. The member trustees of the MABE Trust shall ensure that the MABE Trust keep such records as are necessary in order to maintain a separation of the assets of the MABE Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in their respective financial statements using the economic resources measurement focus and the accrual basis of accounting, under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, if available.

The MABE Trust issues a publicly available audited GAAP-basis report that includes financial statements and required supplementary information for the Investment Trust. This report may be obtained by writing to the Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401-1112, or calling 410-841-5414.

Number of participants

Membership of the OPEB Plan currently enrolled in medical /drug coverage consisted of the following at July 1, 2014, the date of the latest actuarial valuation:

Active employees	1,573
Retirees – pre-medicare*	270
Retirees – post-medicare*	474
	2,317

*Does not include 193 participants who are not enrolled in medical/drug coverage but have life insurance coverage.

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)
St. Mary's County Public Schools (continued)

Funding policy

The School System contributes the pay as you go portion, along with an annually budgeted prefunding amount of the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of the GASB Codification. 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 30 years. The current ARC rate is 13.62% of annual covered payroll. The ARC consisted of the normal cost of $7,743,000 and the amortization of unfunded accrued liability of $8,760,000. The School System contributed $6,108,261 for the year ended June 30, 2016, entirely consisting of contributions towards current healthcare and life insurance premiums accounted for in the general fund with no additional contributions in the current year to prefund future benefits to the retirement benefit trust fund.

Annual OPEB cost and net OPEB obligation

The School System had an actuarial valuation performed as of July 1, 2014, 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, 2016. The annual OPEB cost (expense) for the year ended June 30, 2016, was $16,413,000, which was comprised of the ARC of $16,503,000 discussed above, less 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
2014	$ 12,515,000	62.48%	$ 35,641,970
2015	$ 13,550,000	60.48%	$ 40,997,310
2016	$ 16,413,000	37.22%	$ 51,302,049

Funded status and funding progress

The funded status of the plan was as follows:

	2016	2015	2014
Actuarial Accrued Liability (AAL)	$ 199,826,000	$ 188,006,000	$ 146,045,000
Actuarial Value of Plan Assets	39,645,000	34,714,382	25,002,000
Unfunded Actuarial Accrued Liability	$ 160,181,000	$ 153,291,618	$ 121,043,000
Funded Ratio (Value of Plan Assets/AAL)	19.84%	18.46%	17.12%
Covered Payroll (Active Plan Members)	$ 121,123,057	$ 115,255,917	$ 118,651,284
UAAL as a percentage of covered payroll	132.25%	133.00%	102.02%

11. Other post-employment benefits (continued)

COMPONENT UNITS (continued)
St. Mary's County Public Schools (continued)

Funded status and funding progress (continued)

As of July 1, 2015, the plan was 19.84% funded. The actuarially accrued liability for benefits was $199,826,000, and the actuarial value of assets was $39,645,000, resulting in an unfunded actuarial accrued liability (UAAL) of $160,181,000. The covered payroll (annual payroll of active employees covered by the plan) was $121,123,057, and the ratio of UAAL to the covered payroll was 132.25%. 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2014 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 5.25% per year compounded annually, (b) projected salary increases of 3.50% compounded annually (used for amortization purposes), (c) additional projected salary increases ranging from 4.31% to 10.76% per year, attributable to seniority/merit (used for life insurance purposes), (d) annual healthcare cost trend rate of 8.00% initially, reduced annually to arrive at an ultimate healthcare cost trend of 4.00%, (e) rates of mortality based upon RP 2000 Combined Healthy Mortality Table, (f) termination of service rates based upon age and sex, ranging from 1.00% to 18.00%, (g) disablement rates based on age, ranging from 0.03% to 0.49%, (h) retirement rates based on age, sex, and length of service, ranging from 2.00% to 45.00%, and (i) medical claims including prescription drugs are based on actual experience during the period from July 1, 2012 through June 30, 2014, and were projected with annual increases of 8.00% for medical claims and 8.00% for prescription drug claims. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a period of 23 years for the year ended June 30, 2016.

12. Landfill closure and postclosure cost

State and federal laws and regulations require the Commissioners of 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 Commissioners of 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 $4,230,000 reported as landfill closure and postclosure care liability at June 30, 2016, 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. Postclosure costs are budgeted and paid annually.

13. 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 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 2016 the County paid premiums of $519,016 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.

14. Self-insurance (Worker's Compensation)

The County self-insures its worker's compensation costs and liabilities. The County establishes funding of claim 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, 2016. The unpaid claims also include liabilities for incurred but not reported (IBNR) claims as of June 30, 2016.

15. Change in accounting principles/correction of an error

The County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*, during fiscal year ending June 30, 2015. Although the County determined the Sheriff's Office Retirement Plan net pension liability of $35,030,602, this amount was inadvertently excluded from the Statement of Net Position as required. The County restated beginning Net Position at July 1, 2015 by ($35,030,602) for the net pension liability as of June 30, 2015.

The County adopted GASB Statement No. 72, *Fair Value Measurement and Application*, during fiscal year ended June 30, 2016. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

16. Subsequent events

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through November 17, 2016, the date the financial statements were available to be issued.

On August 9, 2016, the County issued $25,000,000 in consolidated Public Improvement Bonds to finance various capital projects.

REQUIRED SUPPLEMENTARY INFORMATION

COMMISSIONERS OF 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, 2016

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Variance
REVENUES				
Property taxes	$ 105,081,992	$ 105,081,992	$ 105,273,048	$ 191,056
Income taxes	86,700,000	86,700,000	85,525,116	(1,174,884)
Energy taxes	1,300,000	1,300,000	939,672	(360,328)
Recordation taxes	5,300,000	5,300,000	5,463,166	163,166
Other Local taxes	1,100,000	1,100,000	1,389,142	289,142
Highway user revenues	783,038	783,038	901,966	118,928
Licenses and permits	1,559,550	1,559,550	1,574,154	14,604
State/federal grants	10,314,745	10,729,792	9,859,122	(870,670)
Charges for services	2,707,308	2,723,933	2,658,430	(65,503)
Fines and forfeitures	44,500	44,500	31,929	(12,571)
Investment and other revenues	86,411	90,264	188,672	98,408
Sub-total	214,977,544	215,413,069	213,804,417	(1,608,652)
Pass-throughs	-	-	-	-
TOTAL GENERAL FUND REVENUES	214,977,544	215,413,069	213,804,417	(1,608,652)
EXPENDITURES				
General government	23,876,053	23,872,135	22,041,066	1,831,069
Public safety	42,788,779	43,705,440	41,085,507	2,619,933
Public works	9,643,843	9,773,303	8,405,478	1,367,825
Health	7,159,579	7,482,629	7,383,969	98,660
Social services	4,253,439	4,121,614	4,133,352	(11,738)
Primary and secondary education	100,202,216	100,202,216	99,922,025	280,191
Post-secondary education	4,257,845	4,257,845	4,257,845	-
Parks, recreation and culture	3,973,804	3,898,581	3,743,517	155,064
Libraries	2,588,064	2,588,064	2,588,064	-
Conservation of natural resources	508,400	477,768	463,704	14,064
Economic development and opportunity	1,672,447	1,986,018	1,877,281	108,737
Debt service	13,006,486	9,393,428	9,349,279	44,149
Inter-governmental	42,973	42,973	42,973	-
Other	2,885,000	2,885,000	2,657,398	227,602
Sub-total	216,858,928	214,687,014	207,951,458	6,735,556
Pass-throughs	-	-	-	-
TOTAL GENERAL FUND EXPENDITURES	216,858,928	214,687,014	207,951,458	6,735,556
OTHER FINANCING SOURCES AND USES				
Fund balance	11,872,005	12,589,004	11,872,005	(716,999)
Reserves - grants (expenditures)	(500,000)	(64,475)	-	64,475
Reserves - grants (revenues)	500,000	64,475	-	(64,475)
Reserves - OPEB	-	-	-	-
Reserves - emergency appropriations	(500,000)	(124,438)	-	124,438
Reserves - bond rating	(400,000)	(400,000)	(401,368)	(1,368)
General fund transfer/pay-go - capital projects	(9,090,621)	(5,790,621)	(5,790,621)	-
Solid waste/recycling - general fund transfer	-	-	-	-
Legal settlement	-	(7,000,000)	(7,000,000)	-
TOTAL OTHER FINANCING SOURCES AND USES	1,881,384	(726,055)	(1,319,984)	(593,929)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	$ -	$ -	$ 4,532,975	$ 4,532,975

See Independent Auditor's Report.

A reconciliation of the revenues and expenditures of the general fund

	Net Change in Fund Balance	End of Year Fund Balance
Budgetary basis – general fund	$ 4,532,975	$ 40,575,967
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	(440,905)	(239,689)
Beginning of year encumbrances, rolled into FY2016	(918,523)	-
Appropriation from prior year rolled to FY2016 in order to cover the encumbrances. This is reflected in the revised budget appropriations for FY2016	918,523	918,523
Budgeted use of fund balance	(11,872,005)	-
Increase in bond rating reserve	401,368	-
Restricted cash & investments:		
FY2016	1,461,058	1,461,058
FY2015	(1,580,054)	(1,580,054)
End of year encumbrances included in budget basis expenditures, not included for GAAP	481,380	481,380
GAAP basis	$ (7,016,183)	$ 41,617,185

Maryland State Retirement and Pension Plan

Schedule of net pension liability and related ratios

Date	Proportion of Collective NPL (a)	Proportionate Share of Collective NPL (b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll (b/c)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Collective)
06/30/15	0.0937813%	$ 16,643,117	$ 20,945,112	79.46%	71.87%
06/30/16	0.1046456%	$ 21,747,150	$ 22,117,812	98.32%	68.78%

Schedule of contributions and related ratios

Date	Actuarially Determined Contribution (a)	Actual Contribution (b)	Contribution Deficiency (Excess) (c)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
06/30/15	$ 2,185,443	$ 2,169,353	$ 16,090	$ 20,945,112	10.36%
06/30/16	$ 2,205,647	$ 2,187,861	$ 17,786	$ 22,117,812	9.89%

The County implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. Information for prior years is not available.

Maryland State Retirement and Pension Plan (continued)

Changes in benefit terms

There were no benefit changes during the year.

Changes in assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2015 valuation:

- Investment return assumption changed from 7.65% to 7.55%
- Inflation assumption changed from 2.90% to 2.70%

Method and assumptions used in calculations of actuarially determined contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for State system, 24 years for LEOPS Muni, and 31 years for CORS Muni as of June 30, 2015. For ECS Muni, 5 years remaining as of June 30, 2015 for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.20% wage
Salary Increases	3.20% to 8.95% including inflation
Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

COMMISSIONERS OF ST. MARY'S COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLANS
FOR THE YEAR ENDED JUNE 30, 2016

Sheriff's Office Retirement Plan

Changes in the county's net pension liability and related ratios
Last 10 fiscal years (dollar amounts in thousands)

	2016	2015	2014
Total pension liability:			
Service cost	$ 3,826	$ 3,687	$ 3,475
Interest	7,317	6,564	6,286
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	3,445	-
Benefit payments, including refunds of member contributions	(3,436)	(3,193)	(2,862)
Net change in total pension liability	7,707	10,503	6,899
Total pension liability – beginning	102,640	92,137	85,238
Total pension liability – ending (a)	$ 110,347	$ 102,640	$ 92,137
Plan fiduciary net position			
Contributions – employer	$ 4,816	$ 5,197	$ 5,605
Contributions – member	1,011	945	1,082
Net investment income	(1,803)	(465)	8,480
Benefit payments, including refunds of member contributions	(3,436)	(3,193)	(2,862)
Administrative expense	(122)	(79)	(78)
Other	-	-	-
Net change in plan fiduciary net position	466	2,405	12,227
Plan fiduciary net position – beginning	67,609	65,204	52,977
Plan fiduciary net position – ending (b)	$ 68,075	$ 67,609	$ 65,204
County's Net Pension Liability – ending (a) – (b)	$ 42,272	$ 35,031	$ 26,933
Plan fiduciary net position as a percentage of the total pension liability	61.69%	65.87%	70.77%
Covered employee payroll	12,740	12,774	13,537
County's net pension liability as a percentage of covered employee payroll	331.81%	274.24%	198.96%
Expected average remaining service years of all participants	7	7	8

Notes to Schedule:
Information for FY2013 and earlier is not available.
Benefit changes: None.
Changes of assumptions: For FY2015, the expected rate of return on plan investments was reduced from 7.50% to 7.25% net of investment related expenses.

Sheriff's Office Retirement Plan (continued)

Schedule of county contributions
Last 10 fiscal years (Dollar amounts in thousands)

	2016	2015	2014
Actuarially determined contribution	$ 4,816	$ 5,197	$ 5,144
Contributions in relation to the actuarially determined contribution	4,816	5,197	5,605
Contribution deficiency (excess)	-	-	(461)
Covered employee payroll	$ 12,740	$ 12,774	$ 13,537
Contributions as a percentage of covered employee payroll	37.80%	40.68%	41.41%

Notes to schedule

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the two years immediately following the fiscal year. Actuarial valuations are performed every other year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll over all years of service
Remaining amortization period	22 years (closed)
Asset valuation method	5-year smoothed market
Inflation	3.0 percent compounded annually
Salary increases	Rates vary by participant service
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2000 Combined Healthy tables with Blue Collar adjustment with generational projection by Scale AA

COMMISSIONERS OF ST. MARY'S COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE BENEFIT TRUST
FOR THE YEAR ENDED JUNE 30, 2016

Schedules of employer contributions and funding progress for the retiree benefit trust are presented below:

Primary government

Schedule of employer contributions

Fiscal Year Ended	Annual OPEB Costs	Employer Contributions	Percentage Contributed	Net OPEB Obligation (Asset)
06/30/08	$ 4,617,000	$ 14,788,623	320%	$ (10,171,623)
06/30/09	4,762,000	10,762,000	226%	(16,171,623)
06/30/10	4,888,000	4,888,000	100%	(16,171,623)
06/30/11	5,145,000	5,145,000	100%	(16,171,623)
06/30/12	5,400,000	7,076,862	131%	(17,848,485)
06/30/13	5,669,000	8,479,000	150%	(20,658,485)
06/30/14	5,872,000	6,872,000	117%	(21,658,485)
06/30/15	6,079,000	7,079,000	116%	(22,658,485)
06/30/16	5,048,000	2,685,268	53%	(20,295,753)

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
06/30/08	$ 10,000,000	$ 60,135,000	$ 50,135,000	16.6%	$ 34,115,335	147.0%
06/30/09	13,458,000	64,561,000	51,103,000	20.8%	35,716,358	143.1%
06/30/10	24,400,000	73,285,000	48,885,000	33.3%	35,562,940	137.5%
06/30/11	28,799,000	78,251,000	49,452,000	36.8%	35,556,564	139.1%
06/30/12	31,418,000	79,275,000	47,857,000	39.6%	35,208,044	135.9%
06/30/13	36,614,000	84,788,000	48,174,000	43.2%	35,221,122	136.8%
06/30/14	42,404,000	93,108,000	50,704,000	45.5%	36,772,533	137.9%
06/30/15	49,035,000	98,927,000	49,892,000	49.6%	37,522,510	133.0%
06/30/16	63,635,000	95,612,000	31,977,000	66.6%	35,433,314	90.2%

APPENDIX B

Form of Opinion of Bond Counsel

[Closing Date]

Commissioners of St. Mary's County
Governmental Center
Leonardtown, Maryland

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Commissioners of St. Mary's County (the "County") of $15,475,000 general obligation bonds designated "Commissioners of St. Mary's County Public Improvement Refunding Bonds, Series 2017" (the "Bonds"), which are described as follows:

Dated the date of initial delivery, interest payable semiannually on January 15 and July 15 of each year, beginning July 15, 2018, until maturity; fully registered in form and in the denomination of $5,000 each or any integral multiple thereof; issued under the provisions of Section 19-207 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume) (the "Act"); authorized to be issued, sold and delivered by a Resolution adopted by the Board of County Commissioners of St. Mary's County on September 26, 2017 (the "Resolution") and a Bond Order executed and delivered by the County Administrator of the County on October 24, 2017 (the "Bond Order"); and maturing on such dates, in such amounts, and bearing interest at such rates, as set forth in the Bonds.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

We are qualified to practice law in the State of Maryland, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State of Maryland and the federal law of the United States of America.

With respect to an executed and authenticated Bond which we have examined and Bonds similarly executed and authenticated, it is our opinion under existing law that:

(a) The County is a validly created and existing body corporate and politic and a political subdivision of the State of Maryland, possessing the authority under the Act, the Resolution and the Bond Order to issue the Bonds.

(b) The Bonds have been duly authorized and legally issued in accordance with the Constitution and Public Laws of the State of Maryland, including the Act, and the Resolution and Bond Order.

(c) The Bonds are valid and legally binding general obligations of the County to which its full faith and credit are pledged, payable as to both principal and interest from ad valorem taxes which the County is empowered and directed to levy, without limitation of rate or amount, upon all property subject to taxation by the County.

(d) To provide for the payment of the principal of and interest on the Bonds, the County, by the adoption of the Resolution, has covenanted to levy said ad valorem taxes in each fiscal year in which provision must be made for the payment of such principal and interest.

(e) Under current law, (i) interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of the Bonds) is excludable from gross income for purposes of Federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not a specific item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations; provided, however, for purposes of the alternative minimum tax imposed on corporations (as defined for Federal income tax purposes under Section 56 of the Code), interest on the Bonds is included in computing adjusted current earnings.

In rendering the opinion expressed above in paragraph (e), we have assumed continuing compliance with the covenants and agreements set forth in the Non-Arbitrage Certificate and Tax Covenants of even date herewith executed and delivered by the County, which covenants and agreements are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Internal Revenue Code of 1986, as amended, and the income tax regulations issued thereunder. Failure by the County to comply with such covenants and agreements could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their issue date.

(f) Under existing law of the State of Maryland, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit made in the sale thereof, are exempt from State, county, municipal or other taxation of every kind and nature within the State of Maryland; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds, their transfer, the interest thereon or the income therefrom.

This opinion is given as of its date and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

It is to be understood that the rights of any holder of the Bonds and the enforceability of Bonds may be subject to (a) any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences and fraudulent transfers or conveyances), reorganization, moratorium and other similar laws affecting creditors' rights generally, (b) the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and (c) the valid exercise of constitutional powers of the United States of America and of the sovereign police and taxing powers of the State of Maryland or other governmental units having jurisdiction.

Very truly yours,

McGuireWoods LLP

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of November 16, 2017 (the "Disclosure Agreement"), is executed and delivered by Commissioners of St. Mary's County (the "County") in connection with the issuance of $15,475,000 Commissioners of St. Mary's County Public Improvement Refunding Bonds, Series 2017 (the "Bonds"). The County hereby covenants and agrees as follows:

SECTION 1. *Purpose of the Disclosure Agreement.* This Disclosure Agreement is being executed and delivered by the County for the benefit of the holders from time to time of the Bonds, including the beneficial owners, and in order to assist the Underwriter (defined below) in complying with the Rule (defined below). The County's obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

SECTION 2. *Definitions.* In addition to the definitions set forth above, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Disclosure Representative" shall mean the Chief Financial Officer of the County or his or her designee, or such other person as the County shall designate from time to time.

"Dissemination Agent" shall mean the County or any Dissemination Agent designated in writing by the County.

"EMMA" means the Electronic Municipal Market Access system of the MSRB as provided at http://www.emma.msrb.org, or any similar system that is acceptable to or as may be specified by the Securities and Exchange Commission from time to time.

"Listed Events" shall mean any of the events listed in Section 6(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board, and its successors.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission.

"Underwriter" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering or sale of the Bonds.

SECTION 3. *Scope of Agreement.*

(a) The disclosure obligations under this Disclosure Agreement relate solely to the Bonds. Such disclosure obligations are not applicable to any other securities issued or to be issued by the County.

(b) The County is the only "obligated persons" with respect to the Bonds within the meaning of the Rule.

SECTION 4. *Provision of Annual Reports.* The County shall, not later than March 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2017, provide to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB, directly or through an intermediary, an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report.

SECTION 5. *Content of Annual Reports.* (a) The County's Annual Report shall contain or incorporate by reference the following:

(1) Comprehensive audited financial statements for the immediately preceding fiscal year, prepared in accordance with generally accepted accounting principles; unless the audited financial statements are not available on or before such date, in which event the County will provide unaudited financial statements within such time period and the audited financial statements will be provided promptly when and if available; and

(2) the financial information and operating data provided in the Official Statement prepared and delivered by the County with respect to the Bonds, presented in the following charts: "General Fund – Summary of Expenditures and Transfers," "General Fund – Summary of Revenues," "Assessed Values and Tax Rates," "Tax Levies and Collections," "General Fund – Statement of Operating Revenues and Expenditures" and "General Fund – Summary of Fund Balance," updated as of a date no earlier than the last day of the immediately-preceding fiscal year.

(b) (1) Except as otherwise set forth in this paragraph (b), the presentation of the financial information referred to in paragraph (a) shall be made in accordance with the same generally accepted accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds.

(2) The County may make changes to the presentation of the financial information required in paragraph (a) necessitated by changes in generally accepted accounting principles.

(3) The County may otherwise modify the presentation of the financial information required herein, provided that this Disclosure Agreement is amended in accordance with Section 9 hereof.

SECTION 6. *Reporting of Significant Events.*

(a)This Section 6 shall govern the giving of notices of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, if material;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
(7) Modifications to rights of owners of the Bonds, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(14) Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Whenever the County obtains knowledge of the occurrence of a Reportable Event, the County shall file in a timely manner, not in excess of ten (10) business days after the occurrence of such event, directly or through an intermediary, a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB.

(c) For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

(d) The County hereby acknowledges that certain of the above-enumerated events do not, and are not ever expected to, apply to the Bonds. Nevertheless, the County intends to provide the Underwriter with complete assistance in complying with the Rule. Therefore, the County covenants to provide notice of all of the above-enumerated events should they occur.

(e) In a timely manner, the County will give notice of any failure to comply with the covenants set forth herein to the MSRB in an electronic format as prescribed by the MSRB.

SECTION 7. *Termination of Reporting Obligation.* The County's obligations under this Disclosure Agreement shall terminate when there are no longer any Bonds outstanding. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

SECTION 8. *Dissemination Agent.* The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out their obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. *Amendment; Waiver.* (a) Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(1) (A) said amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County as an obligated person with respect to the Bonds, or type of business conducted by the County;

(B) said provision, as amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(C) said amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by nationally recognized bond counsel or by an approving vote of the holders of at least 25% of the outstanding aggregate principal amount of the Bonds; or

(2) the County receives an opinion of nationally recognized bond counsel to the effect that such amendment or waiver is permitted or required by the Rule.

(b) The reasons for any amendment or waiver and the impact of the change in the type of financial information or operating data being provided will be explained in information provided with the annual financial information containing the amended financial information or operating data.

SECTION 10. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrences of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. *Relationship to the Bonds.* This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Bonds. Any breach of or failure of the County to comply with this Disclosure Agreement shall not be deemed to be a default or an event of default with respect to the Bonds.

SECTION 12. *Limitation on Remedies and Forum*.

(a) The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 45 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to the Chief Financial Officer, St. Mary's County Government, 41770 Baldridge Street, Leonardtown, Maryland 20650, or at such alternate address as shall be specified by the County in disclosures made pursuant to Section 4 or 5 hereof or a notice of occurrence of a Listed Event.

(b) Any suit or proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for St. Mary's County, Maryland.

SECTION 13. *Filing with Electronic Municipal Market Access System (EMMA).* Unless otherwise required by the MSRB, all filings with the MSRB shall be made with EMMA and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 14. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the County, the Dissemination Agent (if any), the Underwriter, and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. *Severability*. In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 16. *Entire Agreement*. This Disclosure Agreement contains the entire agreement of the County with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto; provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

SECTION 17. *Captions*. The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 18. *Governing Law*. This Disclosure Agreement and any claim made with respect to the performance by the County of its obligations hereunder shall be governed by, subject to and construed in accordance with the federal securities laws, where applicable, and the laws of the State of Maryland, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the County has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

COMMISSIONERS OF ST. MARY'S COUNTY

By:____
Chief Financial Officer

APPENDIX D

NOTICE OF SALE

ST. MARY'S COUNTY, MARYLAND

$14,845,000* COMMISSIONERS OF ST. MARY'S COUNTY PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2017

Electronic Bids via ***PARITY®*** will be received for the purchase of the above-captioned issue of general obligation bonds (the "Bonds") of Commissioners of St. Mary's County (the "County") at the office of the Chief Financial Officer of the County, 41770 Baldridge Street, Leonardtown, Maryland 20650, until 11:00 a.m. local time on Tuesday,

October 24, 2017.

Dated Date and Interest Payment Dates. The Bonds will be dated their date of initial delivery. Interest on the Bonds will be payable semiannually on each January 15 and July 15, commencing July 15, 2018, until maturity.

Principal Amounts and Principal Payment Dates. The Bonds will be issued in serial form in the aggregate principal amount of $14,845,000* and will mature on July 15 in the following years and in the following principal amounts:

Year of Maturity	Principal Amount*	Year of Maturity	Principal Amount*
2020	$1,205,000	2025	$1,505,000
2021	1,255,000	2026	1,570,000
2022	1,315,000	2027	1,645,000
2023	1,375,000	2028	1,725,000
2024	1,440,000	2029	1,810,000

*Preliminary, subject to adjustment as provided herein.

Adjustments. The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to adjustment by the County, both before and after the receipt of bids for their purchase. Changes to be made prior to the sale will be announced through TM3 News Service not later than 9:30 a.m. local time on the date of sale (or as soon thereafter as is reasonably practical) and will be used to compare bids and select a winning bidder. Changes to be made after the sale and the maturity schedule for the Bonds will be communicated to the successful bidder by 5:00 p.m. local time on the date of the sale, will be made only as necessary to effect the refunding, and will not reduce or increase the aggregate principal amount of the Bonds by more than 15% from the amount bid upon. The dollar amount bid for principal and any amount bid for premium by the successful bidder will be adjusted proportionately to reflect any reduction or increase in the aggregate principal amount of the Bonds, but the interest rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes made within these limits.

General Obligations. The Bonds will be the unconditional general obligation of the County and will be issued upon its full faith and credit, which will be irrevocably pledged to the prompt payment of the principal of and interest on the Bonds as the same become due.

Book-Entry System. The Bonds will be issued in fully registered book-entry form and The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds. One Bond representing each maturity of the Bonds will be issued to and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds and each such Bond shall be immobilized in the custody of DTC or with the Bond Registrar to be held under DTC's "FAST" system, provided that if DTC requests, certificated Bonds will be issued in denominations of $5,000 or any integral multiple thereof. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates representing each maturity with DTC.

Interest on the Bonds will be payable when due and principal of the Bonds will be payable at maturity to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC ("Participants") will be the responsibility of Participants and other nominees of beneficial owners. The County will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC Participants or persons acting through Participants.

In the event that DTC determines not to continue to act as securities depository for the Bonds or the County determines to discontinue the book-entry system with DTC, and the County does not replace DTC with another securities depository, the County will execute and the Bond Registrar will authenticate and deliver replacement Bonds in certificated form registered in the names of the Participants or, if requested in writing by such Participants, in the names of the beneficial owners of the Bonds. Replacement Bonds issued to Participants or to beneficial owners shall be in authorized denominations and be in fully registered form in substantially the form set forth in the Resolution.

Authorization and Use of Proceeds. The issuance of the Bonds is authorized by Section 19-207 of the Local Government Article of the Annotated Code of Maryland, as amended, and Resolution No. 2017-__ adopted by the Board of County Commissioners of St. Mary's County on September 26, 2017 (the "Resolution), for the purpose of refunding certain outstanding general obligation bonds of the County**.**

Bonds Not Subject to Redemption. The Bonds are not subject to redemption prior to their stated maturities.

Electronic Bids. Electronic bids will be received via ***PARITY®*** pursuant to this Notice of Sale until 11:00 a.m. local time on the date of sale, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in ***PARITY®*** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about ***PARITY®***, potential bidders may contact ***PARITY®*** at (212) 849-5021. Bidders may only submit bids electronically via ***PARITY®.***

Each prospective bidder shall be solely responsible to submit its bids via ***PARITY®*** as described herein. Each prospective bidder shall be solely responsible to make necessary arrangements to access ***PARITY®*** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor ***PARITY®*** shall have any duty or obligation to provide or assure access to ***PARITY®*** to any prospective bidder, and neither the County nor ***PARITY®*** shall be responsible for proper operation of, or have any liability for delays or interruptions of, or any damages caused by, ***PARITY®.*** The County is using ***PARITY®*** as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of ***PARITY®*** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Parameters" set forth herein. All costs and expenses incurred by prospective bidders in connection with their submissions of bids via ***PARITY®*** are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, such bidder should telephone ***PARITY®*** at Dalcomp (212) 849-5021 and notify the County's Financial Advisor, Davenport & Company LLC, by facsimile at (866) 932-6660 and by telephone at (410) 296-9426.

Electronic bids must be submitted for the purchase of the Bonds (all or none) via ***PARITY®***. Bids will be communicated electronically to the County at 11:00 a.m. local time, on October 24, 2017. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via ***PARITY®***, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via ***PARITY®*** to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. *For purposes of the electronic bidding process and the time for submitting electronic bids, the time as maintained on **PARITY®** shall constitute the official time.*

Bid Parameters. Each bidder shall submit one bid via ***PARITY®*** on an "all-or-none" basis. Each bid must specify the amount bid for the Bonds, which shall be not less than 100% of par or more than 115% of par. Each bid must specify in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%) the rate or rates of interest per annum which the Bonds are to bear but shall not specify (a) more than one interest rate for any Bonds having the same maturity, (b) a zero rate of interest, (c) any interest rate for any Bonds which exceeds the interest rate stated in such bid for any other Bonds by more than 3.00%, or (d) any interest rate that exceeds 5.00%.

By submitting a bid for the Bonds, the bidder agrees, if it is the successful bidder for the Bonds, (1) to provide full and complete pricing information with respect to the Bonds to the County in a timely manner so that the County may fulfill its obligation relating to the delivery of the Official Statement to the purchaser of the Bonds within seven business days following the award, including, without limitation, the offering price(s), interest rate(s), selling compensation, delivery dates and other similar information; (2) to comply with the requirements of SEC Rule 15c2-12 ("Rule 15c2-12"), applicable federal and state securities laws and the applicable rules of the Municipal Securities Rulemaking Board (the "MSRB") in connection with the offer and sale of the Bonds; and (3) within three business days after the final Official Statement becomes available, to cause copies thereof to be filed with the MSRB.

Establishment of Issue Price. The successful bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1 or Exhibit A-2, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the County and Bond Counsel. All actions to be taken by the County under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the County by the County's financial advisor identified herein and any notice or report to be provided to the County may be provided to the County's financial advisor.

The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) the County shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

By submitting a bid, each bidder (i) confirms that its bid is a firm offer for the purchase of the Bonds identified in this Notice of Sale, on the terms set forth in its bid and this Notice of Sale, except as permitted by this Notice of Sale and (ii) represents that it has an established industry reputation for underwriting new issuances of municipal bonds.

In the event that the competitive sale requirements are not satisfied, the County shall so advise the successful bidder. The County may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the County if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The County shall promptly advise the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the County determines to apply the hold-the-offering-price rule to any maturity of the Bonds.

Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The successful bidder shall promptly advise the County when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the County the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

The County acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the County to the successful bidder.

Award of Bonds. The County will not consider and will reject any bid for the purchase of less than all of the Bonds. THE RIGHT IS RESERVED TO REJECT ANY AND ALL BIDS AND TO WAIVE ANY IRREGULARITY OR NON-CONFORMITY IN ANY BID. Bids will be opened promptly after 11:00 a.m. local time (as determined in accordance with the time as maintained on ***PARITY®***) on October 24, 2017. The award, if made, will be made as promptly as possible after the bids are opened to the bidder offering the lowest true interest cost to the County in any legally acceptable bid. The lowest true interest cost shall be determined in accordance with the true interest cost (TIC) method by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the price bid. The TIC shall be as determined by the financial advisor to the County based on the terms of this Notice of Sale and all amendments thereto and on each bid as submitted. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, then such award will be made to the bidder offering the highest premium. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, with the same premium, the Bonds will be awarded by lot to one of such bidders. The judgment of the County shall be final and binding upon all bidders with respect to the form and adequacy of any bid received and as to its conformity to the terms of this Notice of Sale.

Good Faith Deposit. A good faith deposit (the "Deposit") is required in connection with the sale and bid for the Bonds. The Deposit may be provided in the form of (i) a federal funds wire transfer in the amount of $300,000 to be submitted to the County by the successful bidder not later than 3:00 p.m. local time (the "Deposit Deadline") on the date of sale or (ii) a financial surety bond (a "Surety Bond") from an insurance company acceptable to the County and licensed to issue such a bond in the State of Maryland in the amount of $300,000, each option as described in more detail below. The Deposit of the successful bidder will be retained by the County to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of its bid, the proceeds thereof will be retained as and for full liquidated damages.

If a federal funds wire transfer is used, the County shall distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Deposit Deadline. If the Deposit is not received by the Deposit Deadline, the award of the sale of the Bonds to the successful bidder may be cancelled by the County in its discretion without any financial liability of the County to the successful bidder or any limitation whatsoever on the County's right to sell the Bonds to a different purchaser upon such terms and conditions as the County shall deem appropriate.

If a Surety Bond is used, it must be submitted to the County prior to 5:00 p.m. local time on the day prior to the date for receipt of bids, and must be in form and substance acceptable to the County, including (without limitation) identifying the bidder whose Deposit is guaranteed by such Surety Bond. If the Bonds are awarded to a bidder utilizing a Surety Bond, then such successful bidder is required to submit its Deposit to the County not later than 12:00 p.m. local time on the next business day following the award in accordance with wire instructions delivered by the County to such bidder. If such Deposit is not received by that time, the Surety Bond may be drawn by the County to satisfy the Deposit requirement.

Postponement of Sale; Change in Bid Parameters. The County reserves the right to postpone, from time to time, the date or time established for the receipt of the bids or to change the bid parameters for the Bonds. Any such postponement or change in bidding constraints will be announced on TM3 News Service by notice given not later than 1:00 p.m. local time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative sale date will be announced on TM3 News Service at least 48 hours prior to such alternative sale date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent alternative sale date. On any such alternative sale date, any bidder may submit an electronic bid via ***PARITY®*** for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale except for the date of sale and except for the changes announced on TM3 News Service at or before the time the sale date and time are announced.

Bond Insurance. In the event that all or any part of the Bonds are initially reoffered with bond insurance secured by the successful bidder, the successful bidder shall notify promptly the Chief Financial Officer of the County at the time of sale of such event and shall provide her with any information she reasonably requests regarding such bond insurance, including the amounts paid for such insurance. The County will, at the request and expense of the successful bidder, include customary language in the Official Statement and the form of the Bonds regarding the insurance policy upon receipt of such opinions or certificates as the County reasonably may request regarding the accuracy of any information to be included in the Official Statement and the binding nature of the obligations contained in the insurance policy with respect to the Bonds. The County shall have no obligation to provide the successful bidder or the issuer of the bond insurance policy with any other documents or opinions relating to the Bonds. Neither the failure of the Bonds to be insured by such bond insurance policy nor any change in the ratings provided by any rating agency with respect to the issuer of such bond insurance policy occurring between the time of the award of the Bonds and the time the Bonds are delivered shall relieve the successful bidder of its contractual obligation to purchase the Bonds.

Legal Opinion. The issuance of the Bonds will be subject to delivery of the approving opinion of McGuireWoods LLP, Baltimore, Maryland, and copies of their opinion shall be substantially in the form set forth in the Preliminary Official Statement (hereinafter defined). The opinion will be delivered, without charge, to the successful bidder for the Bonds.

CUSIP Numbers. It is anticipated that the CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

Delivery of Bonds. The Bonds will be delivered on November 16, 2017, or as soon as practicable thereafter, at the expense of the County, for the account of the successful bidder, through the facilities of DTC in New York, New York, upon payment of the amount of the successful bid (including any premium), less the deposit theretofore made. Payment for the Bonds shall be made in federal funds. The Bonds will be issued by means of book-entry system with no physical distribution of bond certificates made to the public. The successful bidder for the Bonds, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., its partnership nominee.

Closing Documents. The Bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending against the County affecting the validity of the Bonds. It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, such successful bidder shall be furnished a certificate or certificates of the President, the County Administrator and the Chief Financial Officer of the County to the effect that, to the best of their knowledge and belief, the Official Statement (hereinafter defined) (and any amendment or supplement thereto) (except for information relating to DTC and its book-entry system and any information furnished by the successful bidder, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as set forth or contemplated in the Official Statement (and any amendment or supplement thereto).

Preliminary Official Statement. The Preliminary Official Statement of the County concerning the Bonds (the "Preliminary Official Statement") has been "deemed final" by the County as of its date for purposes of Rule 15c2-12 but is subject to revision, amendment and completion in the final Official Statement.

Official Statement. As soon as practicable after the award of the Bonds to the successful bidder therefor on the day of sale, the County will authorize the final Official Statement for the Bonds (the "Official Statement"). By submitting its bid for the Bonds, the successful bidder agrees to provide the County with pricing information and such other information as the County may require in order that the County may provide the successful bidder with a final Official Statement in compliance with Rule 15c2-12. Whether or not any such information is included in the Official Statement (and any amendment or supplement thereto), such successful bidder shall be responsible to the County and its officials in all respects for the accuracy, fairness and completeness of such information, and for all decisions made with respect to the use or omission of such information in any re-offering of the Bonds, including the presentation or exclusion of any such information in any documents, including the Official Statement. Within seven (7) business days after the award of the Bonds to the successful bidder, the County will deliver to the successful bidder an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement. The successful bidder will also be furnished, without cost, with up to 150 copies of the Official Statement and any amendments or supplements thereto. The successful bidder may obtain additional copies at the successful bidder's own expense.

The County will undertake to provide the successful bidder with further additional information to be included in the Official Statement, when in the opinion of the County or of Bond Counsel, such additional information constitutes a material change to the Official Statement. The County will take such steps as are necessary to arrange for amending and supplementing the Official Statement in connection with the disclosure of such additional information; provided, however, that the County shall have no obligation to provide such additional information after the date which is 25 days after the "end of the underwriting period," as such term is defined in Rule 15c2-12.

Continuing Disclosure Agreement. In order to assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement on or before the date of issuance of the Bonds pursuant to which the County will undertake to provide certain information annually and notices of certain events. A description of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

The Preliminary Official Statement of the County with respect to the Bonds will be supplied to prospective bidders upon request made to the Chief Financial Officer of St. Mary's County, 41770 Baldridge Street, Leonardtown, Maryland 20650, or from the financial advisor to the County, Davenport & Company LLC, at 8600 LaSalle Road, Suite 324, Towson, Maryland 21286 or by telephone 410-296-9426.

By order of

COMMISSIONERS OF
ST. MARY'S COUNTY

EXHIBIT A-1 TO
NOTICE OF SALE

$15,475,000
Commissioners of St. Mary's County
Public Improvement Refunding Bonds, Series 2017

ISSUE PRICE CERTIFICATE
(Qualified Competitive Bid)

The undersigned, on behalf of [NAME OF PURCHASER] (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

2. ***Defined Terms***.

(a) *Issuer* means Commissioners of St. Mary's County.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 24, 2017.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Non-Arbitrage Certificate and Tax Covenants and with respect to compliance with the federal income tax rules affecting the Bonds, and by McGuireWoods LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER], as Purchaser

By: ________________________________
Title: ________________________________

Dated: ___________, 2017

SCHEDULE A

Expected Offering Prices of the Bonds

SCHEDULE B
Copy of Bid

EXHIBIT A-2 TO
NOTICE OF SALE

$15,475,000
Commissioners of St. Mary's County
Public Improvement Refunding Bonds, Series 2017

ISSUE PRICE CERTIFICATE
(Nonqualified Competitive Bid)

The undersigned, on behalf of [NAME OF PURCHASER] (the "Purchaser"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. ***Sale of the 10% Maturities***. As of the date of this Certificate, for each Maturity of the 10% Maturities Bonds, the first price at which a Substantial Amount of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Undersold Maturities.***

(a) Each Underwriter offered the Undersold Maturities to the Public for purchase at the respective initial offering prices listed in Schedule B (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule C.

(b) As set forth in the Notice of Sale and bid award, each Underwriter has agreed in writing that, for each Maturity of the Undersold Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Offering Period for such Maturity, nor would it permit a related party to do so. Pursuant to such agreement, Purchaser has neither offered nor sold any Maturity of the Undersold Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Offering Period. Each of the other Underwriters has represented that it would not offer or sell any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for such Maturity during the Offering Period.

3. ***Defined Terms***.

(a) *10% Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the "10% Maturities."

(b) *Issuer* means Commissioners of St. Mary's County.

(c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) *Offering Period* means, with respect to an Undersold Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([______, 2017]), or (ii) the date on which the Purchaser has sold a Substantial Amount of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 24, 2017.

(g) *Substantial Amount* means ten percent (10%).

(h) *Undersold Maturities* means those Maturities of the Bonds shown in Schedule B hereto as the "Undersold Maturities."

(i) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Non-Arbitrage Certificate and Tax Covenants and with respect to compliance with the federal income tax rules affecting the Bonds, and by McGuireWoods LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER], as
Purchaser

By: ________________________
Title: ______________________

Dated: _______, 2017

SCHEDULE A

Sale Prices of the 10% Maturities

SCHEDULE B
Initial Offering Prices of the Undersold Maturities

SCHEDULE C

Pricing Wire

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APPENDIX E

REFUNDED BONDS OUTSTANDING AS OF OCTOBER 24, 2017

Consolidated Public Improvement Taxable Build America Bonds – Direct Payment to Issuer, Series 2009B
To be redeemed on July 15, 2019

Maturing July 15	Principal	Rate of Interest	Call Price	CUSIP
2020	$1,470,000	4.750%	100%	792554VR5
2021	1,510,000	4.950	100	792554VS3
2022	1,555,000	5.125	100	792554VT1
2023	1,605,000	5.250	100	792554VU8
2024	1,655,000	5.375	100	792554VV6
2025	1,710,000	5.550	100	792554VW4
2026	1,765,000	5.625	100	792554VX2
2027	1,825,000	5.500	100	792554VY0
2028	1,890,000	5.600	100	792554VZ7
2029	1,960,000	5.700	100	792554WA1

Note: CUSIP (Committee on Uniform Securities Identification Procedures) data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association ("ABA") by S&P Global Market Intelligence. "CUSIP" is a registered trademark of the ABA. The County does not take any responsibility for the accuracy of CUSIP information. This information is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services.

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Commissioners of St. Mary's County • Public Improvement Refunding Bonds, Series 2017

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