SECONDARY MARKET DISCLOSURE

Community Development Administration
Maryland Department of Housing and Community Development

Local Government Infrastructure Finance Program

The following financial information is being provided by the Community Development Administration ("the Administration"), a unit in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland ("the Department").

Questions concerning this release should be directed to Investor Relations at (301) 429-7898, or cdabonds_mailbox.dhcd@maryland.gov

The Administration

Annual Information. The Administration has agreed, in accordance with the provisions of Rule 15c2-12 (the "Rule"), adopted by the Securities and Exchange Commission (the "Commission") under the Securities and Exchange Act of 1934, as amended, to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (the "MSRB") (formerly to each nationally recognized municipal securities information repository and to the appropriate state information depository, if any) in an electronic format as prescribed by the MSRB , when and if available, but in any event within nine months after the end of each fiscal year of the Administration, the following annual financial information and operating data (the "Annual Information"):

1. a copy of the annual financial statements of the Administration's Local Government Infrastructure Bonds prepared in accordance with generally accepted accounting principles and audited by a certified public accountant;

2. a copy of the annual financial statement of each Local Government having, as of the end of such fiscal year, an aggregate outstanding unpaid principal balance of Infrastructure Loans under the Program equal to or greater than 10% of the outstanding principal amount of all Infrastructure Loans financed under the Program (and, if such Infrastructure Loans are guaranteed by a Political Subdivision, the annual financial statement of the Guarantor Political Subdivision), prepared and audited in accordance with law (which currently requires that such statements be prepared in accordance with generally accepted accounting principles and audited by a certified public accountant); and

3. an update of the financial information in this Official Statement contained in Appendix B – "LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS" for each Local Government or Guarantor Political Subdivision meeting the criteria described in paragraph 2 immediately above.

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

CPAs | CONSULTANTS | WEALTH ADVISORS

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COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
YEARS ENDED JUNE 30, 2025 AND 2024

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development
Lanham, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Community Development Administration Local Government Infrastructure Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2025 and 2024, and the changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Maryland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

Financial Statement Presentation

As discussed in Note 1, the financial statements present only the financial position, the changes in financial position and cash flows of the Fund and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2025 and 2024, and the changes in its net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion on the basic financial statements is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Management has elected to omit the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2025, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 26, 2025

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
STATEMENTS OF NET POSITION
(in thousands)
JUNE 30, 2025 AND 2024

	2025	2024
RESTRICTED ASSETS		
RESTRICTED CURRENT ASSETS		
Cash and Cash Equivalents on Deposit	$ 52,343	$ 68,845
Community Facilities Loans	12,795	12,775
Accrued Interest and Other Receivables	383	935
Total Restricted Current Assets	65,521	82,555
RESTRICTED LONG-TERM ASSETS		
Community Facilities Loans, Net of Current Portion	193,056	194,051
Accrued Other Receivables, Net of Current Portion	823	-
Total Restricted Long-Term Assets	193,879	194,051
Total Restricted Assets	$ 259,400	$ 276,606
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accrued Interest Payable	$ 674	$ 728
Accounts Payable	186	222
Bonds Payable	12,065	11,925
Advance Trustee Fees	120	112
Rebate Liability	142	85
Due to Local Governments	38,360	55,900
Total Current Liabilities	51,547	68,972
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion	199,699	200,513
Advance Trustee Fees, Net of Current Portion	212	235
Rebate Liability, Net of Current Portion	943	652
Other Liabilities	166	183
Total Long-Term Liabilities	201,020	201,583
Total Liabilities	252,567	270,555
NET POSITION		
Restricted by Bond Indenture	6,833	6,051
Total Liabilities and Net Position	$ 259,400	$ 276,606

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
(in thousands)
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUE		
Interest on Community Facilities Loans, Net of Amortization of Premium on Notes Receivable	$ 7,319	$ 6,197
Interest on Cash Equivalents, Net of Rebate	607	666
Fee Income	61	185
Other Operating Revenue	-	1
Total Operating Revenue	7,987	7,049
OPERATING EXPENSES		
Interest Expense on Bonds	6,828	5,751
Bond Issuance Cost	329	638
Professional Fees and Other Operating Expenses	48	48
Total Operating Expenses	7,205	6,437
Operating Income	782	612
CHANGE IN NET POSITION	782	612
NET POSITION, RESTRICTED - BEGINNING OF YEAR	6,051	5,439
NET POSITION, RESTRICTED - END OF YEAR	$ 6,833	$ 6,051

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
STATEMENTS OF CASH FLOWS
(in thousands)
YEARS ENDED JUNE 30, 2025 AND 2024

		2025		2024
CASH FLOWS FROM OPERATING ACTIVITIES				
Principal and Interest Received on Community Facilities Loans	$	20,129	$	18,623
Origination of Community Facilities Loans		(29,341)		(28,514)
Advance Trustee Fees Received		105		122
Trustee Fees Paid		(120)		(112)
Rebate Liability Funds Received		14		68
Rebate Liability Paid		(84)		-
Loan Fees Received		61		185
Professional Fees and Other Operating Expenses		(48)		(48)
Other Operating Revenue		-		1
Net Cash Used by Operating Activities		(9,284)		(9,675)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Cash Equivalents		703		730
Net Cash Provided by Investing Activities		703		730
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from Sale of Bonds		12,317		37,380
Payments on Bond Principal		(11,925)		(11,585)
Bond Issuance Costs		(365)		(460)
Interest on Bonds		(7,948)		(6,631)
Net Cash (Used) Provided by Noncapital Financing Activities		(7,921)		18,704
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT		(16,502)		9,759
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR		68,845		59,086
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	$	52,343	$	68,845
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Income	$	782	$	612
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:				
Amortization of Bond Original Issue Premiums/Discounts		(1,066)		(937)
Amortization of Premium on Notes Receivable		697		603
Interest Received on Cash Equivalents		(703)		(730)
Bond Issuance Costs		365		460
Bond Interest		7,948		6,631
Decrease (Increase) in Assets:				
Community Facilities Loans		504		(22,432)
Premium on Notes Receivable		(226)		(1,998)
Interest Accrued and Other Receivables		(271)		(571)
(Decrease) Increase in Liabilities:				
Accrued Interest Payable		(54)		57
Accounts Payable		(36)		178
Due to Local Governments		(17,540)		7,814
Rebate Liability		348		644
Advance Trustees Fees and Other Liabilities		(32)		(6)
Net Cash Used by Operating Activities	$	(9,284)	$	(9,675)

See accompanying Notes to Financial Statements

NOTE 1 AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

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

The accompanying financial statements only include CDA's Local Government Infrastructure Bonds (the Fund) (resolution adopted August 1, 2010). CDA's other funds are not included.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Basis of Accounting and Measurement Focus

The basis of accounting for the Fund is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of the Fund are included on the statements of net position. The Fund is required to follow all statements of the Governmental Accounting Standards Board (GASB).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by GASB. Consequently, CDA applies all applicable GASB pronouncements.

In accordance with accounting guidance issued by GASB, net position should be reported as restricted when constraints placed on net position use is either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation. Accordingly, the net position of the Fund is restricted as to its use as the net position is pledged to bondholders.

Since CDA is an enterprise fund included in the State of Maryland's Annual Comprehensive Financial Report, a separate Management's Discussion and Analysis is not included in these financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents on Deposit

Cash equivalents may include money market funds, repurchase agreements, investment agreements, and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2025 and 2024, all of the Fund's cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

Investments

Investments are primarily U.S. Treasuries or investment agreements collateralized by governmental debt securities. Debt securities are stated at fair value, based on quoted market prices. Investments are classified as current or long-term based on the maturity date or call date. Callable investments are classified as current, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note 3.

Community Facilities Loans

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

Allowance for Loan Losses

Community facilities loans are secured by the full faith and credit of the applicable local government. Therefore, CDA has determined that no allowance for loan losses was necessary as of June 30, 2025 and 2024.

Accrued Interest and Other Receivables

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2025 and 2024, all loans were current. Therefore, all accrued interest on loans was recorded during the year. See Note 5 for additional information.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized bond premiums and discounts. See Notes 6, 7, and 9 for additional information.

Due to Local Governments

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

Fee Income

CDA receives financing fees at loan origination. These fees are recognized as revenue in the period received as fee income.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discounts and Premiums

Bond discounts and premiums are amortized using a method which approximates the effective interest method. Premiums on notes receivable are amortized on a straight-line basis over the life of the note receivable.

Rebate Liability on Investments

Regulations governing the issuance of tax-exempt debt place limitations on permitted investment yield on borrowed funds. Based on these regulations, CDA is required to periodically rebate excess earning from investments to the United States Treasury. In addition, the liability may also include an estimate of the rebate obligation related to unrealized gains as a result of recording investments at fair value. Rebate liability is more fully described in Note 8.

Administrative Support

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

The employees of CDA are covered by the Maryland State Retirement and Pension System. See Note 10 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing public facilities for local governments. All of the Fund's activities are considered to be operating.

Use of Estimates

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

(in thousands)

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

The following assets, reported at fair value and held by the Fund as of June 30, 2025 and 2024, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk, and custodial credit risk.

Assets	2025	2024
Cash and Cash Equivalents:		
BlackRock Liquidity FedFund		
Administration Shares	$ 52,343	$ 68,845
Total	$ 52,343	$ 68,845

Interest Rate Risk

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

As of June 30, 2025, the amortized cost, fair value, and maturities for these assets were as follows:

			Maturities (in Years)	
Asset	Amortized Cost	Fair Value	Less Than 1	1 - 5
BlackRock Liquidity FedFund				
Administration Shares	$ 52,343	$ 52,343	$ 52,343	$ -
Total	$ 52,343	$ 52,343	$ 52,343	$ -

As of June 30, 2024, the amortized cost, fair value, and maturities for these assets were as follows:

			Maturities (in Years)	
Asset	Amortized Cost	Fair Value	Less Than 1	1 - 5
BlackRock Liquidity FedFund				
Administration Shares	$ 68,845	$ 68,845	$ 68,845	$ -
Total	$ 68,845	$ 68,845	$ 68,845	$ -

(in thousands)

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

The BlackRock Liquidity FedFund Administration Shares invests primarily in cash, U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies, or instrumentalities, and repurchase agreements secured by such obligations or cash. It operates in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, and can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable, and the principal can be recovered on demand. As of June 30, 2025 and 2024, the cost of the money market mutual fund approximated fair value.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution requires investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution and CDA's Investment policy, securities must be rated at the highest investment grade by any national rating agency. U.S. dollar denominated accounts and bankers' acceptances which have a rating on their short-term certificates of deposit must be in the two highest ratings by any nationally recognized rating agency. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5% or more of total investments in accordance with accounting guidance issued by GASB. Investments in mutual funds are excluded from this requirement.

As of June 30, 2025, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of Total Investments	Money Market Fund Rating	Rating Agency
BlackRock Liquidity FedFund Administration Shares	$ 52,343	100.00%	Aaa-mf	Moody's

As of June 30, 2024, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of Total Investments	Money Market Fund Rating	Rating Agency
BlackRock Liquidity FedFund Administration Shares	$ 68,845	100.00%	Aaa-mf	Moody's

(in thousands)

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2025 and 2024, the Fund's investments were not subject to custodial credit risk under accounting guidance issued by GASB. The money market mutual fund and other investments are held in trust by the trustee, kept separate from the assets of the bank and from other trust accounts, and is held in CDA's name.

Fair Value Measurements

CDA 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. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments in money market funds are not subject to the fair value measurement requirements.

NOTE 4 COMMUNITY FACILITIES LOANS

Community facilities loans are secured by the full faith and credit of the applicable local government. As such, no allowance for loan losses was necessary as of June 30, 2025 and 2024. As of June 30, 2025 and 2024, interest rates on such loans range from 0.96% to 5.09%. Remaining loan terms range from less than 1 year to 29 years and less than 1 year to 30 years, respectively.

The Local Government Infrastructure Bonds 2019 Series B, 2020 Series A, 2021 Series A, 2023 Series A, 2024 Series A, and 2025 Series A were issued at premium which resulted in a related premium on the loans receivable issued in connection with the bond proceeds. The premiums will be amortized on a straight-line basis over the life of each underlying loan receivable. Balance of loans receivable and the related premiums as of June 30, 2025 and 2024, were as follows:

	2025	2024
Community Facilities Loans Receivable	$ 195,607	$ 196,111
Premium on Notes Receivable	12,819	12,593
Total Community Facilities Loans Receivable, Net of Premium	208,426	208,704
Less: Accumulated Amortization of Premium on Notes Receivable	(2,575)	(1,878)
Community Facilities Loans Receivable, Net of Unamortized Premium	$ 205,851	$ 206,826

(in thousands)

NOTE 5 ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2025 and 2024, were as follows:

	2025		2024	
Accrued Interest on Community Facilities Loans	$	259	$	310
Accrued Interest on Cash Equivalents		47		57
Accrued Local Governments' Share of Rebate Liability		900		568
Total	$	1,206	$	935

NOTE 6 BONDS PAYABLE

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

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

(in thousands)

NOTE 6 BONDS PAYABLE (CONTINUED)

The following is a summary of the bond activity for the year ended June 30, 2025 and debt outstanding and bonds payable as of June 30, 2025:

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2024	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed/ Defeased	Debt Outstanding at June 30, 2025	Bond Premium/ Discount Deferred	Bonds Payable at June 30, 2025
Local Government Infrastructure Bonds										
2010 Series A-1	8/25/10	N/A	N/A	$ 250	$	$ (250)	$	$	$ -	$ -
2010 Series A-2	8/25/10	N/A	N/A	125	-	(125)	-	-	-	-
2012 Series A-1	5/17/12	3.10% - 3.50%	2026-2032	1,625	-	(265)	-	1,360	(1)	1,359
2012 Series A-2	5/17/12	3.20% - 3.60%	2026-2032	830	-	(130)	-	700	-	700
2012 Series B-1	12/19/12	2.30% - 3.125%	2026-2032	2,825	-	(400)	-	2,425	34	2,459
2012 Series B-2	12/19/12	2.40% - 3.125%	2026-2032	1,160	-	(165)	-	995	-	995
2013 Series A-1	10/3/13	4.00% - 5.00%	2026-2035	1,000	-	(170)	-	830	(1)	829
2013 Series A-2	10/3/13	4.05% - 5.05%	2026-2043	755	-	(60)	-	695	-	695
2014 Series A-1	8/28/14	3.00% - 3.50%	2026-2034	4,595	-	(490)	-	4,105	109	4,214
2014 Series A-2	8/28/14	3.00% - 5.00%	2026-2034	2,505	-	(185)	-	2,320	-	2,320
2015 Series A-1	8/27/15	3.125% - 4.00%	2026-2045	7,295	-	(635)	-	6,660	31	6,691
2015 Series A-2	8/27/15	3.125% - 4.00%	2026-2045	3,120	-	(270)	-	2,850	-	2,850
2016 Series A-1	8/31/16	2.10% - 2.90%	2026-2036	8,950	-	(1,245)	-	7,705	-	7,705
2016 Series A-2	8/31/16	2.15% - 2.95%	2026-2036	3,840	-	(535)	-	3,305	-	3,305
2017 Series A-1	8/2/17	2.40% - 4.00%	2026-2047	17,565	-	(1,115)	-	16,450	246	16,696
2017 Series A-2	8/2/17	2.45% - 4.00%	2026-2047	7,540	-	(475)	-	7,065	-	7,065
2018 Series A-1	8/30/18	3.00% - 5.00%	2026-2048	3,385	-	(225)	-	3,160	213	3,373
2018 Series A-2	8/30/18	3.00% - 4.00%	2026-2048	1,435	-	(95)		1,340	-	1,340
2019 Series A-1	6/27/19	3.00% - 3.90%	2026-2049	10,125	-	(265)	-	9,860	-	9,860
2019 Series A-2	6/27/19	3.10% - 4.00%	2026-2049	4,350	-	(110)	-	4,240	-	4,240
2019 Series B-1	11/21/19	4.00%	2026-2049	9,910	-	(460)	-	9,450	942	10,392
2019 Series B-2	11/21/19	4.00%	2026-2049	4,445	-	(200)	-	4,245	408	4,653
2020 Series A-1	8/20/20	4.00%	2026-2049	13,365	-	(985)	-	12,380	2,952	15,332
2020 Series A-2	8/20/20	4.00%	2026-2049	6,025	-	(425)	-	5,600	-	5,600
2021 Series A-1	12/2/21	3.00% - 5.00%	2026-2051	17,630	-	(580)	-	17,050	2,363	19,413
2021 Series A-2	12/2/21	3.00% - 5.00%	2026-2051	7,595	-	(235)	-	7,360	-	7,360
2023 Series A-1	4/20/23	5.00%	2026-2043	15,005	-	(575)	-	14,430	1,931	16,361
2023 Series A-2	4/20/23	5.00%	2026-2043	6,830	-	(240)	-	6,590	829	7,419
2024 Series A-1	5/16/24	4.00% - 5.50%	2026-2054	24,005	-	(690)	-	23,315	1,781	25,096
2024 Series A-2	5/16/24	4.25% - 5.50%	2026-2054	10,750	-	(325)	-	10,425	706	11,131
2025 Series A-1	5/29/25	5.00%	2026-2045	-	8,085	-	-	8,085	414	8,499
2025 Series A-2	5/29/25	5.00%	2026-2045	-	3,655	-	-	3,655	157	3,812
Total				$ 198,835	$ 11,740	$ (11,925)	$ -	$ 198,650	$ 13,114	$ 211,764

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
NOTES TO FINANCIAL STATEMENTS
(in thousands)
JUNE 30, 2025 AND 2024

NOTE 6 BONDS PAYABLE (CONTINUED)

The following is a summary of the bond activity for the year ended June 30, 2024 and debt outstanding and bonds payable as of June 30, 2024:

	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2023	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed/ Defeased	Debt Outstanding at June 30, 2024	Bond Premium/ Discount Deferred	Bonds Payable at June 30, 2024
Local Government Infrastructure Bonds										
2010 Series A-1	8/25/10	3.375%	2025	$ 490	$ -	$ (240)	$ -	$ 250	$ (3)	$ 247
2010 Series A-2	8/25/10	3.50%	2025	245	-	(120)	-	125	-	125
2012 Series A-1	5/17/12	3.00% - 3.50%	2025 - 2032	2,340	-	(255)	(460)	1,625	(1)	1,624
2012 Series A-2	5/17/12	3.00% - 3.60%	2025 - 2032	1,160	-	(130)	(200)	830	-	830
2012 Series B-1	12/19/12	2.25% - 3.125%	2025 - 2032	3,220	-	(395)	-	2,825	37	2,862
2012 Series B-2	12/19/12	2.35% - 3.125%	2025 - 2032	1,320	-	(160)	-	1,160	-	1,160
2013 Series A-1	10/3/13	3.80% - 5.00%	2025 - 2035	1,160	-	(160)	-	1,000	(1)	999
2013 Series A-2	10/3/13	3.85% - 5.05%	2025 - 2043	815	-	(60)	-	755	-	755
2014 Series A-1	8/28/14	2.90% - 3.50%	2025 - 2034	5,225	-	(630)	-	4,595	118	4,713
2014 Series A-2	8/28/14	2.90% - 5.00%	2025 - 2034	2,750	-	(245)	-	2,505	-	2,505
2015 Series A-1	8/27/15	3.125% - 4.00%	2025 - 2045	7,995	-	(700)	-	7,295	48	7,343
2015 Series A-2	8/27/15	3.125% - 4.00%	2025 - 2045	3,420	-	(300)	-	3,120	-	3,120
2016 Series A-1	8/31/16	1.95% - 2.90%	2025 - 2036	10,175	-	(1,225)	-	8,950	-	8,950
2016 Series A-2	8/31/16	2.00% - 2.95%	2025 - 2036	4,365	-	(525)	-	3,840	-	3,840
2017 Series A-1	8/2/17	2.20% - 4.00%	2025 - 2047	18,705	-	(1,140)	-	17,565	257	17,822
2017 Series A-2	8/2/17	2.25% - 4.00%	2025 - 2047	8,030	-	(490)	-	7,540	-	7,540
2018 Series A-1	8/30/18	3.00% - 5.00%	2025 - 2048	3,600	-	(215)	-	3,385	228	3,613
2018 Series A-2	8/30/18	3.00% - 4.00%	2025 - 2048	1,530	-	(95)	-	1,435	-	1,435
2019 Series A-1	6/27/19	2.53% - 3.90%	2025 - 2049	10,385		(260)	-	10,125	-	10,125
2019 Series A-2	6/27/19	3.10% - 4.00%	2025 - 2049	4,460	-	(110)	-	4,350	-	4,350
2019 Series B-1	11/21/19	4.00%	2025 - 2049	10,355	-	(445)	-	9,910	1,030	10,940
2019 Series B-2	11/21/19	4.00%	2025 - 2049	4,635	-	(190)	-	4,445	439	4,884
2020 Series A-1	8/20/20	4.00%	2025 - 2049	14,315	-	(950)	-	13,365	3,309	16,674
2020 Series A-2	8/20/20	4.00%	2025 - 2049	6,430	-	(405)	-	6,025	-	6,025
2021 Series A-1	12/2/21	3.00% - 5.00%	2025 - 2051	18,180		(550)	-	17,630	2,589	20,219
2021 Series A-2	12/2/21	3.00% - 5.00%	2025 - 2051	7,835	-	(240)	-	7,595	-	7,595
2023 Series A-1	4/20/23	5.00%	2025 - 2043	15,475	-	(470)	-	15,005	2,063	17,068
2023 Series A-2	4/20/23	5.00%	2025 - 2043	7,050		(220)	-	6,830	884	7,714
2024 Series A-1	5/16/24	4.00% - 5.50%	2025 - 2054		24,005	-	-	24,005	1,866	25,871
2024 Series A-2	5/16/24	4.25% - 5.50%	2025 - 2054	-	10,750	-	-	10,750	740	11,490
Total				$ 175,665	$ 34,755	$ (10,925)	$ (660)	$ 198,835	$ 13,603	$ 212,438

(in thousands)

NOTE 7 DEBT SERVICE REQUIREMENTS

As of June 30, 2025, the required principal payments for bonds (including mandatory sinking fund payments and excluding the effect of unamortized bond premiums and discounts) and interest payments for each of the next five years and in five-year increments thereafter, are as follows:

Year Ending June 30,	Interest	Principal
2026	$ 8,057	$ 12,065
2027	7,624	11,675
2028	7,180	11,385
2029	6,744	11,320
2030	6,302	11,345
2031-2035	25,239	47,820
2036-2040	16,363	38,570
2041-2045	8,439	32,370
2046-2050	2,775	17,480
2051-2054	429	4,620
Total	$ 89,152	$ 198,650

As of June 30, 2024, the required principal payments for bonds (including mandatory sinking fund payments and excluding the effect of unamortized bond premiums and discounts) and interest payments for each of the next five years and in five-year increments thereafter, were as follows:

Year Ending June 30,	Interest	Principal
2025	$ 7,947	$ 11,925
2026	7,466	11,605
2027	7,060	11,225
2028	6,639	10,910
2029	6,226	10,835
2030-2034	25,082	48,125
2035-2039	16,484	36,645
2040-2044	9,189	31,295
2045-2049	3,595	20,020
2050-2054	663	6,250
Total	$ 90,351	$ 198,835

(in thousands)

NOTE 8 REBATE LIABILITY

In accordance with the Internal Revenue Code (IRC), the Fund has recorded a rebate liability for excess earnings in tax-exempt bond and note issues. The excess investment earnings arise due to actual investment yields earned by the Fund being greater than yields permitted to be retained by the Fund under the IRC. The IRC requires 90% of such excess investment earnings to be remitted to the United States Treasury every five years and in full at the final redemption of the bonds. Interest income on the statements of revenue, expenses, and changes in net position is reduced by the CDA's rebate liability share due to excess investment earnings. For the years ended June 30, 2025 and 2024, the estimated CDA's share of rebate liability was $185 and $101, respectively. The Local Governments are responsible for a rebate liability amount computed on their share of undrawn bond proceeds held in the Loan Fund accounts. The rebate liability amounts received from the Local Governments are deposited into a separate account within each bond series pending payment to the United States Treasury. For the years ended June 30, 2025 and 2024, the estimated Local Governments' share of rebate liability was $900 and $636, respectively.

	2025	2024
Beginning Rebate Liability:		
CDA's Share	$ 101	$ 24
Local Governments' Share	636	69
Total	$ 737	$ 93
Change in Estimated Liability Due to Excess Earnings (Calculated as of the Interim Computation Period Ending 6/30):		
CDA's Share	$ 84	$ 77
Local Governments' Share	264	567
Total	$ 348	$ 644
Ending Rebate Liability:		
CDA's Share	$ 185	$ 101
Local Governments' Share	900	636
Total	$ 1,085	$ 737

(in thousands)

NOTE 9 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2025 and 2024 were as follows:

	2025	2024
Bonds Payable:		
Beginning Balance at June 30,	$ 212,438	$ 187,580
Additions	12,317	37,380
Reductions	(11,925)	(11,585)
Change in Deferred Amounts for Issuance Premiums/Discounts	(1,066)	(937)
Ending Balance at June 30,	211,764	212,438
Less: Due Within One Year	(12,065)	(11,925)
Total Long-Term Bonds Payable	199,699	200,513
Other Liabilities - Advance Trustee Fees:		
Beginning Balance at June 30,	347	337
Additions	105	122
Reductions	(120)	(112)
Ending Balance at June 30,	332	347
Less: Due Within One Year	(120)	(112)
Total Long-Term Other Liabilities - Advance Trustee Fees	212	235
Other Liabilities - Rebate Liability:		
Beginning Balance at June 30,	737	93
Additions	432	644
Reductions	(84)	-
Ending Balance at June 30,	1,085	737
Less: Due Within One Year	(142)	(85)
Total Long-Term Other Liabilities - Rebate Liability	943	652
Other Liabilities:		
Beginning Balance at June 30,	183	199
Additions	-	-
Reductions	(17)	(16)
Ending Balance at June 30,	166	183
Total Long-Term Other Liabilities	166	183
Total Long-Term Liabilities	$ 201,020	$ 201,583

NOTE 10 PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the state of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the state of Maryland prior to year-end. The liability for the employees is recorded by the general fund of the state of Maryland and is not allocated to CDA. The System prepares a separate audited Annual Comprehensive Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by visiting the website at www.sra.maryland.gov.

Global

INDEPENDENT
NETWORK MEMBER

Local Government Infrastructure Program Indenture (2010-Present)

Infrastructure Loans Financed with the Proceeds of the Bonds

(Outstanding Loans as of June 30, 2025)

Local Government	Location by County	Series of Bonds	Amount of Loan ($)	Remaining Loan Term (in years)	Purpose
Aberdeen	Harford	2020A	$1,447,500.00	5	Refinance existing debt
Bel Air	Harford	2021A	$6,920,000.00	26	Construct police station & renovate town hall
Berlin	Worcester	2012A	$810,800.00	4	Refinance existing debt
Berlin	Worcester	2015A	$1,272,000.00	9	Refinance existing debt
Berlin	Worcester	2024A	$900,000.00 $2,685,000.00	19 29	Electrical system meter upgrades Public works facility
Boonsboro	Washington	2017A	$4,511,000.00	22	Refinance USDA[2] Loan
Brentwood	Prince George's	2021A	$1,305,000.00	26	Renovate fire dept building & community center
Cambridge	Dorchester	2018A	$1,470,000.00	23	Refinance bank loan
Cambridge	Dorchester	2023A	$2,110,000.00	18	West End sewer system improvements
Capitol Heights	Prince George's	2019B	$1,085,500.00	14	Safety complex and street improvements
Centreville	Queen Anne's	2016A	$4,645,000.00	11	Roadway and park improvements, refi bank loan, refi USDA debt
Centreville	Queen Anne's	2017A	$5,001,500.00	22	Refinance LGIF[3] 2007 Series A Loans and roadway improvements
Charlestown	Cecil	2012A	$239,800.00	7	Refi, drainage, wtr basin impts.
Charlestown	Cecil	2014A	$69,000.00	9	Shoreline Protection
Chestertown	Kent	2012A	$865,000.00	7	Purchase marina property

Local Government Infrastructure Program Indenture (2010-Present)

Infrastructure Loans Financed with the Proceeds of the Bonds

(Outstanding Loans as of June 30, 2025)

Local Government	Location by County	Series of Bonds	Amount of Loan ($)	Remaining Loan Term (in years)	Purpose
Colmar Manor	Prince George's	2021A	$1,345,000.00	11	Refinance bank loan
Crisfield	Somerset	2017A	$94,000.00	2	Refinance LGIF[3] 2007 Series A Loan
Cumberland	Allegany	2014A	$281,500.00	4	Vehicle, Equipment, Information System Ambulance, ERP System, Vacuum Truck Facility, Street, Water and Sewer Impts
Cumberland	Allegany	2015A	$1,498,500.00	10	Equipment purchases Facility, street, water and sewer improvements
Cumberland	Allegany	2017A	$165,500.00	2	Vehicles, equipment, software acquisition heavy equipment, facility improvements
Cumberland	Allegany	2018A	$223,500.00 $1,092,500.00	3 23	Heavy equipment Water system improvements
Cumberland	Allegany	2019B	$43,000.00 $373,500.00 $1,750,500.00	<1 4 14	Vehicles, IT equipment, copiers Heavy duty vehicles Fire aerial ladder truck, street improvements
Cumberland	Allegany	2021A	$220,000.00 $600,000.00 $4,365,000.00	3 6 16	Purchase vehicles, IT equip and software Purchase heavy duty vehicles and equipment Street paving,facility improvements
Cumberland	Allegany	2023A	$400,000.00 $910,000.00 $1,925,000.00	5 8 18	Equipment, wtr & swr system equipment Heavy vehicles & equipment Facility maintenance, wtr & swr system impts.
Cumberland	Allegany	2024A	$440,000.00 $505,000.00 $1,880,000.00	6 9 19	Vehicles and equipment purchases Heavy duty vehicles and equipment Facility maintenance & building improvements
Cumberland	Allegany	2025A	$455,091.88 $709,485.20 $3,708,434.87	7 10 20	Vehicles and equipment purchases Heavy duty vehicles and equipment Facility maintenance & building improvements
Denton	Caroline	2021A	$540,000.00	23	Refinance USDA[2] loans

Local Government Infrastructure Program Indenture (2010-Present)

Infrastructure Loans Financed with the Proceeds of the Bonds

(Outstanding Loans as of June 30, 2025)

Local Government	Location by County	Series of Bonds	Amount of Loan ($)	Remaining Loan Term (in years)	Purpose
District Heights	Prince George's	2016A	$2,535,000.00	11	Senior Center and Youth Counseling Center construction
District Heights	Prince George's	2020A	$1,553,500.00	15	Senior Center renovation
Edmonston	Prince George's	2019B	$159,000.00	4	Refinance bank loan
Federalsburg	Caroline	2013A	$291,500.00	3	Street improvements
Federalsburg	Caroline	2015A	$1,589,500.00	9	Refinance existing debt
Forest Heights	Prince George's	2015A	$197,000.00	5	Road and sidewalk improvements
Forest Heights	Prince George's	2018A	$751,500.00	13	Street improvements
Frostburg	Allegany	2019B	$2,288,000.00	23	Municipal Center Complex renovations
Havre de Grace	Harford	2016A	$1,980,000.00	6	Opera House improvements and water treatment plant rehabilitation
Havre de Grace	Harford	2020A	$6,679,500.00	15	Water and sewer system improvements
Havre de Grace	Harford	2023A	$5,825,000.00	18	Water and sewer system improvements
Hyattsville	Prince George's	2012B	$381,000.00	2	Parking facility improvements, parking meters field renovations, street improvements
Indian Head	Charles	2018A	$88,500.00 $635,500.00	3 23	Equipment and vehicle purchases Water, wastewater, property acquisition, and boardwalk improvments
Laurel	Prince George's	2016A	$565,000.00	<1	Facility maintenance, fleet purchases, IT purchases, park improvements, and street improvements
Laurel	Prince George's	2024A	$1,580,000.00 $3,040,000.00 $2,475,000.00	9 14 19	Vehicles and equipment purchases Street improvements Facility improvements

Local Government Infrastructure Program Indenture (2010-Present)

Infrastructure Loans Financed with the Proceeds of the Bonds

(Outstanding Loans as of June 30, 2025)

Local Government	Location by County	Series of Bonds	Amount of Loan ($)	Remaining Loan Term (in years)	Purpose
Leonardtown	St. Mary's	2023A	$7,580,000.00	18	Wastewater treatment plant improvements
Leonardtown	St. Mary's	2024A	$5,415,000.00	19	Water storage tank and well construction
Manchester	Carroll	2016A	$185,000.00	<1	Town hall and police station construction
Middletown	Frederick	2015A	$4,953,000.00	20	Street improvements and reservoir cover Water line replacement
Middletown	Frederick	2025A	$504,698.03 $1,903,179.38	20 20	Stream restoration project Roadway improvements
Mount Airy	Carroll & Frederick	2012B	$2,848,000.00	7	Refinance existing debt, water main replacements, water pump station
Mount Airy	Carroll & Frederick	2025A	$4,294,110.64	20	Acquire property and construct police station
New Carrollton	Prince George's	2017A	$774,000.00	7	Renovate municipal building
New Windsor	Carroll	2019B	$323,500.00	14	Refi bank loan, Town hall and public works building renovation
North East	Cecil	2014A	$1,057,000.00	9	Road Way Improvement
Oakland	Garrett	2020A	$468,000.00	5	Refinance existing debt
Perryville	Cecil	2016A	$1,100,000.00	6	Construct police station
Perryville	Cecil	2023A	$1,900,000.00	18	Roadway improvements
Riverdale Park	Prince George's	2013A	$643,000.00	6	Street improvements and community center improvements
Smithsburg	Washington	2018A	$238,500.00	23	Property acquisition

Local Government Infrastructure Program Indenture (2010-Present)

Infrastructure Loans Financed with the Proceeds of the Bonds

(Outstanding Loans as of June 30, 2025)

Local Government	Location by County	Series of Bonds	Amount of Loan ($)	Remaining Loan Term (in years)	Purpose
Somerset County Sanitary Comm.	Somerset	2013A	$148,500.00	10	Refinance USDA[2] loan
Somerset County Sanitary Comm.	Somerset	2020A	$121,000.00 $502,500.00 $2,997,500.00	10 17 24	Refinance USDA[2] loan Refinance USDA[2] loan Refinance USDA[2] loan
St. Mary's Metropolitan Commission	St. Mary's	2019B	$130,000.00 $6,352,000.00	4 24	Vacuum truck acquisition and water and sewer system improvements
St. Mary's Metropolitan Commission	St. Mary's	2020A	$3,038,500.00	5	Water and sewer system improvements
St. Mary's Metropolitan Commission	St. Mary's	2021A	$8,990,000.00	26	Water and sewer system improvements
St. Mary's Metropolitan Commission	St. Mary's	2024A	$10,765,000.00	29	Water and sewer system improvements
Takoma Park	Montgomery	2017A	$6,739,000.00	22	Roadway improvements and library and community center renovation
Taneytown	Carroll	2014A	$4,138,000.00	9	Redeem 2008 Bank Loan Wastewater Treatment Plant Upgrade
Thurmont	Frederick	2024A	$355,000.00 $3,275,000.00	19 24	Bucket truck acquisition Electrical system improvements
Trappe	Talbot	2017A	$2,156,000.00	18	Refinance USDA[2] Loans Refinance USDA[2] Loan
Union Bridge	Carroll	2017A	$749,000.00	9	Refinance bank loan
University Park	Prince George's	2019B	$995,000.00	9	Street improvements

Local Government Infrastructure Program Indenture (2010-Present) Infrastructure Loans Financed with the Proceeds of the Bonds (Outstanding Loans as of June 30, 2025)					
Local Government	**Location by County**	**Series of Bonds**	**Amount of Loan ($)**	**Remaining Loan Term (in years)**	**Purpose**
Westminster	Carroll	2017A	$3,325,000.00	12	Roadway improvements
Westminster	Carroll	2019A	$14,100,000.00	24	Refinance bank loans
Westminster	Carroll	2020A	$842,000.00	15	Community pool renovations
		Total:	**$195,383,100**		

Note:

[1] Farmer's Home Administration

[2] United States Department of Agriculture

[3] Maryland Local Government Infrastructure Finance Program

Financial Information of Local Governments

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

The Uniform Financial Reports and the annual report of the Department of Legislative Services are available for public inspection in the offices of the Department of Legislative Services, 90 State Circle, Annapolis, Maryland. Copies of the Uniform Financial Reports or the annual report of the Department of Legislative Services may be obtained by writing to the State Department of Legislative Services, 90 State Circle, Room 226, Annapolis, Maryland 21401, or by calling (410) 841-3761.

The following information contains an update, as of June 30, 2025, of information concerning the Local Governments that have received Infrastructure Loans from the proceeds of the Bonds. This information was originally set forth in Appendix B to the Official Statement for the 2010 Series A Bonds dated August 25, 2010. This information has been certified by each Local Government as to its accuracy. This information does not represent all of the information contained in the Uniform Financial Reports, which are available as noted in the preceding paragraph. The Administration has not verified the information on the following pages and makes no representation as to the accuracy or completeness thereof or the financial condition of any Local Government, County, or Municipality described in this Appendix.

CITY OF CUMBERLAND

POPULATION (2025): 18,751

FISCAL YEAR	**2025**	**2024**	**2023**
ASSESSED VALUE OF TAXABLE PROPERTY:	$1,093,432,014	$979,500,734	$920,998,510

SUMMARY OF GENERAL FUND, YEAR ENDED JUNE 30

FISCAL YEAR	**2025**	**2024**	**2023**
REVENUES:			
Taxes	14,620,039	13,905,364	13,483,966
Licenses & permits	181,421	128,189	114,462
Intergovernmental	5,772,925	9,007,779	8,595,891
Charges for services	2,082,791	2,033,542	2,032,639
Fines and forfeitures	968,269	1,557,608	1,076,793
Interest	-	-	-
Miscellaneous	1,534,615	1,411,163	1,177,848
Total Revenues	$ 25,160,060	$ 28,043,645	$ 26,481,599
EXPENDITURES:			
General government	2,348,594	2,536,516	1,979,181
Public safety	15,387,186	14,960,933	14,340,451
Public works	3,756,079	2,866,806	2,711,204
Recreation	887,127	893,539	801,253
Community development and housing	1,828,105	2,187,465	3,111,418
Capital Outlay	1,832,973	-	-
Debt Service:			
Principal	3,021,044	2,725,787	2,457,627
Interest	974,321	982,141	1,028,943
Bond issue costs	99,850	42,895	29,209
Total Expenditures	$30,135,279	$27,196,082	$26,459,286
ASSETS:			
Cash and cash equivalents	6,727,074	23,075	1,216,708
Investments	3,706,288	15,354,825	7,975,425
Taxes receivable	2,364,818	1,962,690	2,728,359
Accounts receivable	514,458	414,959	469,774
Due from other governments	4,918,902	5,828,202	5,839,941
Interfund receivables	2,381,698	2,913,453	3,042,961
Prepaid expenditures	2,889,712	3,006,734	2,807,578
Due from component unit	1,963	-	-
Inventory	18,969	3,349	17,351
Restricted cash	546,811	709,827	1,385,158
Restricted investments	-	3,889,704	10,120,479
Housing loans receivable	-	-	-
Leases receivable	2,078,829	2,240,680	2,391,852
Interest receivable from leases	3,411	3,671	3,913
Interest receivable from investments	-	84,637	-
Loans receivable	45,445	30,000	30,000
Notes receivable	-	-	-
Total Assets	$ 26,198,378	$ 36,465,806	$ 38,029,499
LIABILITIES:			
Accounts payable	411,604	30,043	350,017
Accrued wages	422,220	370,246	358,481
Interfund payables	-	4,128,243	-
Due to component unit	-	-	-
Unearned revenues	173,043	3,546,730	9,898,707
Deposits payable	85,105	109,833	107,318
Total Liabilities	$ 1,091,972	$ 8,185,095	$ 10,714,523

CITY OF CUMBERLAND CONT.

SUMMARY OF GENERAL FUND, YEAR ENDED JUNE 30

FISCAL YEAR	**2025**	**2024**	**2023**
FUND BALANCES:			
Nonspendable	2,908,681	3,010,083	2,824,929
Restricted	3,839,916	5,192,515	6,091,604
Assigned	4,186,492	5,924,345	5,771,183
Undesignated/Unassigned	9,637,227	9,213,668	7,859,143
	20,572,316	23,340,611	22,546,859
LONG-TERM DEBT:			
Governmental activities	26,321,500	25,954,889	28,352,144
Business-type activities	25,813,456	26,341,406	26,730,661
Total L-T Liabilities	$ 52,134,956	$ 52,296,295	$ 55,082,805

Property Taxes and Taxes Receivable: Real Property

Fiscal Year	Total assessed Value of Real Property	General tax rate/$100	Actual Tax Levy	Amount Collected
2025	$ 1,065,189,429	1.0595	$ 11,285,682	$ 9,686,897
2024	$ 979,500,734	1.0595	$ 10,377,810	$ 9,596,582
2023	$ 920,998,510	1.0595	$ 9,757,979	$ 8,602,823
2022	$ 898,043,826	1.0595	$ 9,514,774	$ 8,770,904
2021	$ 892,391,655	1.0595	$ 9,454,890	$ 8,603,828
2020	$ 874,522,039	1.0595	$ 9,265,561	$ 8,889,179

Property Taxes and Taxes Receivable: Personal Property

Fiscal Year	Total assessed Value of Personal Property	General tax rate/$100	Actual Tax Levy	Amount Collected
2025	$ 1,412,960	2.6480	$ 37,415	$ 37,094
2024	$ 1,313,633	2.6480	$ 34,785	$ 16,792
2023	$ 1,468,310	2.6480	$ 38,881	$ 35,315
2022	$ 1,532,090	2.6480	$ 40,570	$ 38,252
2021	$ 1,345,031	2.6480	$ 35,616	$ 33,508
2020	$ 1,424,379	2.6480	$ 37,718	$ 34,155

Property Taxes and Taxes Receivable: Railroads & Public Utilities Property

Fiscal Year	Total assessed Value of Railroads & Public Utilities	General tax rate/$100	Actual Tax Levy	Amount Collected
2025	$ 71,970,800	2.6480	$ 1,905,787	$ 1,905,787
2024	$ 66,707,690	2.6480	$ 1,766,420	$ 1,766,420
2023	$ 63,429,800	2.6480	$ 1,679,621	$ 1,679,621
2022	$ 58,590,190	2.6480	$ 1,551,468	$ 1,551,468
2021	$ 55,907,300	2.6480	$ 1,480,425	$ 1,480,425
2020	$ 50,342,140	2.6480	$ 1,333,060	$ 1,333,060

STATE-AID INTERCEPT PLEDGE: ANALYSIS

Jurisdiction	**Available funds received (Period : CY-2024)**	**Available funds received (Period : CY-2025)**	**Average of funds received (Period : CY-2006 thru CY-2025)**	**Maximum Annual Debt Service (MADS) on pledged indebtedness [1]**
City of Cumberland	$6,013,165	$6,837,748	$6,498,041	$3,462,918

[1] Total of all known and proposed debt with a State-aid Intercept Pledge associated with it.

CITY OF CUMBERLAND
Maryland

MAYOR
RAYMOND M. MORRISS

COUNCIL
RICHARD J. CIONI, JR
EUGENE T. FRAZIER
JAMES L. FURSTENBERG, III
BRIAN R. LEPLEY

CITY ADMINISTRATOR
JEFFREY F. SILKA, ICMA-CM

CITY SOLICITOR
MICHAEL SCOTT COHEN

CITY CLERK
ALLISON K. LAYTON, CPM

Photo credit: Johnna Byers

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

PREPARED BY: FINANCE DEPARTMENT
MARK GANDOLFI, CPA
COMPTROLLER

CITY OF CUMBERLAND MARYLAND

Annual Comprehensive Financial Report

Fiscal Year 2025
July 1, 2024 - June 30, 2025

1787

City of Cumberland Administration

Raymond M. Morriss
Mayor

Jeffrey F. Silka
City Administrator

Richard J. Cioni, Jr.
Councilman

Eugene T. Frazier
Councilman

James L. Furstenberg
Councilman

Brian R. Lepley
Councilman

City of Cumberland
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Introductory Section

CUMBERLAND, MARYLAND 21502
PHONE: 301.759.6434 • FAX: 301.759.6413
www.cumberlandmd.gov

CITY OF CUMBERLAND
57 N LIBERTY STREET

December 18, 2025

To the Honorable Mayor, Members of the City Council
and Citizens of the City of Cumberland, Maryland,

State law requires that all general-purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report (ACFR) for the City of Cumberland, Maryland, for the year ended June 30, 2025.

This report consists of management's representations concerning the finances of the City of Cumberland. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Cumberland has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Cumberland's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Cumberland's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Turnbull, Hoover & Kahl, PA., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Cumberland, Maryland, for the fiscal year ended June 30, 2025, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the city's financial statements for the fiscal year ended June 30, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Cumberland's separately issued Single Audit Report.

The Management Discussion and Analysis (MD&A) portion of the financial statements provides greater detail regarding management's discussion of the financial condition of the City and what has transpired during fiscal year 2025. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Cumberland was established in 1787 and incorporated in 1815. Its legal authority is derived from Article XI-E of the State Constitution and Article 23-A of the Annotated Code of Maryland. The City has an estimated population of 18,938 and a land area of approximately 11 square miles. It operates under the Council-Manager form of government since 1981.

The City of Cumberland is empowered to levy a property tax on both real and personal properties located within its boundaries. The City is also empowered by the state to extend its corporate limits by annexation, which occurs periodically when deemed necessary by the Mayor and Council. The Mayor and Council are responsible for the passing of ordinances, adopting the budget, appointing committees, and hiring the City Administrator, City Solicitor, and the City Clerk. The City Administrator is responsible for carrying out the policies and ordinances of the Mayor and Council, for overseeing day-to-day operations of the City Government, and for appointing the heads of the various departments.

The City of Cumberland provides a full range of services, including water, sewer, refuse, streets and drainage, recreation and parks, police, fire, planning and zoning, and community development. The City's schools and library are operated by Allegany County, Maryland.

Budgets are developed in a conservative manner, providing funding for continuity of operations and no reduction in services to citizens. Many factors are considered when setting the budget including tax rates for the General Fund and fees that will be charged for the business-type activities. Budget recommendations are prepared by the leadership of each department, reviewed by the comptroller and senior management, then presented to the Mayor and City Council for consideration. Once agreed upon, budget and rate ordinances are prepared for public meetings where comments are obtained, followed by the 1st, 2nd and 3rd readings and a vote by the Mayor and Council for adoption of a fiscal year budget by July 1 of each year.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Cumberland operates.

Local Economy: Cumberland, Maryland, has historically been the center for manufacturing and industry within Western Maryland with multimodal (e.g., rail, auto, and recreation) transportation access to the metropolitan areas of Pittsburgh, PA, Washington, DC, and Baltimore, MD. Over the last several decades, the influence and prominence of Cumberland as an industrial and manufacturing hub in the region diminished as businesses gravitated to lower cost environments in the southern U.S. and abroad. The closure of the Kelly-Springfield Tire Company plant in 1987 truly signaled the end of the City's industrial and manufacturing prominence. The loss of industry was accompanied by a dramatic decline in the local economy and other material demographics, including, (a) the population of Cumberland declined from a high of about 39,483 citizens in 1940 to its current level of about 18,938; (b) the median household income in the City is about $47,819 compared to the State average of $98,678 and the national average of $77,719; (c) the percentage of citizens below the poverty level is about 23.5% compared to the State level of 9.5% and the national level of 12.5%; (d) the median value of owner-occupied housing is about $120,800 compared to the State average of $413,600 and national average of $340,200; and (e) the owner occupied housing rate for the City is about 58% compared to the State average of 68% and the national average of 65%.

Long Term Planning: In an effort to address the lagging economy, the Mayor and City Council of Cumberland adopted the RKG Associates, Inc.'s Strategic Development Plan (the "Plan") on or about December 4, 2014. The Plan is available at the City's website at www.cumberlandmd.gov. The Plan provides a framework to pursue a proactive, comprehensive economic development effort aimed at increasing the local tax base, attracting new employers, enabling existing employers to grow, and supporting the continued development of the arts and tourism industries. Consistent with the Plan, the City promoted the creation of an implementation entity during fiscal year 2016 known as the Cumberland Economic Development Corporation ("CEDC"). The CEDC is a 501(c)3 non-profit governed by a Board of Directors composed of private and public stakeholders. The CEDC has pursued action items identified in the Plan, including the development and improvement of various economic development "opportunity sites" identified in the Plan. During fiscal year 2022, the CEDC engaged RKG Associates, Inc. to update the plan in a post COVID-19 economy, in consideration of the economic development efforts during the recent seven years and to strategize future economic development.

The City created an asset management plan in 2017 and updates it annually to outline improvements of major infrastructure assets for water filtration, wastewater treatment, water distribution, waste collection, flood control, bridges, and roads.

Major Initiatives:

Utility Initiatives

- Through consent decree, the City became obligated to address its combined sewer overflow problem and as a result, four major projects are underway (see Note 16 of the notes to the financial statements).

    1. The Mill Race Pipeline represents a major upgrade to the combined sewer collection system by installing a 78" pipeline. The total estimated project cost is estimated at $67.0 million. The City previously secured Bay Restoration Fund

grants for the project up to $46.3 million and Maryland Water Quality debt in the amount of $20.0 million which includes $3.0 million principal forgiveness. The Mill Race Pipeline project is in the engineering phase and budgeted to begin construction during fiscal year 2027 pending regulatory approvals and private property easement or acquisition. Construction is anticipated to continue for a three (3) year period.

2. Evitts Creek Phase 3 is a major upgrade to the combined sewer collection system that is in the engineering phase with most of the funding in place. CSO Phase 3 project cost is estimated at $7.5 million and is partially funded with $5.4 million in grants and $2.3 million in loan with $1.1 million of the loan being forgivable. This project is on hold pending land access permissions.

3. Evitts Creek Phase 4 represents a major upgrade combined sewer collection system that is in the planning phase. Funding is being sought from Maryland Department of the Environment (MDE) to begin construction in fiscal year 2026. CSO Phase 4 project cost is estimated at $4 million and is partially funded with $3.6 million in loan with $1.5 million of the loan being forgivable.

4. A water reclamation facility grit removal and UV disinfection project is in the planning phase with the necessary funding in place. The grit removal and UV disinfection project is projected to begin during fiscal year 2029 at an estimated cost of $4.4 million and is funded with $4.4 million in loan with $1.5 million of the loan amount being forgivable.

- The South End and Industrial Boulevard water main replacements were completed during fiscal year 2025. Two 12" water mains that serve the South end of the City were over 100 years old and experience the highest pressures in the City. This project replaced two 12" water mains that serve this area and replaced the 75-year-old water main under Industrial Boulevard. These projects we completed at a total cost of $5.1 million and were funded by the City's American Rescue Plan Act (ARPA) award.

- In order to improve safety, enhance reliability and significantly reduce maintenance, the Wastewater Treatment Plant (WWTP) 1970s era switchgear is being replaced alongside installation of a 2-acre flex-tilt ground mount solar power array that is projected to provide funding for the entire project through electric utility savings during a multiyear period.

Economic Development

Baltimore Street Access Project

The City of Cumberland and its strategic partners began the Baltimore Street Access Project construction in fiscal year 2023 and will complete it in fiscal year 2026. The project involves the City's effort to:

- Re-introduce automobile and bicycle traffic onto Baltimore Street (the City's historic office and retail center) which, in turn, will improve connectivity of the intermodal transportation system, e.g., Canal Place, Western Maryland Scenic Railroad, Great Allegheny Passage, Amtrak station, County bus transit system, I-68 ingress and egress, and bicycle trails throughout the City;

- Introduce fiber optic cable to each building along Baltimore Street; thereby, completing the downtown fiber loop and creating a “giga-byte downtown”;
- Install infrastructure to each building along Baltimore Street for fire suppression/sprinkler systems; thereby, promoting upper story redevelopment for residential purposes and lower story redevelopment for commercial purposes;
- Replace underground infrastructure not materially improved since well before the 1978 installation of the pedestrian mall along Baltimore Street;
- Install new streetscape along Baltimore Street and two adjoining parklets that incorporate modern principles of community development and smart growth intended to rival modern metropolitan and downtown destinations.

In coordination with City engineering, Maryland State Highway, and The EADS Group, a civil engineering firm, a construction contract was awarded and began in April 2023. The project has a total estimated investment of $16.2 million. The City expects to utilize $12.7 million in grant funding and $3.5 million in cash and debt funding.

This project is being undertaken pursuant to, and consistent with, the City’s Strategic Economic Development Plan (the “ED Plan”) and an economic impact analysis and retail gap analysis performed by Sage Policy Group, Inc. The project is also being undertaken as part of a much broader economic and community development revitalization effort for the City’s urban core that includes, among other things, the redevelopment of a 6.5-acre area adjacent to I-68 for commercial development (“Cumberland Gateway Project”).

Cumberland Gateway Project

The ED Plan identified seven (7) areas as “opportunity sites” throughout the City to focus economic development efforts. Each site is envisioned to accommodate a particular opportunity and fulfil a particular need. The “Rolling Mill Corridor” is a large, multi-use site listed among the opportunity areas which is bounded by Interstate 68 to the North, Lamont Street to the South, Maryland Avenue to the East, and CSX railroad to the West.

Following the ED Plan, the City and CEDC acquired properties forty-eight (48) of the sixty-nine (69) parcels within a 6.5-acre portion of the Rolling Mill Corridor, referred to as the Cumberland Gateway Site. All structures situated upon City and CEDC owned properties have been removed. The project has been funded to date through a debt issue by the City for $3.5 million and utilization of state and county grants of $0.5 million. The Cumberland Gateway Project’s lots were assessed at $1.8 million immediately prior to its transfer to a chosen real estate developer in December 2018. Since that time, the developer acquired additional parcels.

Construction for phase one of the project is underway consisting of a small anchor tenant and four attached smaller units for retail tenants. A hotel, nationally branded restaurants, a nationally branded convenience store and retail shops are planned for the area.

Messick Road Project

During fiscal year 2022, the CEDC acquired a 39.19-acre property for $250,000 through equal funding from the City and Allegany County. Conceptual plans predict the property to yield 12-15 developable acres. Through this project, the CEDC intends to develop space within City limits to market. Referred to as the Messick Road Property, it is intended to be developed for industrial and commercial use such as light manufacturing or warehousing space for larger facilities that require a large portion of flat land. The acreage is a half-mile from the site of a 193,000-square-foot FedEx Transport Distribution Center. During fiscal year 2023, the City annexed the 39.19-acre property along Messick Road. The CEDC is developing a site master plan and has procured an environmental review and phase 1 in preparation for grant acquisition and site excavation. Additionally, four potential tenants have been identified to occupy a large portion of the site once the land becomes available.

River Park at Canal Place

The River Park at Canal Place is in the preliminary engineering phase and has the potential to transform Cumberland's downtown by supporting a growing outdoor recreation economy and driving economic impact. The estimated $30 million project is located along the North Branch of the Potomac River in downtown Cumberland and is part of the North Branch Water Trail that begins in Westernport, Maryland, which extends 32 miles downstream to Cumberland, and ultimately flows to Washington, DC. The project will complete the North Branch Water Trail system, improve water quality, advance wildlife passages, provide an exciting new downtown river experience, and increase awareness of the City and Allegany County as a premier outdoor recreation destination.

Former Allegany High School Housing Development

A new market-rate housing development is underway in Cumberland at the former Allegany High School site. The school, which was open from 1926 to 2018 (when the construction of the new high school on Haystack Mountain was completed), was demolished in 2022. After demolition, the site (12 acres) underwent remediation to clean up any contamination so that it could be used for residential infill development. The need for new, affordable housing in Allegany County has been an issue for some time, and that urgency only heightened as the COVID-19 pandemic exacerbated the situation. D.R. Horton, the nation's largest homebuilder, was selected as the project developer in September 2023. D.R. Horton is expected to build 65 new homes costing between $200,000 and $300,000 each.

City of Cumberland Infill Development

The City is promoting and supporting adaptive reuse of existing housing. Homeowners or prospective homeowners can participate in programs at the City to refurbish blighted homes in favor of putting a home back in use, or demolishing and infilling individual lots. The City is partnering with Allegany County to provide financial incentives to developers to construct new homes in these existing neighborhoods.

Memorial Avenue

Prospective developers are being engaged to develop 9 acres in City limits to establish new housing. These 9 acres are the former site of Memorial Hospital which was demolished when the new hospital was constructed. The City, County and State have partnered to offer development incentives for this site.

Other Information

Tax abatements are detailed in note 13 of the notes to the financial statements. The table below illustrates the tax abatements that the City granted in fiscal year 2025. Historic Preservation program abatements were provided to encourage private sector investment in the rehabilitation and re-use of historic buildings and to promote investment in local economies. Cumberland Police Department (CPD) – City Officers abatements are provided to recruit and retain officers living within City limits. Low Income Housing abatements provide encourage development and maintaining quality affordable housing. Section 9-302 credits are intended to spur economic growth in designated areas of Cumberland. The long-term benefit of each abatement program is to provide varying degrees of stability within the community.

Tax Abatement Program	Amount of Taxes Abated during FY 2025	
Historic Preservation	$	44,124
CPD - City Officers		19,566
Low Income Housing		6,118
Section 9-302 Credits		8,408
	$	78,216

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cumberland for its ACFR for the fiscal year ended June 30, 2024. This was the 17th year that the City has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Office and the Tax and Utility Office. I wish to express my appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and City Council for their support in maintaining the highest standards of professionalism in the management of the City of Cumberland's finances.

Respectfully submitted,

Mark Gandolfi, CPA
City Comptroller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cumberland
Maryland

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

City of Cumberland, Maryland

List of Elected Officials and Administrators
Contact Information

Central Contact Information:

City of Cumberland
57 North Liberty Street
Cumberland, Maryland
21502
(301) 722-2000

Mayor and Council:

Raymond M. Morriss
ray.morriss@cumberlandmd.gov

Richard (Rock) Cioni, Jr. Councilman
richardjcioni@hotmail.com

Eugene T. Frazier, Councilman
eugene.frazier@cumberlandmd.gov

James (Jimmy) Furstenberg, Councilman
jimmy.furstenberg@cumberlandmd.gov

Brian R. Lepley, Councilman
brian.lepley@cumberlandmd.gov

Administration:

Jeffrey F. Silka
jeff.silka@cumberlandmd.gov

Allison Layton, City Clerk, Assistant City Administrator (ACA)
allison.layton@cumberlandmd.gov

City of Cumberland, Maryland

List of Elected Officials and Administrators
Contact information
(continued)

Public Safety:

Fire Department
Chief Shannon Adams
shannon.adams@cumberlandmd.gov

Police Department
Police Chief James Pyles
james.pyles@cumberlandmd.gov

Public Works:

Engineering/Utilities
Robert Smith
robert.smith@cumberlandmd.gov

Operations
Brooke Cassell
brooke.cassell@cumberlandmd.gov

Administrative Services:

Administrative Services
Kenneth Tressler
ken.tressler@cumberlandmd.gov

Code Compliance
Kevin Thacker
kevin.thacker@cumberlandmd.gov

Cybersecurity
Van (Chip) Watkins
chip.watkins@cumberlandmd.gov

Community Development Block Grant
Lee Borror
lee.borror@cumberlandmd.gov

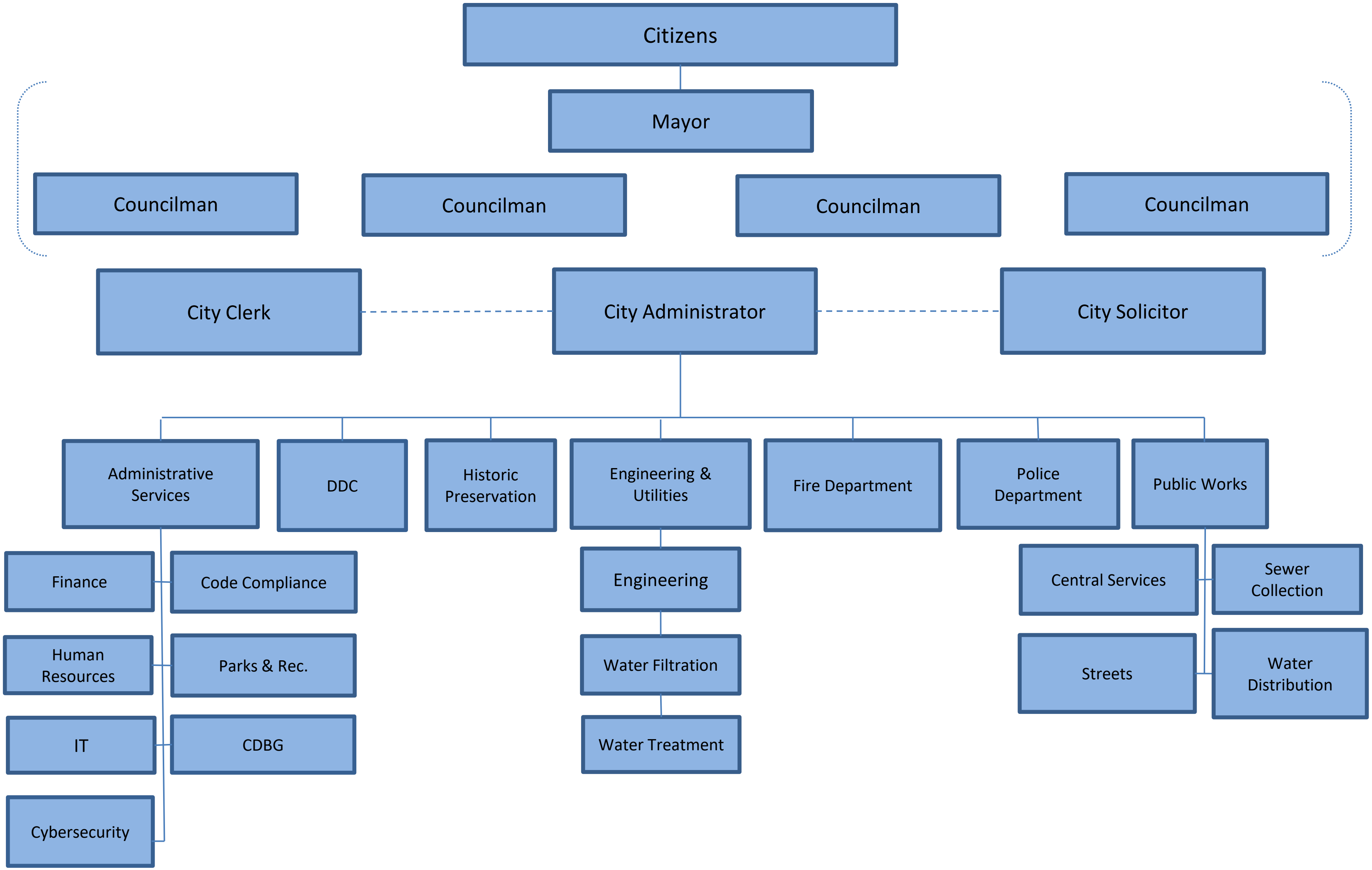
Finance and Collections
Mark Gandolfi
mark.gandolfi@cumberlandmd.gov

Human Resources
April Howser
april.howser@cumberlandmd.gov

Information Technologies
Johnna L. Byers
johnna.byers@cumberlandmd.gov

Parks and Recreation
Ryan Mackey
ryan.mackey@cumberlandmd.gov

City of Cumberland Organizational Chart



City of Cumberland

Boards and Commissions

Board of Administrative Appeals
Downtown Development Commission
Evitts Creek Steering Committee
Historic Preservation Commission
Housing Authority of The City of Cumberland
Human Relations Commission
Municipal Planning and Zoning Commission
Neighborhood Advisory Commission
Recreation Board
Shade Tree Commission
Zoning Board of Appeals

Financial Section

David W. Turnbull, CPA
Richard J. Hoover, CPA
Bernard B. Kahl, CPA

Turnbull Hoover & Kahl P.A. CPA

217 Glenn Street, Suite 200
Cumberland, Maryland 21502
Phone: 301.759.3270
www.thkcpas.com

Honorable Mayor and Members
of the City Council
City of Cumberland
Cumberland, Maryland

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland, as of June 30, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Cumberland, Maryland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Cumberland, Maryland's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Cumberland, Maryland's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of a Matter-Change in Accounting Principle

As described in Note 23, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 32, the budgetary comparison schedule on page 95, the City's schedule of changes in total other post-employment benefits and related ratios on page 96, the schedule of the City's proportionate share of the net pension liability on page 97 the schedule of the City's pension contributions on page 98 and the notes to required supplementary information on page 99 be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cumberland, Maryland's basic financial statements. The accompanying combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2025, on our consideration of the City of Cumberland, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cumberland, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cumberland, Maryland's internal control over financial reporting and compliance.

Turnbull, Hoover & Kahl, P.A.

Cumberland, MD
December 18, 2025

CITY OF CUMBERLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cumberland, we offer readers of the City of Cumberland's financial statements this narrative overview and analysis of the financial activities of the City of Cumberland for the fiscal year ended June 30, 2025. The MD&A is best understood if read in conjunction with the Transmittal Letter and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The City of Cumberland's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $130.1 million at June 30, 2025. This $130.1 million net position is made up of business-type activities net position of $108 million and governmental activities net position of $22.1 million. The total net position is comprised of net investments in capital assets in the amount of $129.7 million, a *restricted net position* of $3.3 million which is restricted for specific purposes including capital projects, community development and public safety, and an *unrestricted net position* deficit of $2.9 million.

- At June 30, 2025, the City's business-type activities had an unrestricted net position of $9.5 million with $98.4 million invested in capital assets. The overall business-type net position of $107.9 million at June 30, 2025 represents an increase of $0.6 million primarily due to a $1.8 million net income generated by the Water Fund.

- The overall governmental activities net position improved $3.9 million to $22.1 million at June 30, 2025. Net position of $22.1 million is comprised of the following:
  - $31.2 million net investment in capital assets
  - $3.3 million restricted for specific purposes
  - $12.4 million unrestricted net position deficit

  The unrestricted net position deficit is caused primarily by long term liabilities which are not due and payable in the current year and as such are excluded from the fund statements including:
  - $7.4 million in bonds and notes that do not represent an offset to capital assets
  - $21.9 million net pension liability
  - $2.6 million workers compensation liability
  - $5.5 million compensated absences liability

  Additional information on the City's net position can be found on pages 23 and 24 within this MD&A.

- The City's total outstanding bonds and notes payable decreased by $0.5 million to $54.9 million during fiscal year 2025. The decrease is the net result of an issuance of new debt partially offset by debt service payments. All debt payments made during fiscal year 2025 were made in compliance with all debt service agreements. During fiscal year 2025, the City issued tax-exempt bonds in the total amount of $5.1 million to finance information technology equipment, vehicles, heavy duty equipment, facility improvements, and infrastructure projects.

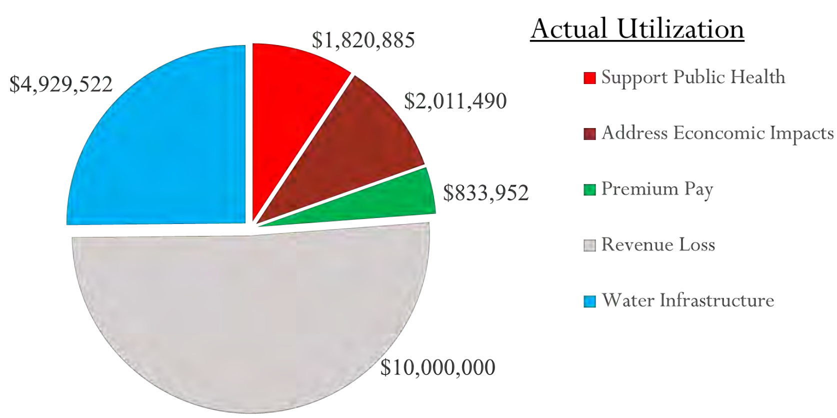
- The City is engaged in three major upgrades to its combined sewer collection system. Evitts Creek Phase 3 is in the engineering phase with necessary funding in place. Phase 3 project cost is estimated at $7.5 million and is funded with $5.4 million in grants and $2.3 million in loans with $1.1 million being forgivable. Phase 3 is on hold pending CSX granting site access. Evitts Creek Phase 4 is in the planning phase and has most of the funding in place. Phase 4 project cost is estimated at $4 million and is funded with $3.6 million in loans with $1.5 million being forgivable. The 78” pipeline project is pending Army Corp of Engineers approval and private property easement and is anticipated to begin construction during FY27 or FY28. The total estimated project cost is $67 million and is substantially funded with $46.3 million in grants and $20.0 million in loans with $3.0 million being forgivable. Additional information on the City’s long-term debt can be found elsewhere within this MD&A and in Note 9 of the notes to the financial statements.

- At the close of the current fiscal year, the City’s governmental funds reported combined fund balances of $20.1 million, a decrease of $0.7 million in comparison to the prior year. The unassigned fund balance increased $2.3 million, the assigned fund balance decreased $1.7 million and the nonspendable and restricted fund balances decreased $1.3 million. Approximately 24% ($4.8 million) of the combined fund balance is restricted for specific purposes and is comprised primarily of undrawn or unused debt proceeds. Approximately 16% ($3.1 million) of the combined fund balance is considered nonspendable and is comprised primarily of prepaid worker’s compensation expenses. Approximately 21% ($4.2 million) of the combined fund balance is assigned for specific purposes and is available for spending on capital projects and capital equipment at the government’s discretion. Approximately 39.4% ($7.9 million) of the combined fund balance is considered unassigned and available for spending at the government’s discretion.

- General Fund assigned fund balance decreased over the prior year by $1.7 million while the unassigned fund balance increased $0.4 million. The increase in unassigned fund balance is attributable to a net deficit of $2.8 million offset by $3.2 million utilization of assigned, restricted and nonspendable fund balances. The City’s General Fund unassigned fund balance meets and surpasses its fund balance policy goal to achieve and maintain a balance equal to 25.0% of expenditures. At June 30, 2025, the General Fund unassigned fund balance is equal to 32% of expenditures.

- The effects of COVID-19, a respiratory disease caused by a new strain of the coronavirus and its broad and negative impact on commerce and financial markets around the world resulted in significant inflation that substantially impacts the City’s operating and capital project costs. Operating materials such as wastewater treatment chemicals and water distribution pipes and fittings have seen substantial price increases because of previous supply chain disruption and correlated inflation. Capital projects and equipment such as paving and vehicles are significantly affected by inflation and higher interest rates.

Federal Government legislation in the form of the American Rescue Plan Act (ARPA) is providing significant funding to replace revenue losses and for expenditures to prevent, prepare for, and respond to this pandemic. Accordingly, increased revenue and expenditures have continued through fiscal year 2025. During fiscal year 2025, the City incurred expenditures totaling $4.0 million attributed to personal protective equipment, community programs, small business assistance, community development, recreation, and water infrastructure. These expenditures were funded with ARPA revenue totaling $3.2 million and interest revenue totaling $0.8 million. As of June 30, 2025, the City fully utilized the entire $19.6 million ARPA award within the ARPA provided timelines. Projects include parks improvements, YMCA bus replacements, domestic violence, substance abuse and homeless shelter support, assistance to small businesses, and residential property improvements. Projects also include infrastructure such as the South End and Industrial Boulevard water main replacements and City Hall HVAC replacement. To offset the negative revenue impacts related to COVID-19, the United States Treasury ARPA guidelines provide a standard allowance for revenue loss of up to $10 million. During Fiscal Years 2021 through 2024, the City utilized $10.0 million for government operations.



The City maintains an unassigned fund balance in its General Fund and an unrestricted net position in its major proprietary funds. The full extent of this pandemic's impact on the City of Cumberland and its operational and financial performance will depend on future developments, including the duration of supply chain interruptions, operating disruptions, inflation, interest rates, and related governmental or regulatory actions.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City of Cumberland's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 City's finances, in a manner similar to a private sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources with the difference 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 City 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 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 (for example: uncollected taxes and earned but unused and vacation leave).

Both government-wide financial statements distinguish functions of the City of Cumberland 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 government activities of the City include general government, public safety, public works, recreation, and community development and housing. The business-type activities of the City include the Water Fund, the Sewer Fund, the MPA and the Trash Fund.

The government-wide financial statements include not only the City of Cumberland itself (known as the *primary government*), but also a legally separate economic development corporation known as the Cumberland Economic Development Corporation (CEDC). Financial information for this component unit is reported separately from the financial information for the primary government itself. Detailed financial information on the component unit can be found in CEDC's separately issued financial statements.

The government-wide financial statements can be found on pages 33-35 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 City of Cumberland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's two categories of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds. *Governmental fund*s 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 assessing 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 balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City of Cumberland maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other seven governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 36-39 of this report.

Proprietary Funds. The City of Cumberland has one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The City uses enterprise funds to account for its Water Fund, Sewer Fund, MPA, and Trash Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, both of which are considered to be major funds of the City of Cumberland. Conversely, the MPA fund and the trash fund are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for these funds are provided in the form of *combining statements* elsewhere in 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 can be found on pages 44-94 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide OPEB and pension benefits to its employees. Required supplementary information can be found on pages 96-99 of the report.

Also reported as required supplementary information are budgetary comparisons for the General Fund. The General Fund budgetary comparison can be found on page 95.

The combining statements referred to earlier in connection with nonmajor governmental funds and proprietary funds are presented immediately following the required supplementary information on OPEB and pensions. Combining fund statements can be found on pages 100-105 of this report.

Complete financial statements of the component unit can be obtained from the Cumberland Economic Development Corporation administrative office.

Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. City of Cumberland assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $130.1 million at June 30, 2025.

The largest portion of the City's net position is a $129.7 million investment in capital assets (e.g., land, machinery, equipment, vehicles, and infrastructure) less any related outstanding debt that was used to acquire those assets. The City of Cumberland uses these capital assets in a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position in the amount of $3.3 million is comprised of resources that are subject to external restrictions on how they may be used. The City's net position also includes an unrestricted net position deficit of $2.9 million at June 30, 2025. The unrestricted net position deficit is the combination of the unrestricted net position for business type activities surplus of $9.5 million less the governmental activities deficit of $12.4 million.

Net Position
(000's)

	Governmental Activities		Business-type Activities		Totals	
	FY 25	**FY 24**	**FY 25**	**FY 24**	**FY 25**	**FY 24**
Current and other assets	$ 29,597	$ 36,458	$ 20,131	$ 21,494	$ 49,728	$ 57,952
Capital assets	50,128	41,649	122,199	120,746	172,327	162,395
Total assets	79,725	78,107	142,330	142,240	222,055	220,347
Deferred outflows of resources	9,828	6,854	2,865	2,039	12,693	8,893
Long-term liabilities	55,617	46,565	32,453	31,074	88,070	77,639
Current liabilities	8,893	13,621	4,334	4,107	13,227	17,728
Total Liabilities	64,510	60,186	36,787	35,181	101,297	95,367
Deferred Inflows of resources	2,907	3,687	485	715	3,392	4,402
Net Position:						
Net Investment in capital assets	31,266	25,949	98,443	95,826	129,709	121,775
Restricted	3,274	3,920	-	-	3,274	3,920
Unrestricted (deficit)	(12,404)	(8,781)	9,480	12,557	(2,924)	3,776
Restatement	-	(2,891)		(1,064)		(3,955)
Total Net Position as restated	$ 22,136	$ 18,197	$ 107,923	$ 107,319	$ 130,059	$ 125,516

During fiscal year 2025, the City's net position increased by $4.5 million to $130.1 million compared to an increase of $10.9 million during fiscal year 2024. During fiscal year 2025, the City implemented GASB Statement No. 101, "Compensated Absences", which resulted in fiscal year 2024 restatement of net position of $2.9 million for governmental activities and $1.1 million for business-type activities.

Fiscal year 2025 revenue decreased $5.0 million to $59.7 million and expenses increased $5.4 million to $55.2 million when compared to fiscal year 2024.

Changes in Net Position
(In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 25	**FY 24**	**FY 25**	**FY 24**	**FY 25**	**FY 24**
Revenues						
Program Revenues						
Charges for services	$ 2.7	$ 2.6	$ 20.7	$ 20.9	$ 23.4	$ 23.5
Operating Grants	8.3	11.8	-	-	8.3	11.8
Capital Grants and Contributions	4.2	5.6	3.7	4.6	7.9	10.2
General Revenues						
Property Taxes	14.3	13.3	-	-	14.3	13.3
Other taxes	0.7	0.6	-	-	0.7	0.6
Shared Revenues	2.1	1.6	-	-	2.1	1.6
Miscellaneous	2.3	2.7	0.7	1.0	3.0	3.7
TOTAL REVENUES	34.6	38.2	25.1	26.5	59.7	64.7
Program Expenses*						
General Government	2.4	2.4	-	-	2.4	2.4
Public Safety	18.6	14.9	-	-	18.6	14.9
Public Works	4.6	4.3	-	-	4.6	4.3
Recreation	1.1	1.1	-	-	1.1	1.1
Community Development	4.7	4.7	-	-	4.7	4.7
Payment to component unit	0.4	0.4	-	-	0.4	0.4
Interest on LT Debt	0.9	1.0	-	-	0.9	1.0
Water	-	-	8.8	8.1	8.8	8.1
Sewer	-	-	11.1	10.5	11.1	10.5
Muncipal Parking Authority	-	-	0.6	0.5	0.6	0.5
Trash	-	-	2.0	1.9	2.0	1.9
TOTAL EXPENSES	32.7	28.8	22.5	21.0	55.2	49.8
Excess/Deficiency Before Transfers	1.9	9.4	2.6	5.5	4.5	14.9
Transfers	2.0	2.4	(2.0)	(2.4)	-	-
Change in Net Position	3.9	11.8	0.6	3.1	4.5	14.9
Net Position- Beginning	18.2	9.3	107.3	105.3	125.5	114.6
Restatement	-	(2.9)	-	(1.1)	-	(4.0)
Net Position-Beginning as restated	18.2	6.4	107.3	104.2	125.5	110.6
Net Position-Ending	$ 22.1	$ 18.2	$ 107.9	$ 107.3	$ 130.0	$ 125.5

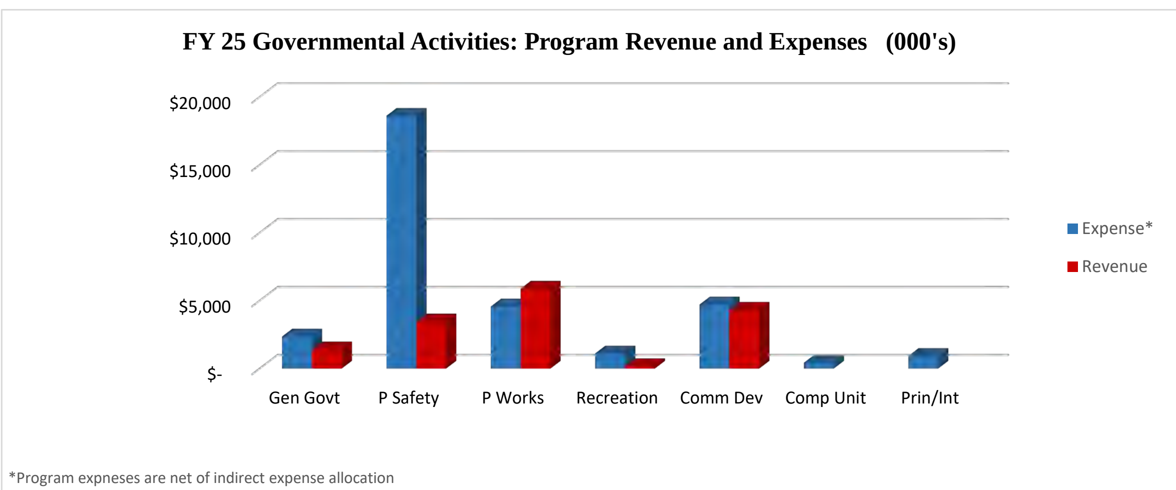
* Program expneses are net of indirect expense allocation

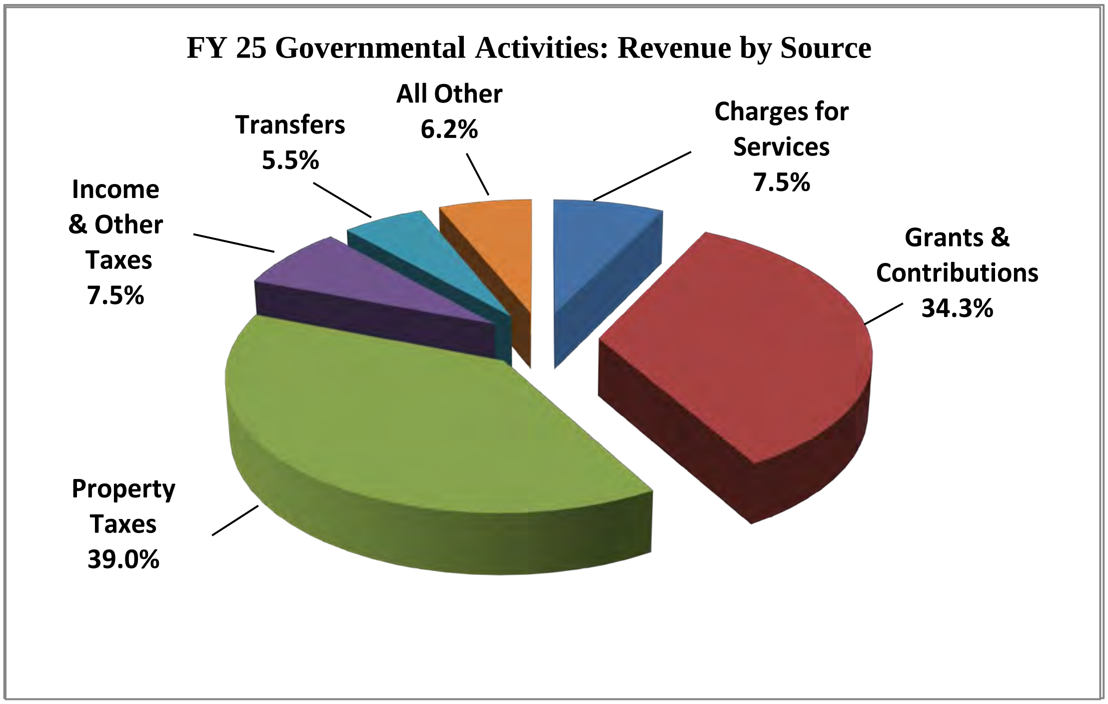
Governmental activities. The City's governmental activities net position improved by $3.9 million to a $22.1 million surplus. This compares to an $8.9 million increase during fiscal year 2024 as restated. Expenses increased $3.9 million and revenues decreased $3.6 million. Net transfers-in decreased by $0.4 million. A net position beginning balance restatement of $2.9 million exists for fiscal year 2024 to record the effect of Governmental Accounting Standards Board (GASB) 101 implementation.

Key differences from the prior year include:

- Net position beginning balance restatement of $2.9 million is comprised of compensated absence revaluation in accordance with GASB 101.
- Decreased revenue for fiscal year 2025 primarily results from decreased ARPA grant revenue of $3.5 million in operating grants and $1.4 million decrease in capital grants; partially offset by increased property tax revenue of $1.0 million and increased shared revenues of $0.5 million.
- Increased expenses are a net result of $3.7 million in public safety and $0.3 million in public works; reduced by $0.1 million in interest on LT Debt.
  - Increased expenses are primarily the result of:
    - 3.7 million increased expenses in public safety.
      - $2.1 million greater personnel expenses primarily due to $0.4 million department payroll, $0.5 million workers compensation, and $1.2 million state retirement.
      - $1.6 million increased operating and capital expenses including:
        - $1.1 million increased capital expenses
        - $0.1 million increased auto repairs
        - $0.1 million increased uniforms
        - $0.3 million increased depreciation.
    - $0.3 million greater public works department payroll, employee state retirement, compensated absences, workers compensation, department overtime and other post-employment benefits (OPEB).
  - Decreased expenses are primarily the result of:
    - $0.1 million lower interest on long term debt.

The following charts include operating revenue and expenses, non-operating revenue and expenses, contributions, special items and transfers in revenue and other expense figures.

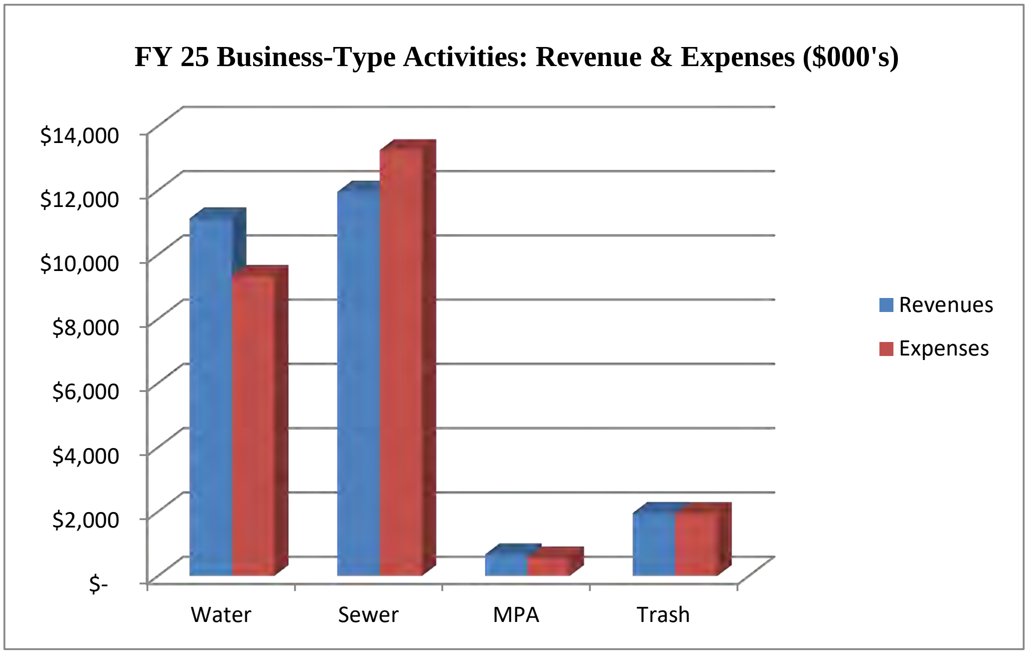


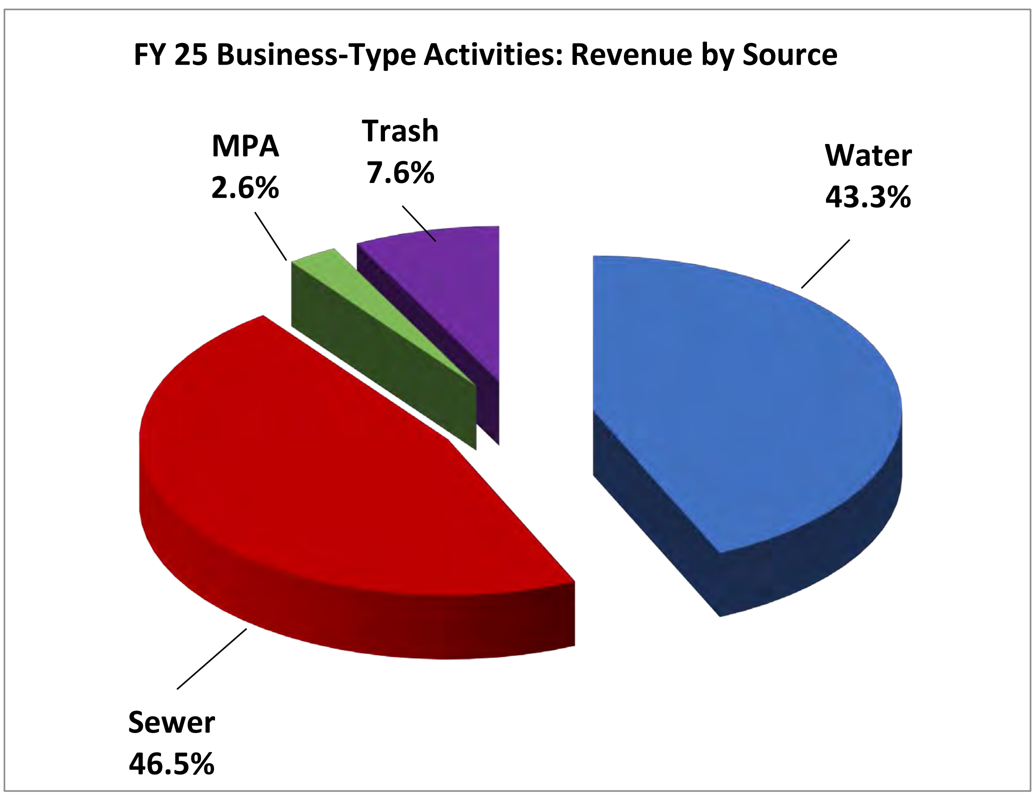


Business-type activities. The City's net position for the business-type activities increased $0.6 million in fiscal year 2025 compared to an increase of $2.0 million in fiscal year 2024 as restated. A net position beginning balance restatement of $1.1 million exists for fiscal year 2024 to record the effect of Governmental Accounting Standards Board (GASB) 101 implementation. The increase year-over-year is primarily due to the following items:

- Net position beginning balance restatement of $1.1 million is comprised of compensated absence revaluation in accordance with GASB 101.
- Capital grants and contributions decreased $0.9 million due to decreases in construction activity levels compared to fiscal year 2024.
- Charges for services decreased $0.2 million primarily due to the lower industrial water charges resulting from a power plant closing which are partially offset by a 20% increase in water rates.
- Miscellaneous revenue decreased $0.3 million primarily due to a $0.2 million Sewer Fund interest revenue decrease and a $0.1 million Water Fund interest revenue decrease resulting from lower investment balances and lower earned interest rates than fiscal year 2024.
- Total business-type expenses increased $1.5 million primarily due to increased wages and retirement contributions, compensated absences, contractual services, chemicals, depreciation, and administrative expenses.
- Net transfers decreased $0.4 million due to increased transfers in of $0.1 million in the Municipal Parking Authority and $0.3 million in the Sewer Fund.

The following charts include operating revenue and expenses, non-operating revenue and expenses, contributions, special items and transfers in revenue and other expense figures.





Financial Analysis of the Government's Funds

As noted earlier, the City of Cumberland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Cumberland's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *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 the end of the current fiscal year, the City's governmental funds reported combined fund balances of $20.1 million, a decrease of $0.7 million compared to the prior year. Approximately 39.4% of this amount ($7.9 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The *unassigned fund balance* increased $2.3 million during fiscal 2025. The remainder of the fund balance is either *nonspendable, restricted or assigned* to indicate that it is: 1) not in spendable form ($3.1 million), 2) restricted for particular purposes ($4.8 million), or 3) assigned for specific purposes ($4.2 million). Compared to the prior year, assigned fund balance decreased $1.7 million, restricted fund balance decreased $1.2 million and nonspendable fund balance decreased $0.1 million.

The General Fund is the chief operating fund of the City of Cumberland. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $9.6 million, out of a total fund balance of $20.6 million. The General Fund experienced a $0.4 million increase to the unassigned fund balance and a $2.8 million decrease to the total fund balance compared to balances from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to fund expenditures. Unassigned fund balance represents 32.0% of the general fund expenditures, while total fund balance represents 68.3% of that same amount. As introduced in the financial highlights section, the City's unassigned fund balance meets and surpasses its fund balance policy goal to achieve and maintain a balance equal to 25.0% of expenditures. The General Fund's liquidity position remains strong and improved from fiscal year 2024.

The General Fund nonspendable fund balance of $2.9 million at June 30, 2025 consists almost entirely of prepaid workers compensation costs. The nonspendable balance decreased by $0.1 million compared to the previous year due to a decrease in prepaid workers compensation. The restricted fund balance of $3.8 million is associated primarily with unspent debt proceeds restricted for specific purposes. The restricted fund balance decreased $1.4 million as the utilization of debt proceeds from prior years was partially offset with an unspent balance from the debt that was issued during fiscal year 2025. The assigned fund balance decreased to $4.2 million and is assigned for spending on capital projects and capital equipment.

The $0.4 million increase in unassigned fund balance is attributable to a net deficit of $2.8 million offset by $3.2 million utilization of assigned, restricted and nonspendable fund balances. The $2.8 million net change in fund balance is primarily attributable to lower intergovernmental revenue, greater capital project expenditures and public safety expenditures. Intergovernmental revenue is $3.2 million lower than fiscal year primarily due to the decrease in ARPA revenue loss replacement funding that ended December 31, 2023. Public Safety and Capital Outlay are greater by $2.3 million in FY25 over FY24 primarily due to a FY25 one-time $1.8 million GASB 87 lease accounting financing entry for the Stryker medical equipment and $392K addition of 9 employees funded by a SAFER grant.

At the end of the current fiscal year, the Capital Projects Fund unassigned fund balance was negative $1.5 million, out of a total fund balance of $20.1 million. The Capital Projects Fund experienced a $1.9 million increase to the unassigned fund balance from the prior year due to revenue and timing of project expenditures and related debt draws resulting from decreased construction activity on the Baltimore Street Redevelopment project.

Proprietary Funds. The City of Cumberland's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Net position at year end and the change in net position during the current year are highlighted in the following table:

City of Cumberland
Business-type Enterprise Funds Net Position Detail
JUNE 30, 2025

	Water	*Sewer*	*Municipal Parking Authority*	*Trash*	*Total*
NET POSITION					
Net invested in capital assets	$ 23,868,257	$ 72,898,866	$ 1,675,946	$ -	$ 98,443,069
Unrestricted	107,588	9,367,596	(234,559)	239,191	9,479,816
Total Net Position	23,975,845	82,266,462	1,441,387	239,191	107,922,885
Change in net position during the year, increase (decrease)	$ 1,795,352	$ (1,294,635)	$ 97,330	$ 5,666	$ 603,713

Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Mayor and City Council revise the City's General Fund budget. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations. The second category includes changes that are made to adjust for unforeseen savings and expenditures in order to reflect a more accurate budget. Lastly, the Mayor and Council amend appropriations to prevent budget overruns. During fiscal year 2025, the City made minor budget transfers within government activities.

For fiscal year 2025, expenditures were $0.1 million (0.1%) below the total budgeted amount. For more information, please see the General Fund budgetary comparison on page 95 of this report. The primary variances are as follows:

- Recreation expenses were favorable by $0.1 million primarily due lower utilization of budgeted personnel.

Capital Asset and Debt Administration

Capital Assets. The City of Cumberland's investment in capital assets as of June 30, 2025 was $172.3 million, which included governmental activities of $50.1 million and business-type activities of $122.2 million.

Major capital expenditures during the fiscal year included the following:

<u>Governmental activities ($11.8 million):</u>

- $4.9 million on paving, Baltimore Street Redevelopment, Baltimore Street Bridge and other street and bridge improvements.
- $1.8 million on vehicles, machinery, and equipment.
- $1.8 million on lease assets.
- $1.4 million on in-house paving projects.
- $0.8 million on park and community improvements.
- $0.7 million on building improvements.
- $0.4 million on land acquisition associated with the City's revitalization efforts.

<u>Business-type activities ($5.6 million):</u>

- The Water Fund incurred $4.1 million for capital assets including $3.5 million on water distribution system improvements and $0.6 million on vehicles and equipment.
- The Sewer Fund incurred $1.5 million for capital assets including $0.2 million on the Flood Control canal rewatering project, $0.1 million on WWTP roof projects, $0.1 million toward Evitts Creek phase 4 CSO, $0.1 million toward a sewer lining project, $0.9 million on Baltimore Street redevelopment construction and $0.1 million on vehicles and equipment.

Additional detail regarding the City of Cumberland's capital assets can be found in Note 5 of the notes to the financial statements.

Long-term Debt. At the end of the current fiscal year, the City of Cumberland had total debt outstanding of $56.9 million which was comprised of governmental activity debt of $29.6 million and business-type activity debt of $27.3 million.

City of Cumberland Outstanding Debt
General Obligation Bonds and Notes Payable
(000's)

	Governmental Activities		Business-type Activities		Totals	
	FY 25	FY 24	FY 25	FY 24	FY 25	FY 24
General Obligation Bonds	$ 26,232	$ 25,955	$ 25,813	$ 26,341	$ 52,045	$ 52,296
Bond Premium	1,213	1,307	1,386	1,495	2,599	2,802
Notes Payable	305	375	-	-	305	375
Subscription Based Information Technology Arrangements	201	346	106	125	307	471
Leases	1,620	-	-	-	1,620	-
Total	$ 29,571	$ 27,983	$ 27,305	$ 27,961	$ 56,876	$ 55,944

At June 30, 2025, the City had unspent balances of $3.9 million from a fiscal year 2025 Maryland Community Development Administration (CDA) bond issue of $4.9 million, $0.8 million from a fiscal year 2024 CDA bond issue of $3.0 million, $0.8 million from a fiscal year 2023 CDA bond issue of $3.7 million, $0.6 million from a fiscal year 2022 CDA bond issue of $6.3 million. During fiscal year 2026, the City expects to draw the balance of all the previous year bond issues.

The City has authority to borrow money and issue debt payable from its taxes or other revenues for City-related purposes pursuant to Article 23A of the Annotated Code of Maryland, certain provisions of the Charter of the City of Cumberland, including, without limitations Sections 81 and 82A, and certain public general laws of the State of Maryland. The City has the authority to undertake lease financing pursuant to Section 82B of the Charter. With the exception of revenue bonds, there are no debt limitations imposed by ordinance or other applicable law. Revenue bonds are limited by Section 81 of the Charter to sum or sums of not to exceed in the aggregate the total uncollected estimated receipts for the current fiscal year; and any sum or sums of money shall be repaid out of the taxes levied, collected or due for the current fiscal year in which such sum or sums of money were borrowed, and/or from any other corporate income (other than water department income) due in such current fiscal year. In the event the receipts from taxes levied, collected or due for the current fiscal year are insufficient to pay such sum or sums so borrowed with all interest due thereon, the said Mayor and City Council of Cumberland are authorized to levy a tax against all of the assessable property in the City of Cumberland sufficient to pay such sum or sums of money and collected with the next year's taxes.

In November 2024, S&P upgraded the City’s rating to “A+” and in February 2025, Fitch upgraded the City’s rating to “AA-”.

Additional information on the City of Cumberland’s long-term debt can be found in Note 9 of the notes to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

The fiscal year 2026 budget was developed in a conservative manner, providing funding for continuity of operations and no reduction in services to citizens. The City’s elected and appointed officials considered many factors when setting the budget, including tax rates for the General Fund and fees that will be charged for the business-type activities for fiscal year 2026. One of those factors is the economy. As introduced in the financial highlights section, COVID-19, a respiratory disease caused by a new strain of the coronavirus, caused a worldwide pandemic that created broad and negative impacts on commerce and financial markets around the world. These measures resulted in supply chain interruptions, operating disruptions, interest rate increases and inflation. The full extent of this pandemic’s impact on the City of Cumberland and its operational and financial performance will depend on future developments, including the duration of supply chain interruptions, operating disruptions, inflation, interest rates, and related governmental or other regulatory actions.

The City is proactively taking measures to mitigate these circumstances. The City has the ability to adjust its spending on some capital projects and other operating costs to maintain a balanced budget in response to the anticipated challenges. In addition, the City maintains an unassigned fund balance in its General Fund and an unrestricted net position in its major proprietary funds.

Unemployment, a key indicator, was 5.1% in June 2025 in the Cumberland/Allegany County area. This represents an increase in unemployment of 0.9% when compared to a year ago, is above the State of Maryland’s 3.3% rate, and above the national unemployment rates of 4.1%.

Based on the Maryland State constant yield notice the City expects an increase in the assessable real estate tax base of $67.0 million (6.5%) for fiscal year 2026. The City’s fiscal year 2026 General Fund budget reflects a $0.4 million increase in the unassigned fund balance. The General Fund real estate tax rate of $1.0595 per $100 of assessable base, sewer rates were not changed. Water rates were increased 20%, effective July 1, 2025. Trash rates were increased 73%, effective July 1, 2025.

For the expenditure budgets, department heads were directed to submit their budgets with a focus on maintaining or reducing operating expenses where possible. The fiscal year 2026 budget includes three new positions in the General Fund. Health insurance costs are budgeted to increase 9.6%. Except for promotion and longevity increases, the fiscal year 2026 personnel wage increases are being limited to 3% or less.

The City continues to take a proactive approach to economic development by investing in economic development initiatives and staffing to support such initiatives. The CEDC, a component unit of the City of Cumberland, is actively marketing several sites previously acquired and prepared for commercial and/or residential development. Please see the transmittal letter for a discussion of CEDC activities.

A copy of the City’s budget is available on its web site at www.cumberlandmd.gov.

Requests for Information

This financial report is designed to provide a general overview of the City of Cumberland’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 City Comptroller’s Office at 57 N. Liberty Street, Cumberland, Maryland, 21502.

Basic Financial Statements

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 6,742,815	$ 6,580,567	$ 13,323,382	$ 541,458
Investments	3,706,288	8,130,152	11,836,440	-
Taxes receivable	2,397,513	-	2,397,513	-
Accounts receivable	629,285	2,135,321	2,764,606	6,297
Accrued interest receivable	4,370	-	4,370	-
Due from other governments	7,501,365	2,870,388	10,371,753	-
Internal balances	410,760	(410,760)	-	-
Prepaid expenses	3,119,825	162,592	3,282,417	1,491
Due from component unit	1,963	-	1,963	-
Inventory	18,969	662,540	681,509	-
Interest receivable from leases	3,411	-	3,411	-
Total Current Assets	24,536,564	20,130,800	44,667,364	549,246
Noncurrent assets:				
Loans receivable	413,195	-	413,195	-
Leases receivable	2,078,829	-	2,078,829	-
Notes receivable	305,000	-	305,000	350,000
Restricted cash	2,263,559	-	2,263,559	-
Other investment in real estate	-	-	-	367,901
Capital assets:				
Capital assets not being depreciated/amortized	18,205,610	9,405,073	27,610,683	-
Capital assets, net of accumulated depreciation/amortization	31,922,439	112,793,712	144,716,151	-
Total Non-Current Assets	55,188,632	122,198,785	177,387,417	717,901
Total Assets	79,725,196	142,329,585	222,054,781	1,267,147
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pension	9,081,668	2,624,551	11,706,219	-
Deferred charge on refunding	617,322	189,959	807,281	-
Deferred outflows related to OPEB	129,458	50,484	179,942	-
Total Deferred Outflows of Resources	9,828,448	2,864,994	12,693,442	-
Total Assets and Deferred Outflows of Resources	$ 89,553,644	$ 145,194,579	$ 234,748,223	$ 1,267,147

The accompanying Notes to Financial Statements are an intergral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2025
(continued)

	Primary Government			
	Governmental Activities	***Business-type Activities***	***Total***	***Component Unit***
LIABILITIES:				
Current liabilities:				
Accounts payable	$ 880,818	$ 834,555	$ 1,715,373	$ 63
Accrued wages	422,220	-	422,220	-
Accrued interest	212,094	174,402	386,496	-
Unearned revenue	1,767,633	4,800	1,772,433	54,814
Deposits payable	85,105	-	85,105	-
Due to primary government	-	-	-	1,963
Accrued health claims	228,664	103,961	332,625	-
Current portion of compensated absences	1,367,157	558,707	1,925,864	-
Current portion of workers' comp payable	810,153	56,970	867,123	-
Current portion of other post-employment benefit (OPEB) liability	25,299	7,326	32,625	-
Current portion of bonds and notes payable	2,807,229	2,559,538	5,366,767	-
Current portion of subscriptions	130,557	33,841	164,398	-
Current portion of leases	156,101	-	156,101	-
Total Current Liabilities	8,893,030	4,334,100	13,227,130	56,840
Noncurrent liabilities:				
Compensated absences (net of current portion)	4,136,083	1,660,831	5,796,914	-
Workers' comp claims payable (net of current portion)	1,856,275	130,533	1,986,808	-
Bonds and notes payable (net of current portion and premium)	24,942,671	24,639,950	49,582,621	-
Subscriptions (net of current portion)	69,985	71,955	141,940	-
Leases (net of current portion)	1,463,752	-	1,463,752	-
Retainage payables	704,049	152,524	856,573	-
Total other post-employment benefit (OPEB) liability	515,059	194,165	709,224	-
Net pension liability	21,929,590	5,603,125	27,532,715	-
Total Non-Current Liabilities	55,617,464	32,453,083	88,070,547	-
Total Liabilities	64,510,494	36,787,183	101,297,677	56,840
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	723,345	284,219	1,007,564	-
Deferred inflows related to OPEB	317,880	200,292	518,172	-
Deferred inflows related to leases	1,865,428	-	1,865,428	-
Total Deferred Inflows of Resources	2,906,653	484,511	3,391,164	-
NET POSITION:				
Net investment in capital assets	31,267,217	98,443,069	129,710,286	-
Restricted for:				
Capital projects	1,937,485	-	1,937,485	-
Community development	1,298,352	-	1,298,352	184,436
Public safety	37,815	-	37,815	-
Unrestricted (Deficit)	(12,404,372)	9,479,816	(2,924,556)	1,025,871
Total Net Position	22,136,497	107,922,885	130,059,382	1,210,307
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 89,553,644	$ 145,194,579	$ 234,748,223	$ 1,267,147

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

			Program Revenues			Primary Government — Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	*Expenses*	*Indirect Expense Allocation*	*Charges for Services*	*Operating Grants and Contributions*	*Capital Grants and Contributions*	*Governmental Activities*	*Business-type Activities*	*Total*	*Component Unit CEDC*
Governmental Activities:									
General government	$ 4,318,997	$ (1,959,794)	$ 750,777	$ 658,731	$ -	$ (949,695)	$ -	$ (949,695)	$ -
Public safety	18,617,583	-	1,636,541	1,832,087	-	(15,148,955)	-	(15,148,955)	-
Public works	4,812,976	(240,794)	-	1,828,135	4,060,440	1,316,393	-	1,316,393	-
Recreation	1,114,743	-	132,189	3,500	39,943	(939,111)	-	(939,111)	-
Community development and housing	4,695,437	11,552	207,292	3,984,108	144,603	(370,986)	-	(370,986)	-
Payment to component unit	430,714	-	-	-	-	(430,714)	-	(430,714)	-
Interest on long-term debt	928,038	-	-	-	-	(928,038)	-	(928,038)	-
Total Governmental Activities	34,918,488	(2,189,036)	2,726,799	8,306,561	4,244,986	(17,451,106)	-	(17,451,106)	-
Business-type Activities:									
Water	7,975,986	819,798	7,829,355	-	2,858,929	-	1,892,500	1,892,500	-
Sewer	9,946,802	1,113,217	10,452,574	-	795,186	-	187,741	187,741	-
Municipal Parking Authority	527,765	44,990	443,178	-	-	-	(129,577)	(129,577)	-
Trash	1,742,077	211,031	1,949,325	-	-	-	(3,783)	(3,783)	-
Total Business-type Activities	20,192,630	2,189,036	20,674,432	-	3,654,115	-	1,946,881	1,946,881	-
Total Government	$ 55,111,118	$ -	$ 23,401,231	$ 8,306,561	$ 7,899,101	$ (17,451,106)	$ 1,946,881	$ (15,504,225)	$ -
Component Unit:									
Cumberland Economic Development Corporation	$ 848,095	$ -	$ -	$ 123,288	$ -	$ -	$ -	$ -	$ (724,807)
General Revenues:									
Taxes:									
Property taxes						$ 14,318,693	$ -	$ 14,318,693	$ -
Franchise fees						179,080	-	179,080	-
Other taxes						478,034	-	478,034	-
Appropriation from City of Cumberland, Maryland						-	-	-	430,714
Unrestricted shared revenues - taxes						2,100,882	-	2,100,882	-
Unrestricted investment earnings (losses)						975,578	681,008	1,656,586	19,935
Miscellaneous						1,314,194	-	1,314,194	20,799
Transfers						2,024,176	(2,024,176)	-	-
Total General Revenues and Transfers						21,390,637	(1,343,168)	20,047,469	471,448
Change in Net Position						3,939,531	603,713	4,543,244	(253,359)
Net Position - Beginning, As Previously Reported						21,087,589	108,383,386	129,470,975	1,463,666
Restatement for change in accounting principle (GASB 101)						(2,890,623)	(1,064,214)	(3,954,837)	-
Net Position - Beginning, As Restated						18,196,966	107,319,172	125,516,138	1,463,666
Net Position - Ending						$ 22,136,497	$ 107,922,885	$ 130,059,382	$ 1,210,307

CITY OF CUMBERLAND, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

.

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 6,727,074	$ 1,394,263	$ 338,226	$ 8,459,563
Investments	3,706,288	-	-	3,706,288
Taxes receivable	2,364,818	-	32,695	2,397,513
Accounts receivable	514,458	-	114,827	629,285
Due from other governments	4,918,902	2,301,170	281,293	7,501,365
Interfund receivables	2,381,698	410,760	-	2,792,458
Prepaid expenditures	2,889,712	14,596	215,517	3,119,825
Due from component unit	1,963	-	-	1,963
Inventory	18,969	-	-	18,969
Restricted cash	546,811	-	-	546,811
Leases receivable	2,078,829	-	-	2,078,829
Interest receivable from leases	3,411	-	-	3,411
Loans receivable	45,445	-	367,750	413,195
Notes receivable	-	-	305,000	305,000
Total Assets	$ 26,198,378	$ 4,120,789	$ 1,655,308	$ 31,974,475
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 411,604	$ 274,740	$ 194,474	$ 880,818
Accrued wages	422,220	-	-	422,220
Interfund payables	-	2,170,646	211,052	2,381,698
Unearned revenues	173,043	1,389,886	204,704	1,767,633
Deposits payable	85,105	-	-	85,105
Total Liabilities	1,091,972	3,835,272	610,230	5,537,474
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues	2,668,662	1,800,237	50,739	4,519,638
Leases	1,865,428	-	-	1,865,428
	4,534,090	1,800,237	50,739	6,385,066
FUND BALANCES:				
Fund balances (deficit):				
Nonspendable	2,908,681	14,596	215,517	3,138,794
Restricted	3,839,916	-	990,506	4,830,422
Assigned	4,186,492	-	-	4,186,492
Unassigned	9,637,227	(1,529,316)	(211,684)	7,896,227
Total Fund Balances (Deficit)	20,572,316	(1,514,720)	994,339	20,051,935
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 26,198,378	$ 4,120,789	$ 1,655,308	$ 31,974,475

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

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2025

Fund Balances - Total Governmental Funds		$ 20,051,935
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental Capital Assets	104,467,713	
Less: Accumulated Depreciation/Amortization	(54,339,664)	50,128,049
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Accrued interest receivable		4,370
Pension & OPEB related deferred outflows of resources and deferred inflows of resources that are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:		
Deferred Outflows of Resources	9,211,126	
Deferred Inflows of Resources	(1,041,225)	8,169,901
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Governmental Bonds and Notes Payable	(26,536,500)	
Plus: Deferred charge on refunding (to be amortized as interest expense)	617,322	
Less: Premium on bonds (to be amortized as interest expense)	(1,213,400)	
Compensated Absences	(5,503,240)	
Retainage	(704,049)	
Total Other Post-Employment Benefit Liability	(540,358)	
Workers Compensation	(2,666,428)	
Subscription-based information technology arrangements	(200,542)	
Leases	(1,619,853)	
Accrued Health Claims	(228,664)	
Net Pension Liability	(21,929,590)	
Accrued Interest	(212,094)	(60,737,396)
Unavailable revenue reported on modified accrual basis of accounting in governmental funds is susceptible to full accrual on the entity-wide statements.		
Unavailable Revenue		4,519,638
Net Position of Governmental Activities		$ 22,136,497

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 14,620,039	$ -	$ 191,113	$ 14,811,152
Licenses and permits	181,421	-	-	181,421
Intergovernmental	5,772,925	5,148,767	4,129,503	15,051,195
Charges for services	2,082,791	-	-	2,082,791
Fines, forfeitures, and interest	968,269	62,930	19,768	1,050,967
Miscellaneous	1,534,615	5,633	373,778	1,914,026
Total Revenues	25,160,060	5,217,330	4,714,162	35,091,552
Expenditures:				
Current:				
General government	2,348,594	-	456,958	2,805,552
Public safety	15,387,186	-	589,055	15,976,241
Public works	3,756,079	-	-	3,756,079
Recreation	887,127	-	-	887,127
Community development and housing	1,828,105	-	3,688,057	5,516,162
Capital Outlay	1,832,973	6,488,047	1,322,577	9,643,597
Debt service:				
Principal	3,021,044	-	108,749	3,129,793
Interest	974,321	-	9,674	983,995
Bond Issue Costs	99,850	-	-	99,850
Total Expenditures	30,135,279	6,488,047	6,175,070	42,798,396
Revenues in Excess of (Less Than) Expenditures	(4,975,219)	(1,270,717)	(1,460,908)	(7,706,844)
Other Financing Sources (Uses):				
Transfers-in	2,487,113	3,153,659	1,609,700	7,250,472
Transfers-out	(5,464,258)	-	-	(5,464,258)
Issuance of debt	3,186,703	-	-	3,186,703
Original issue premium	164,393	-	-	164,393
Financing of leases	1,832,973			1,832,973
Total Other Financing Sources	2,206,924	3,153,659	1,609,700	6,970,283
Net Change in Fund Balance	(2,768,295)	1,882,942	148,792	(736,561)
Fund balance (deficit), beginning	23,340,611	(3,397,662)	845,547	20,788,496
Fund balance (deficit), ending	$ 20,572,316	$ (1,514,720)	$ 994,339	$ 20,051,935

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

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE STATEMENT OF THE GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Total Governmental Funds		$ (736,561)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlays exceed depreciation in the current year.		
Expenditures for capital assets	12,088,415	
Retainage on construction projects	334,648	
Loss on Sale/Disposal of Capital Assets	(310,300)	
Less: current year depreciation	(3,128,655)	8,984,108
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similiar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount by which proceeds exceeded repayments in the current year and refunded debt deferred charges and premiums incurred in the current year.		
Bond and loan proceeds	(3,186,703)	
Leases	(1,832,973)	
Bond premium	(164,393)	
Assumption of debt by proprietary funds	208,470	
Assumption of bond premium by proprietary funds	29,492	
Principal payments	3,129,793	(1,816,314)
Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds.		
Interest accrued on note receivable		(934)
Unavailable revenues		(374,959)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences	(579,122)	
Other post-employment benefit obligation	75,950	
Workers compensation	(266,383)	
Accrued interest adjustment	(44,181)	
Amortization of premium on refunding and other debt	228,715	
Amortization of deferred charge on refunding	(128,577)	
Accrued health claims	11,000	
Pension expense	(1,242,434)	(1,945,032)
When subscription-based information technology arrangements (SBITAs) are to be used in governmental activities, an expenditure is recorded in the governmental funds in the amount of the Present Value of the Future Subscription Payments (PVFSP), respectively; however, in the statement of activities, the PVFSP are recognized as intangible assets and amortized over the lease term/subscription term.		
Capitalized SBITAs, net of amortization		(170,777)
Change in Net Position of Governmental Activities		$ 3,939,531

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			
	Water Fund	Sewer Fund	Non-Major Proprietary Funds	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 2,204,541	$ 4,061,356	$ 314,670	$ 6,580,567
Investments	29,974	8,100,178	-	8,130,152
Accounts receivable	780,337	1,237,614	117,370	2,135,321
Due from other governments	1,322,851	1,427,537	120,000	2,870,388
Prepaid expenses	98,287	64,305	-	162,592
Inventory	662,447	93	-	662,540
Total Current Assets	5,098,437	14,891,083	552,040	20,541,560
Noncurrent Assets:				
Capital assets:				
Capital assets not being depreciated/amortized	2,178,345	7,045,991	180,737	9,405,073
Capital assets, net of accumulated depreciation/amortization	35,806,103	74,443,818	2,543,791	112,793,712
Total Non-Current Assets	37,984,448	81,489,809	2,724,528	122,198,785
Total Assets	43,082,885	96,380,892	3,276,568	142,740,345
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	1,140,525	1,414,644	69,382	2,624,551
Deferred charge on refunding	112,404	62,360	15,195	189,959
Deferred outflows related to OPEB	17,840	32,366	278	50,484
Total Deferred Outflows of Resources	1,270,769	1,509,370	84,855	2,864,994
Total Assets and Deferred Outflows of Resources	$ 44,353,654	$ 97,890,262	$ 3,361,423	$ 145,605,339
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 58,289	$ 596,310	$ 179,956	$ 834,555
Accrued interest	93,182	74,465	6,755	174,402
Unearned revenues	4,800	-	-	4,800
Interfund payables, current	86,296	324,464	-	410,760
Accrued health claims	54,320	47,502	2,139	103,961
Current portion of compensated absences	280,294	257,305	21,108	558,707
Current portion of workers' comp. claims payable	35,205	21,765	-	56,970
Current portion of other post-employment benefit (OPEB) liability	2,372	4,954	-	7,326
Current portion of bonds and notes payable	1,491,534	836,374	231,630	2,559,538
Current portion of subscriptions	-	33,841	-	33,841
Total Current Liabilities	2,106,292	2,196,980	441,588	4,744,860
Noncurrent Liabilities:				
Compensated absences (net of current portion)	847,665	672,217	140,949	1,660,831
Workers' comp. claims payable (net of current portion)	80,665	49,868	-	130,533
Retainage payables	48,158	104,366	-	152,524
Total other post-employment benefit (OPEB) liability	66,817	126,279	1,069	194,165
Bonds and notes payable (net of current portion)	14,450,742	9,264,526	924,682	24,639,950
Subscriptions (net of current portion)	-	71,955	-	71,955
Net pension liability	2,580,158	2,855,633	167,334	5,603,125
Total Non-Current Liabilities	18,074,205	13,144,844	1,234,034	32,453,083
Total Liabilities	20,180,497	15,341,824	1,675,622	37,197,943
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	128,293	151,747	4,179	284,219
Deferred inflows related to OPEB	69,019	130,229	1,044	200,292
Total Deferred Inflows of Resources	197,312	281,976	5,223	484,511
NET POSITION				
Net investment in capital assets	23,868,257	72,898,866	1,675,946	98,443,069
Unrestricted	107,588	9,367,596	4,632	9,479,816
Total Net Position	23,975,845	82,266,462	1,680,578	107,922,885
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 44,353,654	$ 97,890,262	$ 3,361,423	$ 145,605,339

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			
	Water Fund	Sewer Fund	Non-Major Proprietary Funds	Total
Operating Revenues:				
Charges for Services:				
Domestic	$ 3,518,959	$ 5,489,090	$ 1,904,680	$ 10,912,729
Industrial	1,293,639	728,096	3,296	2,025,031
Sanitary commissions	-	3,468,267	-	3,468,267
Water companies	2,653,060	-	-	2,653,060
Rents/Concessions	-	-	413,411	413,411
Connection Charges	139,845	-	-	139,845
Other	223,852	767,121	71,116	1,062,089
Total Operating Revenues	7,829,355	10,452,574	2,392,503	20,674,432
Operating Expenses:				
Personal services	3,561,606	3,819,007	221,352	7,601,965
Utilities	258,999	571,104	25,267	855,370
Supplies	402,550	685,179	-	1,087,729
Repairs and maintenance	743,753	366,521	61,989	1,172,263
Landfill and recycling	-	3,473	547,911	551,384
Depreciation and amortization	1,457,341	2,612,778	131,709	4,201,828
Contractual services	353,974	1,458,342	1,208,797	3,021,113
Other operating expenses	1,627,957	1,283,529	307,868	3,219,354
Total Operating Expenses	8,406,180	10,799,933	2,504,893	21,711,006
Operating Income (Loss)	(576,825)	(347,359)	(112,390)	(1,036,574)
Non-Operating Revenues (Expenses):				
Interest income	119,976	551,583	9,449	681,008
Interest expense	(358,824)	(241,695)	(20,970)	(621,489)
Bond issue costs	(30,780)	(18,391)	-	(49,171)
Total Non-Operating Income (Loss)	(269,628)	291,497	(11,521)	10,348
Net Income (Loss) Before Contributions, Special Items, and Transfers	(846,453)	(55,862)	(123,911)	(1,026,226)
Capital contributions	2,858,929	795,186	-	3,654,115
Assumption of governmental activities debt	(83,761)	(154,201)	-	(237,962)
Transfers-in	319,791	154,201	226,907	700,899
Transfers-out	(453,154)	(2,033,959)	-	(2,487,113)
Net Income (Loss)	1,795,352	(1,294,635)	102,996	603,713
Net position-beginning of year, as previously reported	22,692,579	83,999,959	1,690,848	108,383,386
Restatement for change in accounting principle (GASB 101)	(512,086)	(438,862)	(113,266)	(1,064,214)
Net position-beginning of year, as restated	22,180,493	83,561,097	1,577,582	107,319,172
Net position-end of year	$ 23,975,845	$ 82,266,462	$ 1,680,578	$ 107,922,885

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			
	Water Fund	*Sewer Fund*	*Non-Major Proprietary Funds*	*Total*
Cash Flows from Operating Activities:				
Cash receipts from customers	$ 7,588,422	$ 9,467,041	$ 2,325,185	$ 19,380,648
Cash payments to suppliers	(3,234,886)	(4,027,165)	(2,148,442)	(9,410,493)
Cash payments for personal services	(3,325,087)	(3,681,617)	(197,640)	(7,204,344)
Other operating receipts	223,852	767,121	71,116	1,062,089
Net Cash Provided (Used) by Operating Activities	1,252,301	2,525,380	50,219	3,827,900
Cash Flows from Noncapital Financing Activities:				
Transfers from other funds	319,791	154,201	226,907	700,899
Transfers to other funds	(453,154)	(2,033,959)	-	(2,487,113)
Principal paid on noncapital debt	(24,843)	(27,759)	(1,421)	(54,023)
Loans from other funds	38,365	(567,655)	-	(529,290)
Loans to other funds	1,444,550	2,641,602	42,091	4,128,243
Net Cash Provided (Used) by Noncapital Financing Activities	1,324,709	166,430	267,577	1,758,716
Cash Flows from Capital and Related Financing Activities:				
Release (utilization) of debt proceeds held by State	11,728	(78,693)	-	(66,965)
Change in capital intergovernmental receivables	30,697	720,848	(120,000)	631,545
Capital contributions	2,858,929	795,186	-	3,654,115
Acquisition and construction of capital assets	(4,566,762)	(1,546,076)	53,681	(6,059,157)
Proceeds from premiums on debt issuance	49,987	30,318	8,024	88,329
Proceeds from capital debt	983,708	587,184	115,417	1,686,309
Principal paid on capital debt	(1,383,447)	(808,993)	(208,742)	(2,401,182)
Interest paid on capital debt	(444,373)	(286,804)	(53,058)	(784,235)
Bond issue costs	(30,780)	(18,391)	-	(49,171)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,490,313)	(605,421)	(204,678)	(3,300,412)
Cash Flows from Investing Activities:				
Interest on investments	119,976	551,583	9,449	681,008
Decrease (increase) in interest receivable	9,462	44,392	1,370	55,224
Net Cash Provided (Used) by Investing Activities:	129,438	595,975	10,819	736,232
Net Increase (Decrease) in Cash and Cash Equivalents	216,135	2,682,364	123,937	3,022,436
Cash and Cash Equivalents at Beginning of Year	2,018,380	9,479,170	190,733	11,688,283
Cash and Cash Equivalents at End of Year	$ 2,234,515	$ 12,161,534	$ 314,670	$ 14,710,719

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025
(continued)

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			
	Water Fund	Sewer Fund	Non-Major Proprietary Funds	Total
Reconciliation of Cash to Statement of Net Position				
Cash balance-Statement of Net Position	$ 2,204,541	$ 4,061,356	$ 314,670	$ 6,580,567
Investment balance-Statement of Net Position	29,974	8,100,178	-	8,130,152
Cash and Cash Equivalents-Statement of Cash Flows	$ 2,234,515	$ 12,161,534	$ 314,670	$ 14,710,719
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	$ (576,825)	$ (347,359)	$ (112,390)	$ (1,036,574)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	1,457,341	2,612,778	131,709	4,201,828
Pension expense	122,642	151,804	8,997	283,443
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(17,308)	(242,040)	3,798	(255,550)
(Increase) decrease in prepaid expenses	52,733	206,542	-	259,275
(Increase) decrease in due from component unit	227	23,628	-	23,855
(Increase) decrease in inventory	139,779	56	-	139,835
Increase (decrease) in accounts payable	(40,165)	134,385	3,390	97,610
Increase (decrease) in accrued health claims	(1,655)	(5,611)	(217)	(7,483)
Increase (decrease) in total other post-employment benefit (OPEB) liability	1,714	(52,605)	(400)	(51,291)
Increase (decrease) in workers' comp. claims payable	(23,601)	18,748	-	(4,853)
Increase (decrease) in accrued wages and compensated absences	137,419	25,054	15,332	177,805
Net cash provided (used) by operating activities	$ 1,252,301	$ 2,525,380	$ 50,219	$ 3,827,900
Noncash operating, financing, and investing activities:				
Assumption of governmental activities debt	$ 83,761	$ 154,201	$ -	$ 237,962
Debt proceeds not received from government	1,305,845	1,237,204	120,000	2,663,049

Note 1. Summary of Significant Accounting Policies

A. Introduction

The City of Cumberland, Maryland (the City) was incorporated January 23, 1815. The City operates under a Council-Manager form of government per Charter Amendment #79 dated November 10, 1980 and provides the following services as authorized by its charter: public safety (police and fire), public works (maintenance, sewer, streets, water), recreation, community development and housing, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

B. Financial reporting entity

The reporting entity includes all of the City's departments and agencies.

GASB Statement 14 defines component units as legally separate entities that are to be included in a government's reporting entity because of the significance of their operating or financial relationships with the government. The City has determined the following organization to be a component unit that is to be discretely presented in the City's basic financial statements:

> The Cumberland Economic Development Corporation (the CEDC) is a corporation formed and operated under the provisions of the Corporate Law of the State of Maryland to support economic development and property and community development in the City. The CEDC has its own separate governing board, which is not appointed by the City. Although it is legally separate from the City, the CEDC is reported as a component unit by virtue of the CEDC's fiscal dependency on the City. The CEDC is unable to issue bonded debt. The City must issue the debt required to fund CEDC's projects. Additionally, the City is currently the primary funding source for the CEDC's operations. All activities of the CEDC must be consistent with the Strategic Economic Development Plan adopted by the City. The CEDC has a June 30 year end and issues separate financial statements.

Note 1. Summary of Significant Accounting Policies – (Continued)

Complete financial statements of the component unit can be obtained by contacting the following office:

Cumberland Economic Development Corporation
118 Baltimore Street, Suite 202
Cumberland, Maryland 21502

C. Basic Financial Statements

The City's basic financial statements include both (1) government-wide (reporting the City as a whole) and (2) fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, recreation, public works, community development and housing, and general administrative services are classified as governmental activities. The City's water, sewer and trash services, and municipal parking authority (MPA) operations are classified as business-type activities.

Government-wide financial statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the City's functions and business-type activities (public safety, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, community development and housing, etc.) 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.

Note 1. Summary of Significant Accounting Policies – (Continued)

Amounts reported as program revenues include (1) charges to customers for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The net costs (by function or business-type activity) are normally covered by general revenue (property, or income taxes, intergovernmental revenues, interest income, etc.).

The City allocates indirect costs from the General Fund to the Water, Sewer, Trash, MPA, and certain special revenue funds. To accomplish this allocation, the General Fund charges an administrative service charge to those funds to recover the costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.). The government-wide financial statements present this allocation in a separate column titled "Indirect Expense Allocation". In the fund financial statements described below, these charges are reported as expenses in the Water, Sewer, Trash, MPA, and special revenue funds rather than in the General Fund.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Fund financial statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance/net position, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental Funds:

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

Note 1. Summary of Significant Accounting Policies – (Continued)

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

b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

c. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital assets (other than those financed by business-type/proprietary funds).

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The only proprietary funds used by the City are enterprise funds which 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 the 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 recover similar costs.

Major Funds – Fund Financial Statements

GASB No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Note 1. Summary of Significant Accounting Policies – (Continued)

The City reports the following major proprietary funds:

The Water Fund accounts for the acquisition and maintenance of the water service provided to users within the boundaries of the City of Cumberland and certain outlying areas.

The Sewer Fund accounts for the acquisition and maintenance of the sewer service provided to users within the boundaries of the City of Cumberland and certain outlying areas.

D. 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.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting and utilize the economic resource focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues when eligibility requirements have been met.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting and utilize the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Revenue sources subject to accrual include property taxes and other revenues such as income taxes, federal grants, and state grants. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

Note 1. Summary of Significant Accounting Policies – (Continued)

E. Financial Statement Amounts

Cash and Cash Equivalents

Cash and cash equivalents in the statement of cash flows includes currency on hand, demand deposits and investments with maturities of three months or less.

Investments

Investments consist of funds with the Maryland Local Government Investment Pool which are reported at current value.

Inventory

Inventories are recorded at average cost which approximates market. The inventory is recorded as an asset when purchased and charged to expenditure when used.

Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items under the consumption method.

Receivables

The accounts receivable in the Water Fund, Sewer Fund and Trash Fund represent gross receivables of the respective funds with no valuation allowance made for doubtful accounts since the City has preferred status in that water, sewer and trash services are not resumed for the property until the receivables are collected. Similarly, no valuation allowance is made for real estate property taxes receivable since title to real property does not pass until real estate taxes are paid in full.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund receivables” and “interfund payables” in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Note 1. Summary of Significant Accounting Policies – (Continued)

Lease Accounting

Lessee: The City is the lessee for non-cancellable leases of assets. A lease liability and an intangible right-of-use leased asset are recognized in the government-wide financial statements. At the commencement of the lease, the City measures the lease liability at the present value of expected payments to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured at the initial amount of lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial indirect costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of its useful life or the lease term. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. Leased assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is the lessor for non-cancellable leases of assets. A lease receivable and a deferred inflow of resources are recognized in the government-wide and governmental fund financial statements. The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. The City uses the rate stated in the lease agreement as the discount rate for leases. If no rate is stated, the City uses its estimated incremental borrowing rate. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight line basis over the term of the lease. The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly impact the lease receivable.

Capital Assets

Capital assets purchased or acquired with an original cost of $10,000 or more are reported at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Management estimates no salvage value when computing depreciation on capital assets.

Note 1. Summary of Significant Accounting Policies – (Continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	40-50 years
Water and sewer system	40-50 years
Machinery and equipment	5-20 years
Improvements	10-30 years
Other infrastructure	10-75 years
Vehicles	7 years

Unearned Revenue/Unavailable Revenue

The City reports unearned and unavailable revenue on its financial statements. Unavailable revenues arise when potential revenue does not meet the available criteria for recognition in the current period for governmental funds. Unearned revenues also arise when resources are received by the City before it has legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when the City has a legal claim to the resources by meeting all eligibility requirements, the liability for unearned revenue is removed from the financial statements and revenue is recognized. Unavailable revenue results from property taxes being levied and reported as a receivable before the period for which the taxes are levied.

Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as obligations in the government-wide statements. The long-term liabilities consist primarily of bonds payable, notes payable, lease payable, accrued compensated absences, workers' compensation payable, retainage payable, subscriptions payable, and net pension and other post-employment benefits liabilities.

Long-term liabilities for governmental funds are not reported as a liability in the fund financial statements. The debt proceeds are reported as other financial sources while the payment of principal and interest is reported as an expenditure. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Note 1. Summary of Significant Accounting Policies – (Continued)

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Interfund Activity

Interfund activity is reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses and are not eliminated in the process of consolidation in the government-wide financial statements. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Deferred Outflows/Inflows of Resources

As defined by GASB Concept Statement No. 4, *"Elements of Financial Statements,"* deferred outflows/inflows of resources are the consumption/acquisition of net assets by the government that are applicable to a future reporting period.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to the pension and other post-employment benefits in its statement of net position. A deferred outflow of resources related to the pension and other post-employment benefits results from differences between expected and actual experience, changes in assumptions or other inputs. The deferred pension and other post-employment benefits outflows are amortized in a systematic and rational method as pension and other post-employment benefits expense in future periods in accordance with generally accepted accounting principles. The City also reports

Note 1. Summary of Significant Accounting Policies – (Continued)

deferred outflows related to deferred charge on refunding in its statement of net position in connection with the City's prior year refundings of City debt. The deferred charge on refunding is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for this category: unavailable revenue, pension-related amounts, OPEB-related amounts, and lease-related amounts.

The City reports unavailable revenue only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available.

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Property Taxes	$ 1,997,634	$ -	$ 24,753	$ 2,022,387
Governmental Grants	671,028	1,800,237	25,986	2,497,251
Total	$ 2,668,662	$ 1,800,237	$ 50,739	$ 4,519,638

The City also reports deferred inflows related to the pension and other post-employment benefits in its statement of net position. The deferred pension and other post-employment benefits inflows are amortized in a systematic and rational method and recognized as a reduction of pension and other post-employment benefits expense in future periods in accordance with generally accepted accounting principles.

Lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Note 1. Summary of Significant Accounting Policies – (Continued)

Classification of Net Position – Government-wide Financial Statements

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The City's policy is generally to use restricted resources first, as appropriate opportunities arise.

Unrestricted Net Position – this category represents the net position of the City, which is not restricted for any project or other purpose.

Classification of Fund Balance – Fund Financial Statements

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable – amounts that are not in a spendable form or are required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by the City itself through a resolution, using the highest level of decision making authority, namely, Mayor & City Council; to be reported as committed, amounts cannot be used for any other purpose unless the Mayor & City Council takes the same action to remove or change the constraint.

Assigned – amounts the City intends to use for a specific purpose; intent can be expressed by the Mayor & City Council or by an official or body to which the Mayor & City Council delegates the authority. Effective June 30, 2015, the Mayor & City Council delegated the City Comptroller the authorization to assign fund balances for specific purposes.

Unassigned – amounts that are available for any purpose; these amounts are reported only in the General Fund.

Note 1. Summary of Significant Accounting Policies – (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Mayor & City Council has provided otherwise in its commitment or assignment functions.

The Mayor & City Council adopted a fund balance policy for the General Fund. The policy states that it is the City's goal to achieve and maintain an unassigned fund balance at fiscal year end to be at least equal to 25% of the subsequent years budgeted expenditures. The policy also states that should the unassigned fund balance at fiscal year-end fall below 5% of the subsequent years budgeted expenditures, the fund balance is to be rebuilt within a reasonable time frame.

Operating and Non-Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include salaries and wages, administrative fees, operating and maintenance, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pension

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

Note 1. Summary of Significant Accounting Policies – (Continued)

reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

An annual operating budget is legally adopted for the General Fund. The budget amounts in the required supplemental information were adopted on a basis consistent with generally accepted accounting principles and are as originally adopted or as amended by the City Council. During fiscal years 2025 and 2026, the Mayor & City Council approved an increase in appropriations in the amount of $1,654,000 for fiscal year 2025.

Annual budgets for other major governmental funds are not adopted and therefore are not presented.

The City utilizes encumbrance accounting, the recording of purchase orders, in order to internally monitor annual appropriations in the General Fund. Encumbrances outstanding at year-end are not classified as committed in the General Fund as the encumbrances do not represent enforceable commitments approved by the Mayor and City Council. Encumbrances in the General Fund total $1,262,563 as of June 30, 2025.

The City follows these procedures in establishing the budgetary data reflected in the financial statements. Expenditures may not legally exceed appropriations at the function level.

1. Approximately in February, revenues are projected for the fiscal year commencing the following July 1. This information is forwarded to the individual department heads to prepare their budgets according to the projected revenues.
2. The department budgets are accumulated by the City Administrator, who prepares a formal budget and submits it to the Mayor and City Council.
3. Public hearings are conducted at the City Hall to obtain taxpayer comments.
4. Prior to July 1, the budget is legally enacted through passage of an ordinance.
5. The Mayor and City Council can approve supplemental appropriations during the year.
6. Management can approve budget amendments among departments within a functional activity during the year.
7. Budget amendments between functional activities require approval of the Mayor and City Council.

Note 1. Summary of Significant Accounting Policies – (Continued)

Net Position/Fund Balance Deficit

The following funds had a deficit net position/fund balance at June 30, 2025:

Public Safety Fund	$(1,167)
Capital Projects Fund	$(1,514,720)

The aforementioned funds will have their deficit fund balances restored principally with the recognition of unavailable revenues at June 30, 2025 as revenue in fiscal year 2026 or with revenues earned in future years.

Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

Note 2. Cash and Investments

Cash

As of June 30, 2025, the carrying amount of the City's deposits was $15,586,941 and the bank balance was $15,766,166 (including an investment in an overnight sweep account in the amount of $6,944,109).

The CEDC invests its cash and cash equivalents at a local financial institution. The cash is insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). At times throughout the year, the CEDC may maintain bank account balances in excess of the insured limits. The CEDC has not experienced any losses from this risk, and management believes it is not exposed to any significant credit risk. At June 30, 2025, the total bank balance exceeded FDIC insured limits by $294,587.

Cash Risks and Policies

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City’s policy requires 102% of uninsured deposits with financial institutions to be fully secured by collateral. The City’s cash balances at financial institutions at June 30, 2025 are fully collateralized with securities held by the City’s agent in a custodial account and pledged to the City’s name.

Note 2. Cash and Investments – (Continued)

Investments

As of June 30, 2025, the City had the following investments and maturities:

		Investment Maturity		
Investment Type	Total	Less than 90 Days	90 days to one year	Credit Rating
Maryland Local Government Investment Pool	$ 11,836,440	$ 11,836,440	$ -	AAAm
	$ 11,836,440	$ 11,836,440	$ -	

The City invests in the Maryland Local Government Investment Pool (MLGIP) which is administered by PNC Bank. The external investment pool is treated as a 2a-7 pool. The MLGIP has a Standard and Poor's rating of AAAm and is administered by the State Treasurer. The MLGIP fund maintains a $1.00 per share net asset value and is stated at cost, which is the same as fair value. The Board for the Maryland State Treasurer's Office oversees its operations, and a financial report for the MLGIP is available at www.mlgip.com.

Investment Risks and Policies

Credit Risk: Article 95, Section 22 of the Annotated Code of Maryland authorizes the City to invest surplus funds in bonds or in other obligations of which the full faith and credit of the United States of America are pledged, obligations of federal government agencies issued in accordance with an Act of Congress, repurchase agreements that are secured by any bond or other obligation for the payment of which the full faith and credit of the United States are pledged, any bank or banks in the State of Maryland, any savings and loan association, any building and loan association, in interest-bearing time deposit; and/or savings accounts, or in the Maryland Local Government Investment Pool. The City's investment policy limits its investments to those authorized by State statute. The City is in compliance with State statutes and its investment policy.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy indicates that the majority of the investments of the City will be on a short term basis (less than one year). However, a portion of the portfolio can contain investments with longer maturities (up to two years from date of purchase). These investments are limited to direct federal government obligations and to securities issued by U.S. Government agencies.

Note 2. Cash and Investments – (Continued)

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy for cash and investments specifies the following diversification by instrument:

Diversification by Instrument	Maximum Percent of Portfolio
U.S. Treasury Obligations	100%
Maryland Local Government Investment Pool	100%
Repurchase Agreements (Master Repurchase Agreement required)	70%
Collateralized Certificates of Deposit	70%
U.S. Government Agency and U.S. Government-sponsored instrumentalities	50%

Additionally, no more than 70% of the City's total cash and investment balances may be placed at any one financial institution.

The City's investments meet the aforementioned policy.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is to be held by a third party custodian with whom the City has a current custodial agreement in the City's name. All of the City's investments are either collateralized with securities held by the City's agent and pledged in the City's name or held at the MLGIP. The City's investment policy and state law requires collateralization of 102% of fair value of investments. The City does not have any investments exposed to custodial credit risk.

Restricted cash is reported in the General Fund and on the Government-Wide financial statements in the amount of $546,811. This cash was obtained from the advancement of grant funding, as well as cash that is restricted for public safety and community development activities.

Additionally, on the Government-Wide financial statements, cash and investments of certain special revenue funds in the amount of $1,716,748 are reported as restricted non-current assets due to the fact that these funds are designated for the construction and acquisition of non-current assets, community projects, and downtown development.

Note 3. Due from Other Governments

Amounts due from other governments primarily represent tax, grant and shared revenues due from the Federal, State and local governments, as well as unspent bond proceeds held by the State of Maryland.

Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements

Interfund receivables and payables and transfers as of June 30, 2025 are as follows:

Interfund Receivables/Payables - Current:	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	$ 2,381,698	$ -
Capital Projects Fund	410,760	2,170,646
Non-Major Governmental Funds	-	211,052
Sub-total	2,792,458	2,381,698
Proprietary Funds:		
Water Fund	-	86,296
Sewer Fund	-	324,464
Non-Major Proprietary Funds	-	-
Sub-total	-	410,760
Total Interfund Receivables/Payables - Current	**$ 2,792,458**	**$ 2,792,458**

All current interfund receivables are expected to be repaid within the next fiscal year. Interfund balances as of June 30, 2025 are the result of a centralized cash receipt and disbursement function. This results in funds having a deficiency or excess of cash depending on the timing of the receipt of revenues or other sources and/or the payment of expenditures (or expenses) or other uses of cash. An interfund balance of $410,760 results from the Baltimore Street Redevelopment Project, owed from the Water and Sewer Funds to the Capital Projects Fund, while the remaining amounts totaling $2,381,698 result from various interfund activities.

Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements – (Continued)

Transfers:	Interfund Transfers-In	Interfund Transfers-Out
Governmental Funds:		
General Fund	$ 2,487,113	$ 5,464,258
Capital Projects Fund	3,153,659	-
Non-Major Governmental Funds	1,609,700	-
Sub-total	7,250,472	5,464,258
Proprietary Funds:		
Water Fund	319,791	453,154
Sewer Fund	154,201	2,033,959
Non-Major Proprietary Funds	226,907	-
Sub-total	700,899	2,487,113
Total Transfers (Fund Financial Statements)	**$ 7,951,371**	**$ 7,951,371**

Transfers to support the operations of other funds are classified as “Other Financing Sources (Uses)” in the fund statements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-Wide financial statements. The significant transfers made in fiscal year 2025 are described in the following paragraph.

The City transferred $453,154 and $2,033,959 from the Water and Sewer Funds, respectively, to the General Fund for payment in lieu of taxes. The City transferred $154,201 and $83,761 from the General Fund to the Sewer Fund and Water Fund, respectively, for the reallocation of debt. The City transferred from the General Fund $3,153,659 to the Capital Projects Fund, $976,848 to the Street Improvement Fund and $236,030 to the Water Fund to fund various capital projects. The General Fund also provided a $226,907 operational transfer to the MPA for discretionary financial assistance. The City also transferred $127,852 from the General Fund to the Downtown Development Commission Fund and $505,000 from the General Fund to the Community Legacy Fund to fund various community projects.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2025 is as follows:

	Beginning Balance	Reclassifications /Additions	Reclassifications /Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated/amortized:				
Land	$ 1,729,762	$ 432,800	$ (310,300)	$ 1,852,262
Construction in progress	14,318,526	6,858,387	(4,823,565)	16,353,348
Total capital assets, not being depreciated/amortized	16,048,288	7,291,187	(5,133,865)	18,205,610
Capital assets, being depreciated/amortized:				
Buildings and improvements	18,773,983	3,957,202	-	22,731,185
Machinery and equipment	13,933,188	1,820,597	(935,771)	14,818,014
Right-of-use leased assets	-	1,832,973	-	1,832,973
Subscription assets	692,199	-	(81,634)	610,565
Infrastructure	44,259,345	2,010,021	-	46,269,366
Total capital assets, being depreciated/amortized	77,658,715	9,620,793	(1,017,405)	86,262,103
Less accumulated depreciation/amortization for:				
Buildings and improvements	13,140,692	545,574	-	13,686,266
Machinery and equipment	8,534,265	954,647	(935,771)	8,553,141
Right-of-use leased assets	-	183,297	-	183,297
Subscription assets	279,218	170,777	(81,634)	368,361
Infrastructure	30,103,462	1,445,137	-	31,548,599
Total accumulated depreciation /amortization	52,057,637	3,299,432	(1,017,405)	54,339,664
Total capital assets, being depreciated/amortized, net	25,601,078	6,321,361	-	31,922,439
Governmental activities capital assets, net	$ 41,649,366	$ 13,612,548	$ (5,133,865)	$ 50,128,049

Note 5. Capital Assets – (Continued)

	Beginning Balance	Reclassifications /Additions	Reclassifications /Retirements	Ending Balance
BUSINESS-TYPE ACTIVITIES:				
Capital assets, not being depreciated/amortized:				
Land	$ 368,371	$ -	$ -	$ 368,371
Land improvements	446,208	-	-	446,208
Construction in progress	9,290,924	4,961,879	(5,662,309)	8,590,494
Total capital assets, not being depreciated/amortized	10,105,503	4,961,879	(5,662,309)	9,405,073
Capital assets, being depreciated/amortized:				
Buildings and improvements	181,626,478	5,686,095	-	187,312,573
Machinery and equipment	7,057,493	668,949	(67,903)	7,658,539
Subscription assets	201,428	-	-	201,428
Total capital assets, being depreciated/amortized	188,885,399	6,355,044	(67,903)	195,172,540
Less accumulated depreciation/amortization for:				
Buildings and improvements	73,329,852	3,757,063	-	77,086,915
Machinery and equipment	4,857,501	415,990	(67,903)	5,205,588
Subscription assets	57,550	28,775	-	86,325
Total accumulated depreciation /amortization	78,244,903	4,201,828	(67,903)	82,378,828
Total capital assets, being depreciated/amortized, net	110,640,496	2,153,216	-	112,793,712
Business-type activities capital assets, net	$ 120,745,999	$ 7,115,095	$ (5,662,309)	$ 122,198,785

Note 5. Capital Assets – (Continued)

Depreciation expense is charged to functions as follows:

Governmental Activities			Business-Type Activities		
General Government	$	296,970	Water	$	1,457,341
Public Safety		943,913	Sewer		2,584,003
Public Works		1,662,018	Municipal Parking		131,709
Recreation		202,602		$	4,173,053
Urban Development & Housing		23,152			
	$	3,128,655			

Amortization expense is charged to functions as follows:

Governmental Activities			Business-Type Activities		
General Government	$	53,632	Water	$	-
Public Safety		89,934	Sewer		28,775
Public Works		27,211	Municipal Parking		-
Recreation		-		$	28,775
Urban Development & Housing		-			
	$	170,777			

For the fiscal year ended June 30, 2025, there were no transfers of assets between the governmental and proprietary funds.

Note 6. Leases

City as Lessee

The City, as a lessee, has entered into a ten year lease agreement to lease fire and rescue equipment. The leased assets are recorded at a cost of $1,832,973, less accumulated amortization of $183,297.

The future lease payments under the lease agreement are as follows:

Year	Principal	Interest	Total
2026	$ 156,101	$ 57,019	$ 213,120
2027	161,596	51,524	213,120
2028	167,284	45,836	213,120
2029	173,172	39,948	213,120
2030	179,268	33,852	213,120
2031-2035	782,432	70,045	852,477
	$ 1,619,853	$ 298,224	$ 1,918,077

Note 6. Leases – (Continued)

City as Lessor

The City, as a lessor, leases land, water tower space and right of ways to telecommunication companies for construction, maintenance and operation of cellular carrier mobile radio base stations, telecommunications, radio communications equipment, antennas, access roads, equipment buildings, lines, anchors, transmission and reception of radio communication signals, translation of voice and data for radio frequency and landlines. The lease terms are 5 to 30 years, including the non-cancelable period of the lease and extensions that the City is reasonably certain to exercise which vary with each contract. The agreements allow for 0%-5% annual increases to the lease payments. During fiscal year 2025, the City recognized $201,378 in lease revenue and $44,720 in interest revenue. At June 30, 2025, the City recorded $2,078,829 in leases receivable for these arrangements and $1,865,428 in deferred inflow of resources.

A summary of leases receivable for the year ended June 30, 2025, is as follows:

	Balance at June 30, 2024	Additions	Payments	Balance at June 30, 2025
Leases Receivable	$ 2,240,680	$ -	$ (161,851)	$ 2,078,829

These leases are included in the General Fund, and principal and interest expected to maturity as of June 30, 2025 was as follows:

Year	Principal	Interest	Total
2026	$ 173,043	$ 41,351	$ 214,394
2027	141,895	38,106	180,001
2028	147,671	35,212	182,883
2029	117,875	32,423	150,298
2030	117,873	30,083	147,956
2031-2035	467,472	117,555	585,027
2036-2040	471,034	72,597	543,631
2041-2045	376,239	21,421	397,660
2046-2050	65,727	2,126	67,853
	$ 2,078,829	$ 390,874	$ 2,469,703

Note 7. Other Investment in Real Estate

The Cumberland Economic Development Corporation (the CEDC) holds an investment in real estate purchased and held for development. The CEDC purchased a 40-acre property on Messick Road in Cumberland, Maryland on March 30, 2022 which is being held for development. The project is being undertaken with hopes that the land will be an ideal location for a distribution center or other business venture to spur job creation or broader economic

Note 7. Other Investment in Real Estate – (Continued)

development. At June 30, 2025, the real estate is reported at cost of $267,901, which is the lower of cost or fair value.

The CEDC holds an investment in real estate held for sale. The CEDC received ownership via a contribution of a nonfinancial asset from the City of Cumberland of an 11-acre property, which includes a parking garage, on Memorial Avenue in Cumberland, Maryland on November 1, 2022, which is being held for sale. The sale is being pursued with the hopes that the land will be utilized for future economic development, specifically housing. The agreement between CEDC and the initial developer was terminated in October of 2024. A new real estate developer is being sought. At June 30, 2025, the real estate held for sale has been reported at $100,000, management's estimate of its net realizable value.

On August 3, 2022, the CEDC sold property on Baltimore Street for $500,000, and entered into a Note Receivable. It shall be paid in ten equal annual installments of $50,000 without interest, beginning on August 3, 2023, and on the same day each year thereafter. The balance of the Note Receivable as of June 30, 2025 is $350,000. The purchasers of the property intend to develop the property in a manner that promotes the general welfare of the community in conjunction with the broader economic and community development revitalization plan of the Cumberland downtown pedestrian mall.

Note 8. Subscription-Based Information Technology Arrangements

The City has entered into subscription-based information technology arrangements (SBITAs) involving 1) geographic information system (GIS) software that provides tools for creating, managing, analyzing, and visualizing data associated with infrastructure; 2) email management software; and 3) utility management software. Remaining subscription periods range from one year to three years. In accordance with GASB 96, for fiscal year 2025, the City recorded subscription assets and liabilities. At June 30, 2025, the total of the City's subscription assets are recorded at a cost of $811,993, less accumulated amortization of $454,686.

The future subscription payments under SBITA agreements are as follows:

	Subscriptions		
	Principal	Interest	Total
2026	$ 164,398	$ 4,567	$ 168,965
2027	105,235	1,657	106,892
2028	36,705	391	37,096
Total	$ 306,338	$ 6,615	$ 312,953

Note 9. Long-Term Liabilities

Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2025 is as follows:

	Beginning Balance, as Restated*	Additions	Reductions/ Reallocation of Debt	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	$ 25,954,889	$ 3,186,703	$ (2,910,092)	$ 26,231,500	$ 2,737,229
Bond premium	1,307,214	164,393	(258,207)	1,213,400	-
Notes payable	375,000	-	(70,000)	305,000	70,000
Total bonds and notes payable	27,637,103	3,351,096	(3,238,299)	27,749,900	2,807,229
Compensated absences	4,924,118	2,424,169	(1,845,047)	5,503,240	1,367,157
Workers' comp. claims payable	2,400,045	975,155	(708,772)	2,666,428	810,153
Subscriptions	345,593	-	(145,051)	200,542	130,557
Leases	-	1,832,973	(213,120)	1,619,853	156,101
Retainage payable	1,038,697	132,763	(467,411)	704,049	-
Total OPEB Liability	399,120	141,238	-	540,358	25,299
Net Pension liability	17,222,316	4,707,274	-	21,929,590	-
Total Governmental Activities Long-Term Liabilities	$ 53,966,992	$ 13,564,668	$ (6,617,700)	$ 60,913,960	$ 5,296,496
Business-Type Activities:					
Bonds and notes payable:					
General obligation bonds	$ 26,341,406	$ 1,686,309	$ (2,214,259)	$ 25,813,456	$ 2,559,538
Bond premium	1,495,358	88,329	(197,655)	1,386,032	-
Total bonds and notes payable	27,836,764	1,774,638	(2,411,914)	27,199,488	2,559,538
Compensated absences	2,041,733	920,309	(742,504)	2,219,538	558,707
Workers' comp. claims payable	192,356	68,574	(73,427)	187,503	56,970
Subscriptions	138,273	-	(32,477)	105,796	33,841
Retainage payable	352,453	174,783	(374,712)	152,524	-
Total OPEB Liability	142,903	58,588	-	201,491	7,326
Net Pension liability	4,330,471	1,272,654	-	5,603,125	-
Total Business-Type Activities Long-Term Liabilities	$ 35,034,953	$ 4,269,546	$ (3,635,034)	$ 35,669,465	$ 3,216,382

Note 9. Long-Term Liabilities – (Continued)

*See Note 23, "Change in Accounting Principle" for discussion of restatement of beginning balances and related prior period adjustment affecting the Governmental and Business-Type Activities.

Liabilities for compensated absences, workers' compensation, OPEB and pension are liquidated using resources from the fund in which the employee performing service previously charged his or her salary and benefit costs. Governmental funds utilize the General Fund to pay these costs, while proprietary obligations are paid from the Water, Sewer and MPA Funds.

Long-term debt payable at June 30, 2025 is comprised of the following General Obligation Bonds:

$400,000 1999 Water Fund bond due in annual installments of $20,173 through February, 2029; interest at 2.39%	*$72,537*
$6,000,000, 2001 Water Fund bond due in semi-annual installments of $5,124 and $99,934 through February, 2032; interest at 1.50%, $1,200,000 was forgiven March, 2011	*1,318,773*
$2,485,000, 2005 Drinking Water State Revolving Fund Loan due in annual installments of $72,776 through February, 2034; interest at 0.4%, $497,000 was forgiven November, 2014.	*642,076*
$341,035, 2008 Water Quality State Revolving Fund Loan due in semi-annual installments of $19,930 to $21,248 through February, 2028 at 1.10%	*58,498*
$2,068,475, 2009 Maryland Water Quality Financing Administration bond due in annual installments of $78,949 to $110,474 through February, 2029; interest at 0.00%	*410,370*
$3,657,700, 2009 Water Quality Bond due in annual installments of $192,458 through February, 2030 at 0.00%	*657,786*
$120,618, 2012 Maryland Water Quality Financing Administration Bond due in annual installments of $9,099 to $10,168 through February, 2033 at 0.90%	*35,342*
$7,520,000 2014 Maryland Community Development Administration Bond due in annual installments of $305,500 to $471,500 through May 2034; interest at 0.2% to 3.6%.	*281,500*
$3,161,491 2015 Maryland Community Development Administration Bond due in annual installments of $180,606 to $255,834 through April 2035; interest at 2.34% to 3.34%	*1,498,500*
$2,992,819 2017 Maryland Water Quality Financing Administration Bond due in annual installments of $115,792 to $117,902 through February 2049; interest at 0.80%.	*2,346,694*

Note 9. Long-Term Liabilities – (Continued)

$123,200 2017 Maryland Water Quality Financing Administration Bond due in annual installments of $10,750 to $11,850 through February 2047; interest at 0.80%.	*70,135*
$1,200,000 2017 Maryland Community Development Administration Bond due in annual installments of $86,242 to $158,416 through April 2027; interest at 1.86% to 2.23%.	*165,500*
$6,155,000 2017 Tax-Exempt Public Improvement Refunding Bonds due in annual installments of $215,644 to $772,300 through June 2029; interest at 2.0% to 5.0%.	*2,780,000*
$8,900,000 2017 Taxable Redevelopment and Pension Contribution Refunding Bonds due in annual installments of $250,224 to $842,699 through June 2037; interest at 1.6% to 4.26%.	*6,875,000*
$2,446,601 2018 Maryland Community Development Administration Bond due in annual installments of $59,691 to $170,161 through April 2048; interest at 2.62% to 4.14%.	*1,316,000*
$562,500, 2018 Maryland Water Quality Financing Administration bond due in annual installments of $22,458 to $22,853 through February, 2049; interest at 0.90%	*461,759*
$3,277,767 2019 Maryland Community Development Administration Bond due in annual installments of $17,495 to $159,500 through April 2039; interest at 1.65% to 2.99%.	*2,167,000*
$10,645,000 2021 Tax-Exempt Public Improvement Refunding Bonds due in annual installments of $110,000 to $1,210,000 through June 2051; interest at 2.0% to 5.0%.	*7,615,000*
$6,965,000 2021 Taxable Redevelopment and Pension Contribution Refunding Bonds due in annual installments of $45,000 to $750,000 through June 2034; interest at 0.40% to 2.58%.	*5,550,000*
$6,311,371 2021 Maryland Community Development Administration Bond due in annual installments of $161,371 to $380,000 through April 2041; interest at 1.07% to 2.31%.	*5,185,000*
$1,288,040 2022 Maryland Water Quality Financing Administration Bond “Series A” due in annual installments of $37,523 to $42,047 through February 2061; interest at 0.30%.	*1,175,128*
$429,346 2022 Maryland Water Quality Financing Administration Bond “Series B” due in full February 2032 if terms are not met on Series A Bond; interest at 0.0%. to be forgiven January 27, 2032	*429,346*
$3,668,857 2023 Maryland Community Development Administration Bond due in annual installments of $100,000 to $285,000 through April 2043; interest at 2.72% to 3.83%.	*3,235,000*
$3,002,307 2024 Maryland Community Development Administration Bond due in annual installments of $95,000 to $220,000 through April 2044; interest at 3.52% to 4.24%.	*2,825,000*

Note 9. Long-Term Liabilities – (Continued)

$4,873,012 2025 Maryland Community Development Administration Bond due in annual installments of $185,000 to $295,000 through April 2045; interest at 3.96% to 4.88%.	*4,873,012*
Total	*$52,044,956*

Long-term debt payable at June 30, 2025 is comprised of the following Note and Lease Payable:

$1,400,000 (Face amount and cost of expense), Section 108 loan due in semi-annual installments of $1,119 to $87,339 through August 2028; interest at 2.72% to 2.99%.	*$305,000*
Total	*$305,000*

In May 2025, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of $4,873,012 with a net original issue premium of $252,721. The bond interest rates range from 3.96% to 4.88%. These bonds have 7, 10 and 20 year terms and mature in April 2045, with annual payments ranging from $185,000 to $295,000, due annually each April 1st, beginning April 1, 2026. The proceeds of the bond issuance are for the purpose of (a) vehicle and equipment purchases, (b) heavy duty vehicles and equipment, facility improvements, and SCADA system improvements and equipment, (c) building and infrastructure improvements, water, sewer and flood control improvements and heavy equipment, and (d) bond issuance costs. The unspent portion at June 30, 2025 was $3,887,453 which was being held in an escrow account by the State of Maryland.

In May 2024, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of $3,002,307 with a net original issue premium of $270,518. The bond interest rates range from 3.52% to 4.24%. These bonds have 7, 10 and 20 year terms and mature in April 2044, with annual payments ranging from $95,000 to $220,000, due annually each April 1st, beginning April 1, 2025. The proceeds of the bond issuance are for the purpose of (a) vehicle, equipment purchases and office equipment, (b) heavy duty vehicles, equipment purchases, IT equipment and software, (c) building improvements, heavy equipment, street improvements and water, sewer and flood control, and (d) bond issuance costs. The unspent portion at June 30, 2025 was $758,128 which was being held in an escrow account by the State of Maryland.

In April 2023, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of $3,668,857 with a net original issue premium of $500,726. The bond interest rates range from 2.72% to 3.83%. These bonds have 7, 10 and 20 year terms and mature in April 2043, with annual payments ranging from $100,000 to $285,000, due annually each April 1st,

Note 9. Long-Term Liabilities – (Continued)

beginning April 1, 2024. The proceeds of the bond issuance are for the purpose of (a) vehicle and equipment purchases, (b) IT equipment purchases and software, (c) heavy duty vehicles and equipment, (d) building improvements and infrastructure and (e) bond issuance costs. The unspent portion at June 30, 2025 was $782,545 which was being held in an escrow account by the State of Maryland.

In December 2021, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of $6,311,371 with a net original issue premium of $951,030. The bond interest rates range from 1.07% to 2.31%. These bonds have 7, 10 and 20 year terms and mature in April 2041, with annual payments ranging from $161,371 to $380,000, due annually each April 1st, beginning April 1, 2022. The proceeds of the bond issuance are for the purpose of (a) vehicles, office and IT equipment and software, (b) heavy duty vehicles and equipment, (c) aerial ladder truck, street improvements, building improvements and infrastructure and (e) bond issuance costs. The unspent portion at June 30, 2025 was $637,862 which was being held in an escrow account by the State of Maryland.

<u>*Debt Maturity*</u>

Debt service requirements at June 30, 2025 are as follows:

Governmental Activities

	General Obligation Bonds		Notes from Direct Borrowings		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 2,737,229	$ 1,028,505	$ 70,000	$ 7,782	$ 2,807,229	$ 1,036,287
2027	2,734,476	925,262	75,000	5,751	2,809,476	931,013
2028	2,671,833	819,588	85,000	3,459	2,756,833	823,047
2029	2,643,526	716,769	75,000	1,119	2,718,526	717,888
2030	1,863,507	614,117	-	-	1,863,507	614,117
2031-2035	8,211,552	2,005,965	-	-	8,211,552	2,005,965
2036-2040	3,587,859	736,321	-	-	3,587,859	736,321
2041-2045	1,513,387	220,410	-	-	1,513,387	220,410
2046-2050	221,434	21,025	-	-	221,434	21,025
2051-2055	46,697	1,081	-	-	46,697	1,081
	$26,231,500	$ 7,089,043	$ 305,000	$ 18,111	$26,536,500	$ 7,107,154

Note 9. Long-Term Liabilities – (Continued)

	Business-Type Activities					
	General Obligation Bonds		Notes from Direct Borrowings		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 2,559,538	$ 799,491	$ -	$ -	$ 2,559,538	$ 799,491
2027	2,615,053	715,655	-	-	2,615,053	715,655
2028	2,065,534	628,951	-	-	2,065,534	628,951
2029	1,895,241	569,156	-	-	1,895,241	569,156
2030	1,727,618	508,706	-	-	1,727,618	508,706
2031-2035	6,882,228	1,753,982	-	-	6,882,228	1,753,982
2036-2040	3,521,060	958,263	-	-	3,521,060	958,263
2041-2045	2,903,713	389,869	-	-	2,903,713	389,869
2046-2050	1,341,466	78,391	-	-	1,341,466	78,391
2051-2055	302,005	4,084	-	-	302,005	4,084
	$25,813,456	$ 6,406,548	$ -	$ -	$25,813,456	$ 6,406,548

Note 10. Compensated Absences

Governmental standards require that employers recognize a liability for certain future vacation, sick, and other leave benefits if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

City employees earn vacation time depending upon their length of service to the City and are eligible to use this vacation time in the year subsequent to the year it is earned.

City employees earned fifteen sick leave days per year with no maximum accumulation ceiling. As of June 30, 2025, Local Union 553 (general trades, labor, technical, clerical staff) and Local Union 1715 (fire department) members are entitled to a maximum payout of 86 days of sick leave and non-union employees are eligible to receive 80 days of sick leave accumulated upon retirement if the employee is eligible to receive service benefits from the State of Maryland. The payout occurs after the employee has applied for their retirement benefits. The sick leave payout liability is calculated based on a vesting schedule.

All vacation payout, to which employees are entitled, have been accrued when incurred in the government-wide financial statements. A liability for the sick leave payout is reported in governmental funds only if it has matured (for example, as a result of employee resignations and retirements). The estimate of the accrued sick leave and vacation liabilities reported in the governmental activities section of the government-wide financial statements is $5,503,240. Accrued sick leave and vacation liabilities for the City’s proprietary funds in the amount of $2,219,538

Note 10. Compensated Absences – (Continued)

have been recorded in both the fund financial statements and the government-wide financial statements.

Liabilities for compensated absences are liquidated using resources from the fund in which the employee terminating service previously charged his or her salary and benefit costs. Governmental funds utilize the General Fund to pay these benefit costs, while proprietary obligations are paid from the Water, Sewer and MPA Funds.

Note 11. Fund Balance - Fund Financial Statements

As of June 30, 2025, fund balances reported in the fund financial statements are composed of the following:

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Expenditures	$ 2,889,712	$ 14,596	$ 215,517	$ 3,119,825
Inventories	18,969	-	-	18,969
Restricted:				
Public Safety	15,893	-	-	15,893
CDBG	-	-	454,577	454,577
Capital Outlay	3,478,928	-	-	3,478,928
Street Improvements	-	-	137,249	137,249
Special Taxing District	-	-	40,156	40,156
Community Develop.	345,095	-	-	345,095
Community Legacy	-	-	357,781	357,781
Special Projects	-	-	743	743
Assigned:				
Capital Projects	4,186,492	-	-	4,186,492
Unassigned	9,637,227	(1,529,316)	(211,684)	7,896,227
Total Fund Balances	$ 20,572,316	$ (1,514,720)	$ 994,339	$ 20,051,935

Note 12. Property Taxes

Taxes are levied July 1 of each year. State law mandates owner-occupied residential property owners may elect to pay real property taxes under a semi-annual payment schedule. The first installment is due by September 30, and the second installment is due December 31, of the tax year without interest. A lien for property taxes attaches to the property at the time of billing, but the enforcement of the lien does not occur until the City initiates such action which historically has not been until the property taxes have been unpaid for a period of three years.

General Fund

As permitted by the City Charter, as amended, the City levied taxes in fiscal year 2025 at a rate of $1.0595 per $100 of assessed valuation on real property which is assessed at full market value. The present adjusted assessed valuation of real property after tax credits is $1.043 billion.

The City levied taxes at a rate of $2.648 per $100 of assessed valuation on personal property which is assessed at depreciated value.

Special Taxing District

The City is permitted by City Charter Amendment Resolution number 81 dated March 10, 1981 to levy taxes on certain real property located within the two zones of the special taxing district to provide funds for the payment of the costs of operation of a pedestrian mall within the central business district including debt service payments on the portion of general obligation bonds payable used to finance the construction of the mall.

The two zones within the special taxing districts are identified as the Primary and Secondary zones.

Primary Zone

The tax rate in the primary zone for the year ended June 30, 2025 was $0.456 per $100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is $24 million.

Secondary Zone

The tax rate in the secondary zone for the year ended June 30, 2025 was $0.268 per $100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is $33 million.

Note 13. Tax Abatements

The City is subject to Enterprise Zone Credits granted by the State of Maryland by authority of Section 9-103 of the Tax Property Article of the Annotated Code of Maryland. The Enterprise Zone tax credit is available to businesses that locate in designated areas of Cumberland and is designed to spur economic growth in these areas. This real property tax credit is available only for nonresidential properties located within the Enterprise Zones and is based on growth in property assessment. Under the Enterprise Zone law, personal property is not included. The "base year assessment" is the real property assessment for the year before any new construction or refurbishing is done. The credit is based on the increase in the assessment for each of the next 10 years compared to the base-year assessment. The credit itself will be given on the actual taxes that result from the increase in assessment, using the following rate schedule:

Year	Percentage of Assessment Increase Credit
1-5	80%
6	70%
7	60%
8	50%
9	40%
10	30%

The State subsequently reimburses the City for 50% of the annual tax credit. The fiscal year 2025 enterprise zone credits amounted to $40,286 and the State of Maryland reimbursed $20,286.

In addition, the City also provides a Historic Preservation tax credit program, a low income housing tax credit program and other tax credits as provided by law as follows:

1. The City of Cumberland has a Historic Preservation tax program whereas property owners are eligible to receive property tax credits of up to 10% of properly documented expenses when the existing structure is renovated or preserved. By authority of Section 9-204 of the Tax Property Article of the Annotated Code of Maryland, state law provides that a tax credit of up to 5% may be provided for the new construction costs of architecturally compatible structures and allows a property owner of program structure to have the assessed value of the property frozen for up to 10 years at the pre-renovation value. A property must be a certified historic structure meaning that it must possess one of the following designations:

    a. listed individually in the National Register of Historic Places
    b. listed in a National Register historic or landmark district

Note 13. Tax Abatements – (Continued)

c. listed in a property or district designated as an historic property or district under local law
d. included within the boundaries of a certified heritage area

The following table is utilized by the City of Cumberland to determine the length of the property tax assessment freeze for approved properties:

Improvement Cost as Percentage of Base Assessment	Available Tax Exempt Status of Improvement
10%	1 Year
20%	2 Years
30%	2 Years
40%	3 Years
50%	3 Years
60%	4 Years
70%	4 Years
80%	5 Years
90%	6 Years
100%	7 Years
200%	8 Years
300%	9 Years
400%	9 Years
500%	10 Years

2. The City provides tax credits to owners of low income housing structures or projects pursuant to Section 7-505 of the Tax Property Article of the Annotated Code of Maryland for properties that are substantially rehabilitated under a federal, state or local government program that funds construction or insures its financing or provides interest subsidy, rent subsidy or rent supplements and is completed after July 1, 1978. The City abates property taxes under varying structures ranging from a tax credit of 60% to freezing the taxes to the base year.

3. Upon annual request the City may provide tax credits to certain organizations named in Section 9-302 of the Tax Property Article of the Annotated Code of Maryland. Pursuant to this section, the City granted tax credits to the Cumberland Outdoor Club for the full amount of real estate taxes billed in 2025.

Note 13. Tax Abatements – (Continued)

4. On February 15, 2022, Mayor and Council approved an order outlining an employment incentive for sworn police employees who own and occupy their own residence within the City limits of Cumberland, which authorizes these employees to receive an abatement of property taxes effective July 1, 2022.

The table below illustrates the tax abatements that the City granted in fiscal year 2025.

Tax Abatement Program	Amount of Taxes Abated during FY 2025
Historic Preservation	$ 44,124
CPD – City Officers	19,566
Low Income Housing	6,118
Section 9-302 Credits	8,408
	$ 78,216

The City's policies and procedures do not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement.

Note 14. Pending Claims and Litigation

There are several pending lawsuits in which the City is involved. Management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City at June 30, 2025.

Note 15. Contingent Liabilities

The City participates in a number of federal and state assisted grant programs, which are subject to program compliance audits by the grantors. Accordingly, the City's compliance with applicable grant requirements may not be established until some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Note 16. Commitments

The City has active construction projects as of June 30, 2025. Projects include widening and construction of existing streets, demolition, waterline replacement and construction of additional wastewater treatment resources. At year-end, the City's commitments with contractors are as follows:

Note 16. Commitments – (Continued)

Project	Contract Amount	Remaining Commitment	Fund(s)
78" Pipeline	$ 17,107	$ 16,509	Sewer
Skate Park	799,137	537,791	Street Improvement & Capital Projects
Marion Street Bridge Repair	369,775	94,813	Street Improvement & Capital Projects
Rehabilitation of Bridge No. A-C-06 Baltimore Street	4,856,116	641,986	Street Improvement & Capital Projects
Odor Covers at WRF	376,090	287,757	Sewer
Downtown ADA Improvements	154,210	154,210	CDBG
Baltimore St. Town Center	15,470,720	783,129	Street Improvement & Capital Projects
Evitts Creek CSO Upgrade Phase III	568,734	484,845	Sewer
Total	$ 22,612,622	$ 3,001,040	

On November 6, 2001, the City executed a Consent Decree and Judgment in the litigation brought by the Maryland Department of the Environment (MDE). This required the City to correct the Combined Sewer Overflow problems over 20 years after the acceptance of all of the Long-Term Control Plans (LTCP) from LaVale, Allegany County, and the City of Frostburg. Those plans have been accepted by MDE, and the City was required to revise its LTCP. The revised plan, submitted to MDE on February 3, 2006, added the Evitts Creek Pump Station and Conveyance to the Phase 1A (Mill Race sewer relocation and screens) and Phase 1B (parallel pipelines from Mill Race to a storage facility).

To date, Phases 1A and 2 are complete. Phase 1B is on hold due to property acquisition and permitting issues through the United States Army Corps of Engineers. Construction on Phase 1B is tentatively scheduled to begin in the fall of 2027 at an estimated cost of $67 million. Phase 3 (Rehabilitation of the Sewer under CSX Railyard) is in the engineering phase with an estimated cost of $7.5 million and is funded with $5.4 million in grants and $2.3 million in loan with $1.1 million being forgivable. Phase 4 is in the engineering phase and has most of the funding in place. Phase 4 project cost is estimated at $4 million and is funded with $3.6 million in loans with $1.5 million being forgivable. A grit removal and UV disinfection project is projected to begin during FY'29 at an estimated cost of $4.4 million and is funded with $4.4 million in loan with $1.5 million being forgivable.

Note 16. Commitments – (Continued)

All work will be funded through EPA Grants, MDE Grants, MDE SRF Loans and City Funds. The City's Consent Order expired in October of 2024. The City of Cumberland, Allegany County, City of Frostburg and LaVale Sanitary Commission are continuing discussions with a consultant and MDE to negotiate a new Consent Order.

In addition to these major sewer and wastewater projects, the City has several other commitments underway. Odor covers are scheduled to be completed at the Water Reclamation Facility in the fall of 2025 to improve air quality and address community concerns. The City is also undertaking ADA improvements and upgrades to meet code requirements for downtown sidewalks, which are funded by the Community Development Block Grant (CDBG) program, enhancing accessibility and safety. Construction of the new Skate Park is progressing, with concrete installation anticipated in the near future. Furthermore, the Marion Street Bridge is receiving targeted concrete repairs designed to extend its useful lifespan and maintain safe passage for vehicular and pedestrian traffic.

Note 17. Risk Management

The City is exposed to various risks of loss due to theft of, damage to, and destruction of assets; errors and omissions; natural disasters; wrongful acts committed by or on behalf of public officials and the police department; and fleet coverage, for which it carries commercial insurance. The City retains no risk of liability for claims covered by such policies up to the policy limits except for deductible amounts.

For fiscal year 2025 general liability claims, the City purchased a general liability policy with a zero deductible at an annual premium of $28,037. The City’s general liability damage payouts and/or insurance deductibles totaled $0, $0, and $0 for fiscal years 2025, 2024 and 2023, respectively. In accordance with the provisions of the Local Government Tort Claims Act (Md. Cts. & Jud. Procs. Code Ann. §§ 5-301, et seq.), the City’s liability for tort claims is limited to $400,000 per individual claim and $800,000 in total claims arising from the same occurrence. Additionally, to further limit risk, the City requires that contractors on projects for the City provide certain levels of insurance coverage and the policies must name the City as an additional insured. Likewise, organizations of special events occurring within the City that are not sponsored by the City must provide special event insurance which names the City as an additional insured.

Note 17. Risk Management – (Continued)

Worker's Compensation

The City's insurance carrier provides, for a premium, a high-deductible worker's compensation insurance policy to the City under a Prefunded Deductible Program. The City's per claim deductible is $350,000 with a deductible aggregate ranging from $1,757,000 to $2,350,000 depending on the policy year. As of June 30, 2025, the unspent, prefunded amount paid to the insurance carrier has been included in the financial statements as a prepaid expense.

The City estimated the claims liability reported in the various funds at June 30, 2025. It is based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

Liabilities for claims are liquidated using resources from the fund in which the injured employee previously charged his or her salary and benefit costs, using a five-year average of claims paid. Governmental funds utilize the General Fund to pay these liabilities, while proprietary obligations are paid from the Water, Sewer and MPA Funds.

Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The workers' compensation claims liability is presented at its net present value of $2,853,931 (a non-discounted amount of $3,283,433) using a 4.05% annual discount rate. The following represents the change in approximate aggregate liabilities for the City from July 1, 2023 to June 30, 2025:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2023	2,574,202	1,259,065	(993,236)	2,840,031
2024	2,840,031	490,640	(738,270)	2,592,401
2025	2,592,401	1,043,728	(782,198)	2,853,931

Self-Insured Health Care

Until December 1, 2014, employee health benefits were covered by commercial insurance purchased by the City, with no risk of loss retained by the City. Effective December 1, 2014, the City is self-insured for hospitalization and medical benefits

Note 17. Risk Management – (Continued)

provided to its employees through its membership in the Maryland Local Government Health Cooperative (Cooperative) which was established by the Maryland Local Government Insurance Trust (LGIT). LGIT is a self-insured public entity risk pool, which is owned and directed by the local governments that subscribe to its coverages and operates under the terms of a Trust Agreement. The Cooperative was established as a self-insured health plan for the purpose of providing group health benefits to its members' employees and eligible dependents. The plan is administered by Benecon Group, Inc. (Benecon).

Benecon submits invoices monthly to the City for their share of the premiums payable and their pro rata share of the costs and expenses of administering the Cooperative. The City has no responsibility or liability for, and cannot be assessed for, any deficit that may occur in funding the plan benefits or the Cooperative. As part of the Cooperative agreement, the City has stop-loss policies in place for individual participant claims in excess of $85,000 per year and the aggregate annual participant claims has no minimum amount.

The third-party actuary estimated the non-discounted claims liability at June 30, 2025. It is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Liabilities for claims are liquidated using resources from the fund in which the covered employee previously charged his or her salary and benefit costs. Governmental funds utilize the General Fund to pay these benefit costs, while proprietary obligations are paid from the Water, Sewer and MPA Funds. Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The following represents the change in the balance of claims payable for the City from July 1, 2023 to June 30, 2025:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2023	343,811	3,319,154	(3,344,402)	318,563
2024	318,563	3,988,043	(3,955,498)	351,108
2025	351,108	3,558,071	(3,576,554)	332,625

Note 18. Pension and Retirement Systems

Defined Benefit Plans

Plan Description
The employees of the City are provided retirement benefits through the Maryland State Retirement and Pension System (the System) which administers the Alternate Contributory Pension System (ACPS), the Employees' Reformed Contributory Pension System (RCPB) (effective July 1, 2011), and the Law Enforcement Officers' Pension System (LEOPS) for eligible law enforcement officers (effective July 1, 2008). The ACPS was closed to new members as of June 30, 2011 and was replaced with the Employees' Reformed Contributory Pension System (RCPB) which was established July 1, 2011 under the provisions of State Personnel and Pension Article 73B of the Annotated Code of Maryland. The System is accounted for as one defined benefit plan, as defined in accordance with accounting principles generally accepted in the United States of America.

The City contributes to the State Retirement and Pension Systems, which is a set of cost-sharing multiple-employer defined benefit plans; providing retirement, disability, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. Responsibility for the organization and administration of the systems is vested in the Board of Trustees of the Maryland State Retirement and Pension Systems. The System issues a publicly available financial report which includes financial statements and required supplementary information. The report may be obtained at http://www.sra.state.md.us or by writing to the following:

Maryland State Retirement Agency
120 East Baltimore Street
Baltimore, Maryland 21202

Benefits Provided
All plans provide retirement, disability, and death benefits. For individuals who are members of the ACPS, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who are members of the RCPB, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retirees' and/or designated beneficiary's attained age and similar actuarial factors. An individual who is a member of the ACPS, is eligible for full

Note 18. Pension and Retirement Systems – (Continued)

retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who is a member of the RCPB, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service. A member of the Law Enforcement Officers' Pension System (LEOPS) is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. Employees who are permanently and totally disabled as the result of an accident occurring in the line of duty are eligible for disability regardless of length of service. Five years of service is required for non-service related disability eligibility. Disability benefits are determined as a percentage of AFC. Death benefits are equal to the member's annual salary as of the date of death plus all member contributions and interest.

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

Contributions

Employees covered under the ACPS and RCPB plans were required to contribute 7% of their annual compensation during fiscal year 2025. The City is required to contribute at an actuarially determined rate. The current rate is 8.44% of covered payroll for the ACPC and RCPB systems. The City also is required to pay an ACPS and RCPB surcharge at a rate of 7.44% of covered payroll. The contribution requirements of plan members and the City of Cumberland are established and may be amended by the System's Board of Trustees. The City's contributions for the years ended June 30, 2025, 2024, and 2023 were $1,731,813, $1,630,760, and $1,385,862, respectively, equal to the required employer contributions for each year.

Employees covered under the LEOPS contribute 7% of their earnable base salary in excess of the social security wage base. The City is required to contribute an actuarially determined rate. The current contribution rate for the City is 38.07% of covered payroll for the pension system. The City of Cumberland's contribution to LEOPS for the years ended June 30, 2025, 2024, and 2023, were $ 1,099,270, $1,109,818, and $896,586, respectively, equal to the required employer contributions for each year.

Note 18. Pension and Retirement Systems – (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the City reported a liability of $27,532,715 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the City's proportion was 0.105 percent, which was an increase of 0.011 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the City recognized pension expense of $4,356,958. At June 30, 2025, the City 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
Differences between expected and actual experience	$ 2,774,221	$ (588,295)
Change of assumptions	1,764,748	-
Net difference between projected and actual earnings on pension plan Investments	1,683,036	-
Changes in proportion and differences between City contributions and proportionate share of contributions	2,653,131	(419,269)
City contributions subsequent to the measurement date	2,831,083	-
Total	$ 11,706,219	$ (1,007,564)

Note 18. Pension and Retirement Systems – (Continued)

The City reported $2,831,083 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Deferred Outflows (Inflows) of Resources
2026	$ 1,390,616
2027	3,103,378
2028	1,653,803
2029	1,216,196
2030	503,579
Total	$ 7,867,572

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Inflation	2.5% general, 3.0% wage
Salary Increases	3.0% to 22.5%, including inflation
Discount Rate	6.80%
Investment Rate of Return	6.80%
Mortality	Fully generational – PB-2010/MP2021 for males and females

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the six-year period of 2018 - 2023. Based on the 2024 experience study, the actuary recommended changes in actuarial assumptions. The changes include (1) an increase in the general inflation rate from 2.25% to 2.5%, (2) an increase in the wage inflation rate from 2.75% to 3.0%, (3) salary increases adjusted from a range of 2.75% to 11.25% to a range of 3.0% to 22.5%, and (4) mortality table changed from MP-2018 scale to MP-2021 scale.

Note 18. Pension and Retirement Systems – (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34%	6.0%
Rate Sensitive	20%	2.4%
Credit Opportunity	9%	5.4%
Real Assets	15%	5.5%
Absolute Return	6%	3.9%
Private Equity	16%	8.5%
Total	100%	

Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.80 percent) or 1-percentage point higher (7.80 percent) than the current rate:

Note 18. Pension and Retirement Systems – (Continued)

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
City's proportionate share of the net pension liability	$40,014,529	$27,532,715	$17,128,241

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System's Annual Financial Report for the fiscal year ended June 30, 2025. This can be found at: https://sra.maryland.gov/annual-financial-reports.

Deferred Compensation Plan/Defined Contribution Plan

The City offers deferred compensation plans created in accordance with Internal Revenue Code Section 457(b) and 401(a). Collectively, the plans make the option to defer compensation available to all employees by permitting them to defer a portion of their salary until future years. Participation is optional. The City allows employees to defer portions of their compensation, up to the applicable Internal Revenue Code limits, into a trust (The City of Cumberland Deferred Compensation Plan and Trust), which is a separate entity under Internal Revenue Code sections 457(b) and 401(a). All amounts of compensation deferred, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. The City has no liability for losses under the plans. Employees are 100% vested immediately in contributions from all sources and no forfeitures exist.

The City Administrator, City Solicitor, and City Comptroller are trustees of the plans and MissionSquare Retirement administers the plans. Plan provisions and contribution requirements are established by and may be amended by the City. The trust owns all plan assets for the exclusive benefit of the participants and their beneficiaries. The plans do not have a separate governing board, and the investments are participant directed. The City does not make the investment decisions, but the plans offer a selection of investments for the participants to choose among. Investments are managed by the plan administrator under several different investment options, or combinations thereof. The City has no management control over the assets of the plans. Accordingly, the assets of the plans are not included in these financial statements per GASB Statement No. 32.

Note 18. Pension and Retirement Systems – (Continued)

For the year ended June 30, 2025, employee contributions totaled $267,276. The City made $24,846 in contributions pursuant to certain employment agreements.

Note 19. Post-Employment Health Care Benefits (OPEB)

Plan Description

The City of Cumberland sponsors a single-employer post-retirement defined benefit medical plan administered by the City of Cumberland. The Plan provides medical and prescription benefits to eligible retirees and their spouses. The authority under which benefit provisions are established or may be amended rests with the Mayor & City Council of Cumberland, Maryland. The Plan does not issue a publicly available report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The costs related to the OPEB benefits are paid by the City on a pay-as-you-go basis.

Employees Covered by Benefit Terms

At July 1, 2024, the following employees were covered by the benefit terms:

Active	125
Retired	7
Retired Spouses	1
Total	133

Benefits Provided

Retirees are offered the option to maintain health insurance after they retire (including subsidized beneficial coverage) until they reach age 65. To be eligible for benefits you must be age 60 or have 30 years of service. OPEB benefits were phased out by June 30, 2011, except for a small group of grandfathered retirees and the members of Local #553, AFSCME, and Local #1715, IAFF. For employees that retired before October 2003 and have not yet reached the age of 65, the City pays either 85% or 97% of the medical plan costs depending on the plan option the retiree chooses. For employees that retire after October 2003, the City pays towards medical plan costs until they reach the age of 65. For fiscal year 2025, the City's monthly subsidy is $291.68 for Local 553 AFSCME retirees and $297.82 for Local #1715 IAFF retirees which is adjusted annually by COLA. The City allows medical plan coverage for retiree dependents until the dependent reaches the age of 65, but does not subsidize the cost.

Total OPEB Liability

The City's total post-retirement benefit (OPEB) liability of $741,849 was measured as of June 30, 2025, and was determined by an actuarial valuation as of July 1, 2024.

Note 19. Post-Employment Health Care Benefits (OPEB) – (Continued)

Actuarial Assumptions
The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	June 30, 2025
Actuarial Valuation Date:	July 1, 2024
Actuarial Cost Method:	Entry Age Normal
Mortality:	Pub-2010 General Headcount-weighted with fully generational scale MP-2021. Based on the most recent mortality tables for governmental employees issued by the Society of Actuaries.
Turnover:	Employees were assumed to terminate according to the 6/30/2019 Male Annual Rates of Withdrawal used in the Maryland State Retirement Employees' Pension.

Sample Rates are as follows:

Ages	Years of Service	Rates of Withdrawal
All	0	19.00%
	1	14.50%
	5	7.25%
	9	4.50%
25	10+	4.50%
35		3.50%
45		3.00%
50		2.50%
55-65		5.00%

Retirement Age: Employees were assumed to retire according to the 6/30/2019 Male Annual Rates of Normal Retirement used in the Maryland State Retirement Employees' Pension. Sample rates are as follows:

	Retirement Rates	
Ages	<30Years of Service	30+ Years of Service
60	0%	10%
61	0%	13%
62	16%	23%
63	13%	23%
64	13%	18%

Salary Scale: 3.0%

Note 19. Post-Employment Health Care Benefits (OPEB) – (Continued)

Core Inflation Assumption:	2.0%
Utilization:	It is assumed that 10% of future eligible retirees will participate in the plan for healthcare coverage based on recent experience and input from Plan Sponsor.
Discount Rate:	The discount rate used to measure the total OPEB liability was 4.81%. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The S&P Municipal Bond 20 Year Rate Index was used to approximate those yields as of June 30, 2025.
Valuation of Assets:	N/A
Per Capita Claims:	Claims were developed by adjusting the underlying medical premiums for the age of retirees compared to the underlying active populations. The adjustment was done using actual ages of enrolled participants and aging factors. COBRA rates were used.
Trend:	Increase with an initial rate of 7.5% with annual declines of 0.25% until an ultimate rate of 4.50% is achieved. The rates were taken from an analysis of historical trends of various medical plans and a composite of the expected future increases reported in a number of national trend surveys.
Marriage Assumption:	It is assumed that 75% of future participating retirees will have eligible dependents at retirement, of which 50% will elect coverage based on recent experience. Wives are assumed to be two years younger than their husbands. Based on actuary's professional judgement.
Family Coverage	We assumed the participating retirees do not have covered children based on the plan design and experience.

<u>Changes Since Prior Valuation</u>
For the July 1, 2024 valuation, the discount rate was updated from 4.21% to 4.81%. The healthcare cost trend assumption was updated to 7.5% for 2025 and annual declines updated to 0.25% from 0.50%.

Note 19. Post-Employment Health Care Benefits (OPEB) – (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2024	$542,023
Changes for the year:	
Service cost	6,504
Interest	22,250
Difference between expected & actual experience	190,357
Assumption changes	8,052
Contributions – employer	-
Contributions – employee	-
Net investment income	-
Benefit payments	(27,337)
Administrative expense	-
Other changes	-
Net changes	199,826
Balance at June 30, 2025	$741,849

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the City recognized OPEB expense of $(99,904). At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB liability from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 165,763	$ (286,876)
Changes of assumptions	14,179	(231,296)
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	$ 179,942	$ (518,172)

Note 19. Post-Employment Health Care Benefits (OPEB) – (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

FY 2026	$ (129,352)
FY 2027	(100,431)
FY 2028	(75,952)
FY 2029	(69,309)
FY 2030	(7,727)
Thereafter	44,541
Total	$ (338,230)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.81 percent) or 1-percentage-point higher (5.81 percent) than the current discount rate:

	1% Decrease (3.81%)	Current Discount Rate (4.81%)	1% Increase (5.81%)
Total OPEB Liability	$784,978	$741,849	$702,529

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage- point lower (6.50 percent decreasing to 3.50 percent) or 1-percentage-point higher (8.50 percent decreasing to 5.50 percent) than the current healthcare cost trend rates:

	1% Decrease (6.50% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.50% decreasing to 4.50%)	1% Increase (8.50% decreasing to 5.50%)
Total OPEB Liability	$693,797	$741,849	$795,980

Note 20. Related Party Transactions

In accordance with the Memorandum of Understanding (MOU) dated July 21, 2015 and executed by the Mayor of the City and a representative of the board of directors of the CEDC, the City will provide annual operational funding appropriations to the CEDC. Operational funding appropriations amounted to $400,714 for the period ended June 30, 2025. During the year ended June 30, 2025, the City also provided $30,000 to the CEDC for the reimbursement of CEDC for part of the agreed upon settlement in the Settlement Agreement and Mutual Release between RAZ Development, the initial developer contracted for the Memorial Hospital Site, and CEDC. As of June 30, 2025, there were no amounts owed from the City to the CEDC. As of June 30, 2025, $1,963 was owed to the City from the CEDC for overfunding of operations.

Note 21. New Pronouncements

As of June 30, 2025, the Governmental Accounting Standards Board (GASB) has issued the following pronouncements, which will require adoption in the future, if applicable: GASB Statement No. 103, *"Financial Reporting Model Improvements"* and GASB Statement No. 104, *"Disclosure of Certain Capital Assets"*. These statements may have a material effect on the City's financial statements once implemented. The City has not yet completed the process of evaluating the impact of these pronouncements on its financial statements, and plans to adopt them, as applicable, by their effective dates.

Note 22. Subsequent Events

The City has evaluated, for possible financial statement disclosure, subsequent events through December 18, 2025, the date which the financial statements were available to be issued, and determined there were no such events.

Note 23. Change in Accounting Principle

<u>Change in Accounting Principle – GASB 101 – Compensated Absences</u>
For fiscal year 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Per GASB Statement No. 101, a liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. These changes were incorporated in the City's financial statements resulting in a restatement of beginning net position of the Governmental Activities,

Note 23. Change in Accounting Principle – (Continued)

the Business-type Activities, the Water Fund, the Sewer Fund, and the Non-Major Proprietary Funds.

Reporting Units Affected by Adjustments to and Restatements of Beginning Balance are as follows:

	Government-Wide	
	Governmental Activities	Business-type Activities
Net Position, June 30, 2024, as previously stated	$21,087,589	$108,383,386
Prior period adjustment – Implementation of GASB 101	(2,890,623)	(1,064,214)
Net Position, June 30, 2024, as restated	$18,196,966	$107,319,172

	Proprietary Funds		
	Water Fund	Sewer Fund	Non-Major Proprietary Funds
Net Position, June 30, 2024, as previously stated	$22,692,579	$83,999,959	$1,690,848
Prior period adjustment – Implementation of GASB 101	(512,086)	(438,862)	(113,266)
Net Position, June 30, 2024, as restated	$22,180,493	$83,561,097	$1,577,582

Required Supplementary Information

CITY OF CUMBERLAND, MARYLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		*Actual*	*Variance with*
Revenues:	***Original***	***Final***	***Amounts***	***Final Budget***
Taxes	$ 15,074,614	$ 15,074,614	$ 14,620,039	$ (454,575)
Licenses and permits	141,800	141,800	181,421	39,621
Intergovernmental	5,674,503	5,674,503	5,772,925	98,422
Charges for services	1,999,452	1,999,452	2,082,791	83,339
Fines, forfeitures, and interest	978,367	978,367	968,269	(10,098)
Miscellaneous	1,116,778	1,116,778	1,534,615	417,837
Total Revenues	24,985,514	24,985,514	25,160,060	174,546
Expenditures:				
Current:				
General government	2,327,303	2,349,303	2,348,594	709
Public safety	15,664,822	15,387,849	15,387,186	663
Public works	3,462,776	3,756,776	3,756,079	697
Recreation	926,938	926,938	887,127	39,811
Community development and housing	2,259,585	1,828,585	1,828,105	480
Capital Outlay	-	1,832,973	1,832,973	-
Debt Service:				
Principal	2,722,940	3,021,085	3,021,044	41
Interest	1,011,392	974,392	974,321	71
Bond issue costs	-	99,855	99,850	5
Total Expenditures	28,375,756	30,177,756	30,135,279	42,477
Revenues in Excess of (Less Than) Expenditures	(3,390,242)	(5,192,242)	(4,975,219)	217,023
Other Financing Sources (Uses):				
Transfers-in	2,510,426	2,510,426	2,487,113	(23,313)
Transfers-out	(5,612,645)	(5,464,645)	(5,464,258)	387
Issuance of debt	3,588,000	3,588,000	3,186,703	(401,297)
Original issue premium	-	-	164,393	164,393
Financing of Leases	-	-	1,832,973	1,832,973
Total Other Financing Sources	485,781	633,781	2,206,924	1,573,143
Net Change in Fund Balances	$ (2,904,461)	$ (4,558,461)	(2,768,295)	$ 1,790,166
Fund balance, beginning			23,340,611	
Fund balance, ending			$ 20,572,316	

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OTHER POST EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS*

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	$ 6,504	$ 6,596	$ 29,608	$ 37,922	$ 29,620	$ 35,795	$ 33,861	$ 32,250
Interest	22,250	21,723	41,683	27,523	32,546	54,023	52,038	53,803
Changes in benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	190,357	-	(384,460)	-	(261,167)	-	20,347	-
Changes in assumptions, including discount rate	8,052	(1,408)	(311,966)	(93,295)	31,547	(79,819)	202,258	-
Benefit payments	(27,337)	(21,516)	(31,193)	(48,894)	(70,608)	(90,744)	(128,094)	(135,164)
Net change in total OPEB liability	199,826	5,395	(656,328)	(76,744)	(238,062)	(80,745)	180,410	(49,111)
Total OPEB liability-beginning	542,023	536,628	1,192,956	1,269,700	1,507,762	1,588,507	1,408,097	1,457,208
Total OPEB liability-ending	$ 741,849	$ 542,023	$ 536,628	$ 1,192,956	$ 1,269,700	$ 1,507,762	$ 1,588,507	$ 1,408,097
Covered employee payroll	$ 6,828,890	$ 6,810,459	$ 5,888,889	$ 5,748,828	$ 6,219,378	$ 6,052,990	$ 5,928,837	$ 5,874,883
Total OPEB liability as a percentage of covered employee payroll	10.86%	7.96%	9.11%	20.75%	20.42%	24.91%	26.79%	23.97%

*This schedule is designed to present information for a 10 year period beginning with fiscal year 2018.
Until a full 10 year trend is compiled, the City will be presenting information only for those years for which information is available.

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

MARYLAND STATE RETIREMENT SYSTEM EMPLOYEE PENSION SYSTEM
LAST TEN FISCAL YEARS*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability	0.0623%	0.0568%	0.0555%	0.0595%	0.0554%	0.0565%	0.0547%	0.0517%	0.0552%	0.0527%
City's proportionate share of the net pension liability	16,383,135	13,086,468	11,114,209	8,927,149	12,510,203	11,655,159	11,466,535	11,174,272	13,023,735	10,947,232
City's covered payroll	10,707,551	9,346,669	8,776,754	9,288,255	8,952,676	9,031,040	8,782,480	8,749,237	8,692,424	8,183,050
City's proportionate share of the net pension liability as a percentage of its covered payroll	153.01%	140.01%	126.63%	96.11%	139.74%	129.06%	130.56%	127.72%	149.83%	133.78%
Plan fiduciary net position as a percentage of the total pension liability	68.09%	69.58%	71.75%	76.76%	66.29%	67.97%	68.53%	66.71%	62.97%	66.26%

LAW ENFORCEMENT OFFICERS' PENSION SYSTEM
LAST TEN FISCAL YEARS*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability	0.0424%	0.0367%	0.0356%	0.0354%	0.0331%	0.0338%	0.0351%	0.0360%	0.0381%	0.0330%
City's proportionate share of the net pension liability	11,149,580	8,466,317	7,129,197	5,315,708	7,481,678	6,968,396	7,368,745	7,787,922	8,979,462	6,865,824
City's covered payroll	3,006,821	2,476,760	2,377,090	2,235,230	2,202,807	2,207,376	2,277,464	2,351,000	2,321,244	2,286,856
City's proportionate share of the net pension liability as a percentage of its covered payroll	370.81%	341.83%	299.91%	237.81%	339.64%	315.69%	323.55%	331.26%	386.84%	300.23%
Plan fiduciary net position as a percentage of the total pension liability	66.44%	66.98%	68.74%	73.56%	63.60%	64.79%	62.60%	62.80%	58.88%	61.30%

See accompanying notes to pension plan schedules.

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS

MARYLAND STATE RETIREMENT SYSTEM EMPLOYEE PENSION SYSTEM
LAST TEN FISCAL YEARS*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,731,813	$ 1,630,760	$ 1,385,861	$ 1,267,759	$ 1,311,212	$ 1,186,773	$ 1,160,395	$ 1,089,771	$ 1,051,785	$ 1,075,328
Contributions in relation to the contractually required contribution	(1,731,813)	(1,630,760)	(1,385,861)	(1,267,759)	(1,311,212)	(1,186,773)	(1,160,395)	(1,089,771)	(1,051,785)	(1,075,328)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	$ 10,905,624	$ 10,707,551	$ 9,346,669	$ 8,776,754	$ 9,288,255	$ 8,952,676	$ 9,031,040	$ 8,872,480	$ 8,749,237	$ 8,692,424
Contributions as a percentage of covered payroll	15.88%	15.23%	14.83%	14.44%	14.12%	13.26%	12.85%	12.28%	12.02%	12.37%

LAW ENFORCEMENT OFFICERS' PENSION SYSTEM
LAST TEN FISCAL YEARS*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,099,270	$ 1,109,818	$ 896,586	$ 813,202	$ 780,766	$ 709,744	$ 693,778	$ 700,320	$ 733,042	$ 741,405
Contributions in relation to the contractually required contribution	(1,099,270)	(1,109,818)	(896,586)	(813,202)	(780,766)	(709,744)	(693,778)	(700,320)	(733,042)	(741,405)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	$ 2,887,497	$ 3,006,821	$ 2,476,760	$ 2,377,090	$ 2,235,230	$ 2,202,807	$ 2,207,376	$ 2,277,464	$ 2,351,000	$ 2,321,244
Contributions as a percentage of covered payroll	38.07%	36.91%	36.20%	34.21%	34.93%	32.22%	31.43%	30.75%	31.18%	31.94%

See accompanying notes to pension plan schedules.

Note 1. Budgetary Information

An annual budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. Encumbrances and appropriations generally lapse at year-end and are treated as expenditures in the year the liability is incurred. Annual budgets are not adopted for any other governmental fund, as the City is not legally required to adopt such budgets.

Note 2. Pension Information

Maryland State Retirement Employees' Retirement and Pension Systems:

Change in Benefit Terms

-There were no benefit changes during the year.

Change in Assumptions

-Inflation went from 2.25% general, 2.75% wage to 2.5% general, 3.0% wage.
-Salary Increases went from 2.75% to 11.25%, including inflation to 3.0% to 22.50%, including inflation.
-Mortality went from based on the MP-2018 scale to MP-2021 scale.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions for 2024 Valuation

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.5% general, 3.0% wage
Salary Increases	3.0% to 22.50%, including inflation
Discount Rate	6.80%
Investment Rate of Return	6.80%
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2021 fully generational mortality improvements scale for males and females.

Note 3. Other Post Employment Benefits Information

Change in Benefit Terms

-There were no benefit changes during the year.

Change in Assumptions

-The discount rate changed from 4.21% to 4.81%.
-The healthcare cost trend rate was updated to 7.5% for 2025 and annual declines updated to 0.25% from 0.50%

Plan Assets

-No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 75, paragraph 4, to pay benefits:

- -Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable
- -Plan assets must be dedicated to providing OPEB to Plan members in accordance with benefit terms
- -Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan Administrator, and Plan members.

Combining and Individual Non-Major Fund Financial Statements

CITY OF CUMBERLAND, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Special Revenue Funds						Capital Project Fund	
	CDBG Fund	Special Taxing District	Community Legacy	Police Grants	Special Projects	Housing Assistance Fund	Street Improvement Fund	Total Non-Major Governmental Funds
ASSETS								
Cash and cash equivalents	$ -	$ 15,012	$ 140,031	$ -	$ 743	$ -	$ 182,440	$ 338,226
Taxes receivable	-	32,695	-	-	-	-	-	32,695
Accounts receivable	-	253	-	-	-	-	114,574	114,827
Due from other governments	35,657	24,999	6,125	214,512	-	-	-	281,293
Prepaid expenditures	-	5,000	-	-	-	210,517	-	215,517
Loans receivable	150,000	-	217,750	-	-	-	-	367,750
Notes receivable	305,000	-	-	-	-	-	-	305,000
Total Assets	$ 490,657	$ 77,959	$ 363,906	$ 214,512	$ 743	$ 210,517	$ 297,014	$ 1,655,308
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
LIABILITIES:								
Accounts payable	$ 6,106	$ 3,050	$ -	$ 25,553	$ -	$ -	$ 159,765	$ 194,474
Interfund payables	29,974	-	-	170,265	-	10,813	-	211,052
Unearned revenue	-	5,000	-	-	-	199,704	-	204,704
Total Liabilities	36,080	8,050	-	195,818	-	210,517	159,765	610,230
DEFERRED INFLOWS OF RESOURCES:								
Unavailable revenues	-	24,753	6,125	19,861	-	-	-	50,739
FUND BALANCES:								
Fund balances (deficit):								
Nonspendable	-	5,000	-	-	-	210,517	-	215,517
Restricted	454,577	40,156	357,781	-	743	-	137,249	990,506
Unassigned	-	-	-	(1,167)	-	(210,517)	-	(211,684)
Total Fund Balances (Deficit)	454,577	45,156	357,781	(1,167)	743	-	137,249	994,339
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 490,657	$ 77,959	$ 363,906	$ 214,512	$ 743	$ 210,517	$ 297,014	$ 1,655,308

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Special Revenue Funds						*Capital Project Fund*	
	CDBG Fund	*Special Taxing District*	*Community Legacy*	*Police Grants*	*Special Projects*	*Housing Assistance Fund*	*Street Improvement Fund*	*Total Non-Major Governmental Funds*
Revenues:								
Taxes	$ -	$ 191,113	$ -	$ -	$ -	$ -	$ -	$ 191,113
Intergovernmental	726,072	169,427	19,047	624,786	98,000	2,492,171	-	4,129,503
Fines, forfeitures, and interest	9,674	-	-	-	-	-	10,094	19,768
Miscellaneous	3,914	14,528	-	-	-	-	355,336	373,778
Total Revenues	739,660	375,068	19,047	624,786	98,000	2,492,171	365,430	4,714,162
Expenditures:								
Current:								
General government	-	456,958	-	-	-	-	-	456,958
Public safety	-	-	-	589,055	-	-	-	589,055
Public works	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-
Community development and housing	722,288	-	375,598	-	98,000	2,492,171	-	3,688,057
Capital Outlay	-	-	-	-	-	-	1,322,577	1,322,577
Debt Service:					-			
Principal	70,000	-	-	38,749	-	-	-	108,749
Interest	9,674	-	-	-	-	-	-	9,674
Total Expenditures	801,962	456,958	375,598	627,804	98,000	2,492,171	1,322,577	6,175,070
Revenues in Excess of (Less Than) Expenditures	(62,302)	(81,890)	(356,551)	(3,018)	-	-	(957,147)	(1,460,908)
Other Financing Sources (Uses):								
Transfers-in	-	127,852	505,000	-	-	-	976,848	1,609,700
Total Other Financing Sources (Uses)	-	127,852	505,000	-	-	-	976,848	1,609,700
Net Change in Fund Balance	(62,302)	45,962	148,449	(3,018)	-	-	19,701	148,792
Fund balance (deficit), beginning	516,879	(806)	209,332	1,851	743	-	117,548	845,547
Fund balance (deficit), ending	$ 454,577	$ 45,156	$ 357,781	$ (1,167)	$ 743	$ -	$ 137,249	$ 994,339

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2025

	Municipal Parking Authority	Trash	Total Non-Major Proprietary Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 65,592	$ 249,078	$ 314,670
Accounts receivable	3,755	113,615	117,370
Due from other governments	120,000	-	120,000
Total Current Assets	189,347	362,693	552,040
Noncurrent Assets:			
Capital assets:			
Capital assets not being depreciated/amortized	180,737	-	180,737
Capital assets, net of accumulated depreciation/amortization	2,543,791	-	2,543,791
Total Non-Current Assets	2,724,528	-	2,724,528
Total Assets	2,913,875	362,693	3,276,568
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	69,382	-	69,382
Deferred charge on refunding	15,195	-	15,195
Deferred outflows related to OPEB	278	-	278
Total Deferred Outflows of Resources	84,855	-	84,855
Total Assets and Deferred Outflows of Resources	$ 2,998,730	$ 362,693	$ 3,361,423
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 56,454	$ 123,502	$ 179,956
Accrued interest	6,755	-	6,755
Accrued health claims	2,139	-	2,139
Current portion of compensated absences	21,108	-	21,108
Current portion of bonds and notes payable	231,630	-	231,630
Total Current Liabilities	318,086	123,502	441,588
Noncurrent Liabilities:			
Compensated absences (net of current portion)	140,949	-	140,949
Total other post-employment benefit (OPEB) liability	1,069	-	1,069
Bonds and notes payable (net of current portion)	924,682	-	924,682
Net pension liability	167,334	-	167,334
Total Non-Current Liabilities	1,234,034	-	1,234,034
Total Liabilities	1,552,120	123,502	1,675,622
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	4,179	-	4,179
Deferred inflows related to OPEB	1,044	-	1,044
Total Deferred Inflows of Resources	5,223	-	5,223
NET POSITION			
Net investment in capital assets	1,675,946	-	1,675,946
Unrestricted	(234,559)	239,191	4,632
Total Net Position	1,441,387	239,191	1,680,578
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 2,998,730	$ 362,693	$ 3,361,423

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Municipal Parking Authority	*Trash*	*Total Non-Major Proprietary Funds*
Operating Revenues:			
Charges for Services:			
Domestic	$ -	$ 1,904,680	$ 1,904,680
Industrial	-	3,296	3,296
Rents/Concessions	413,411	-	413,411
Other	29,767	41,349	71,116
Total Operating Revenues	443,178	1,949,325	2,392,503
Operating Expenses:			
Personal services	221,352	-	221,352
Utilities	25,267	-	25,267
Repairs and maintenance	61,989	-	61,989
Landfill and recycling	-	547,911	547,911
Depreciation and amortization	131,709	-	131,709
Contractual Service	20,757	1,188,040	1,208,797
Other operating expenses	90,711	217,157	307,868
Total Operating Expenses	551,785	1,953,108	2,504,893
Operating Income (Loss)	(108,607)	(3,783)	(112,390)
Non-Operating (Expenses):			
Interest income	-	9,449	9,449
Interest expense	(20,970)	-	(20,970)
Total Non-Operating (Loss)	(20,970)	9,449	(11,521)
Net Income (Loss) Before Contributions, Special Items, and Transfers	(129,577)	5,666	(123,911)
Transfers-in	226,907	-	226,907
Net Income (Loss)	97,330	5,666	102,996
Net position-beginning of year, as previously reported	1,457,323	233,525	1,690,848
Restatement for change in accounting principle (GASB 101)	(113,266)	-	(113,266)
Net position-beginning of year, as restated	1,344,057	233,525	1,577,582
Net position-end of year	$ 1,441,387	$ 239,191	$ 1,680,578

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Municipal Parking Authority	*Trash*	*Total Non-Major Proprietary Funds*
Cash Flows from Operating Activities:			
Cash receipts from customers	$ 411,550	$ 1,913,635	$ 2,325,185
Cash payments to suppliers	(198,893)	(1,949,549)	(2,148,442)
Cash payments for personal services	(197,640)	-	(197,640)
Other operating receipts	29,767	41,349	71,116
Net Cash Provided (Used) by Operating Activities	44,784	5,435	50,219
Cash Flows from Noncapital Financing Activities:			
Transfers from other funds	226,907	-	226,907
Principal paid on noncapital debt	(1,421)	-	(1,421)
Loans to other funds	-	42,091	42,091
Net Cash Provided (Used) By Noncapital Financing Activities	225,486	42,091	267,577
Cash Flows from Capital and Related Financing Activities:			
Change in capital intergovernmental receivables	(120,000)	-	(120,000)
Acquisition and construction of capital assets	53,681	-	53,681
Proceeds from premiums on debt issuance	8,024	-	8,024
Proceeds from capital debt	115,417	-	115,417
Principal paid on capital debt	(208,742)	-	(208,742)
Interest paid on capital debt	(53,058)	-	(53,058)
Net Cash Provided (Used) by Capital and Related Financing Activities	(204,678)	-	(204,678)
Cash Flows from Investing Activities:			
Interest on investments	-	9,449	9,449
Decrease (increase) in interest receivable	-	1,370	1,370
Net Cash from Investing Activities:	-	10,819	10,819
Net Increase in Cash and Cash Equivalents	65,592	58,345	123,937
Cash and Cash Equivalents at Beginning of Year	-	190,733	190,733
Cash and Cash Equivalents at End of Year	$ 65,592	$ 249,078	$ 314,670

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025
(continued)

	Municipal Parking Authority Fund	Trash Fund	Total Non-Major Proprietary Funds
Reconciliation of Cash to Statement of Net Position			
Cash balance-Statement of Net Position	$ 65,592	$ 249,078	$ 314,670
Investment balance-Statement of Net Position	-	-	-
Cash and Cash Equivalents-Statement of Cash Flows	$ 65,592	$ 249,078	$ 314,670
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (108,607)	$ (3,783)	$ (112,390)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation/amortization	131,709	-	131,709
Pension expense	8,997	-	8,997
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,861)	5,659	3,798
Increase (decrease) in accounts payable	(169)	3,559	3,390
Increase (decrease) in accrued health claims	(217)	-	(217)
Increase (decrease) in total other post-employment benefit (OPEB) liability	(400)	-	(400)
Increase (decrease) in accrued wages and compensated absences	15,332	-	15,332
Net cash provided (used) by operating activities	$ 44,784	$ 5,435	$ 50,219
Noncash operating, financing, and investing activities:			
Debt proceeds not received from government	$ 120,000	$ -	$ 120,000

Statistical Section

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the Annual Comprehensive Financial Report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

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Sources:
Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant years.

City of Cumberland, Maryland
Net Position by Category Government Wide
Last Ten Fiscal Years

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities										
Net investment in capital assets	$ 13,378,759	$ 13,280,688	$ 12,314,980	$ 12,080,334	$ 11,545,998	$ 11,839,197	$ 12,589,174	$ 17,353,175	$ 25,948,722	$ 31,267,217
Restricted	3,893,658	3,682,490	3,563,875	1,962,693	1,765,161	3,702,160	1,956,538	2,388,495	3,919,689	3,273,652
Unrestricted	(24,148,075)	(26,402,604)	(25,209,841)	(22,821,788)	(22,110,513)	(18,443,647)	(9,649,419)	(10,490,373)	(11,671,445)	(12,404,372)
Total Governmental Activities Net Position	$ (6,875,658)	$ (9,439,426)	$ (9,330,986)	$ (8,778,761)	$ (8,799,354)	$ (2,902,290)	$ 4,896,293	$ 9,251,297	$ 18,196,966	$ 22,136,497
Business-Type Activities										
Net investment in capital assets	$ 64,873,365	$ 64,450,544	$ 70,127,561	$ 80,076,407	$ 93,215,948	$ 92,204,667	$ 91,346,666	$ 94,866,222	$ 95,825,851	$ 98,443,069
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	4,992,895	6,271,713	6,729,258	10,281,489	11,372,847	12,836,232	14,147,467	10,476,296	11,493,321	9,479,816
Total Business-Type Activities Net Position	$ 69,866,260	$ 70,722,257	$ 76,856,819	$ 90,357,896	$ 104,588,795	$ 105,040,899	$ 105,494,133	$ 105,342,518	$ 107,319,172	$ 107,922,885
Primary Government										
Net investment in capital assets	$ 78,252,124	$ 77,731,232	$ 82,442,541	$ 92,156,741	$ 104,761,946	$ 104,043,864	$ 103,935,840	$ 112,219,397	$ 121,774,573	$ 129,710,286
Restricted	3,893,658	3,682,490	3,563,875	1,962,693	1,765,161	3,702,160	1,956,538	2,388,495	3,919,689	3,273,652
Unrestricted	(19,155,180)	(20,130,891)	(18,480,583)	(12,540,299)	(10,737,666)	(5,607,415)	4,498,048	(14,077)	(178,124)	(2,924,556)
Total Primary Government Net Position	$ 62,990,602	$ 61,282,831	$ 67,525,833	$ 81,579,135	$ 95,789,441	$ 102,138,609	$ 110,390,426	$ 114,593,815	$ 125,516,138	$ 130,059,382

[1] Net position was restated in certain years due to prior period adjustments

City of Cumberland, Maryland
Changes in Net Position by Category Government Wide, Last Ten Fiscal Years
(in Thousands 000's)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental activities:										
General Government	$ 2,042.7	$ 2,539.2	$ 2,264.2	$ 2,401.3	$ 2,866.7	$ 2,317.4	$ 2,174.7	$ 2,802.3	$ 2,437.1	$ 2,359.2
Payment to component unit	-	15.0	-	-	-	-	-	-	-	-
Public Safety	12,594.7	12,764.1	10,955.5	11,485.2	11,112.5	11,434.9	12,008.0	13,505.1	14,893.2	18,617.6
Public Works	3,892.2	3,901.5	3,662.5	3,935.4	4,160.4	4,038.7	3,912.7	4,020.8	4,303.5	4,572.2
Recreation	1,033.0	1,014.3	905.1	982.8	904.9	926.3	937.5	867.2	1,116.9	1,114.7
Community Development and Housing	4,680.7	4,745.1	3,872.4	3,882.5	5,033.4	4,201.1	4,026.2	5,801.1	4,731.7	4,707.0
Payment to component unit	2,448.6	1,695.9	376.3	346.4	381.3	410.4	485.0	769.2	415.1	430.7
Interest on long-term debt	1,115.2	1,144.2	916.8	997.1	1,023.5	847.5	986.7	972.1	904.4	928.0
Total governmental activities expenses	$ 27,807.1	$ 27,819.3	$ 22,952.8	$ 24,030.7	$ 25,482.7	$ 24,176.3	$ 24,530.8	$ 28,737.8	$ 28,801.9	$ 32,729.4
Business-type activities:										
Water	$ 7,052.4	$ 6,574.2	$ 7,230.9	$ 7,077.9	$ 7,267.3	$ 6,810.2	$ 6,803.9	$ 7,416.9	$ 8,130.4	$ 8,795.8
Sewer	8,065.9	7,949.0	7,817.7	8,338.5	8,399.0	8,929.5	9,097.8	10,062.1	10,467.2	11,060.0
Municipal Parking Authority	571.9	600.5	507.2	533.1	526.9	488.5	471.3	475.7	488.6	572.8
Trash	1,340.9	1,378.6	1,440.3	1,438.9	1,810.2	1,801.8	1,790.9	1,800.3	1,927.4	1,953.1
Property Rental	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	$ 17,031.1	$ 16,502.3	$ 16,996.1	$ 17,388.4	$ 18,003.4	$ 18,030.0	$ 18,163.9	$ 19,755.0	$ 21,013.6	$ 22,381.7
Total primary government expenses	$ 44,838.2	$ 44,321.6	$ 39,948.9	$ 41,419.1	$ 43,486.1	$ 42,206.3	$ 42,694.7	$ 48,492.8	$ 49,815.5	$ 55,111.1
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	$ 897.2	$ 627.5	$ 570.4	$ 546.4	$ 673.1	$ 809.6	$ 715.9	$ 692.0	$ 728.0	$ 750.8
Public Safety	1,425.2	1,223.9	1,237.0	1,243.4	1,282.8	1,326.3	1,456.1	1,607.7	1,642.4	1,636.5
Public Works	-	-	-	-	-	-	-	-	-	-
Recreation	139.2	131.0	111.6	123.7	91.4	71.0	119.8	144.2	107.8	132.2
Community Development and Housing	-	225.8	143.8	135.3	161.9	183.3	159.7	144.7	155.9	207.3
Operating grants and contributions	5,542.1	5,234.5	5,300.7	5,970.5	6,582.2	7,218.3	9,650.2	11,345.4	11,791.6	8,306.6
Capital grants and contributions	49.9	966.6	275.2	82.6	364.6	145.7	792.1	1,280.7	5,591.9	4,245.0
Total governmental activities program revenues	$ 8,053.6	$ 8,409.3	$ 7,638.7	$ 8,101.9	$ 9,156.0	$ 9,754.2	$ 12,893.8	$ 15,214.7	$ 20,017.6	$ 15,278.4
Business-type activities:										
Water	$ 7,152.9	$ 7,036.8	$ 6,949.0	$ 6,924.0	$ 7,169.0	$ 7,450.2	$ 7,388.9	$ 7,321.9	$ 8,065.7	$ 7,829.3
Sewer	10,789.4	11,090.0	11,223.9	12,195.6	10,888.7	9,740.2	10,689.3	10,389.8	10,380.2	10,452.6
Municipal Parking Authority	486.9	424.7	423.9	409.8	365.6	458.3	451.1	486.3	510.8	443.2
Trash	1,292.0	1,290.3	1,281.2	1,337.7	1,791.3	1,776.7	1,771.2	1,765.6	1,941.3	1,949.3
Property Rental	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	487.9	5,576.4	11,407.6	7,341.0	1,564.2	795.3	1,577.0	4,602.3	3,654.1
Total business-type activities program revenues	$ 19,721.2	$ 20,329.7	$ 25,454.4	$ 32,274.7	$ 27,555.6	$ 20,989.6	$ 21,095.8	$ 21,540.6	$ 25,500.3	$ 24,328.5
Total primary government revenues	$ 27,774.8	$ 28,739.0	$ 33,093.1	$ 40,376.6	$ 36,711.6	$ 30,743.8	$ 33,989.6	$ 36,755.3	$ 45,517.9	$ 39,606.9

City of Cumberland, Maryland
Changes in Net Position by Category Government Wide, Last Fiscal Ten Years
(in Thousands 000's)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net (Expense)/Revenue										
Governmental activities	$ (19,753.5)	$ (19,410.0)	$ (15,314.1)	$ (15,928.8)	$ (16,326.7)	$ (14,422.1)	$ (11,637.0)	$ (13,523.1)	$ (8,784.3)	$ (17,451.0)
Business-type activities	2,690.1	3,827.4	8,458.3	14,886.3	9,552.2	2,959.6	2,931.9	1,785.6	4,486.7	1,946.8
Total primary government net expense	$ (17,063.4)	$ (15,582.6)	$ (6,855.8)	$ (1,042.5)	$ (6,774.5)	$ (11,462.5)	$ (8,705.1)	$ (11,737.5)	$ (4,297.6)	$ (15,504.2)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	$ 10,552.0	$ 10,769.8	$ 11,972.5	$ 11,853.7	$ 12,203.9	$ 12,782.2	$ 12,802.6	$ 13,107.6	$ 13,291.5	$ 14,318.7
Franchise Fees [1]	292.1	297.7	286.1	276.1	266.4	268.6	253.2	213.9	192.3	179.0
Other taxes	280.4	288.0	300.6	376.2	299.6	295.2	409.5	458.3	449.1	478.0
Shared revenues	1,305.4	1,184.6	1,269.1	1,395.0	1,374.7	1,409.6	1,532.4	1,730.5	1,557.0	2,100.9
Investment earnings	55.2	62.1	94.0	135.2	117.2	46.1	89.1	1,091.4	1,585.8	975.6
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Special Item - Asset Transfer to Component Unit	-	-	-	-	-	-	-	(1,950.2)	-	-
Special Item - Demolition Costs	(249.2)	-	-	-	-	-	-	-	-	-
Miscellaneous	131.1	1,243.2	547.3	744.0	433.1	841.7	1,273.8	764.0	1,146.8	1,314.2
Transfers	3,564.5	3,001.0	1,833.9	1,700.8	1,611.2	2,531.9	2,496.7	2,462.6	2,398.1	2,024.1
Total governmental activities	$ 15,931.5	$ 16,846.4	$ 16,303.5	$ 16,481.0	$ 16,306.1	$ 18,175.3	$ 18,857.3	$ 17,878.1	$ 20,620.6	$ 21,390.5
Business-type activities:										
Investment earnings	$ 14.6	$ 29.5	$ 117.5	$ 315.4	$ 290.0	$ 24.4	$ 18.1	$ 525.4	$ 952.3	$ 681.0
Miscellaneous	-	-	-	-	6,000.0	-	-	-	-	-
Special Item - Demolition Costs	-	-	-	-	-	-	-	-	-	-
Special Item - Loss on Asset Impairment	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Transfers	(3,564.5)	(3,001.0)	(1,833.9)	(1,700.8)	(1,611.2)	(2,531.9)	(2,496.7)	(2,462.6)	(2,398.1)	(2,024.1)
Total business-type activities	$ (3,549.9)	$ (2,971.5)	$ (1,716.4)	$ (1,385.4)	$ 4,678.8	$ (2,507.5)	$ (2,478.6)	$ (1,937.2)	$ (1,445.8)	$ (1,343.1)
Total primary government	$ 12,381.6	$ 13,874.9	$ 14,587.1	$ 15,095.6	$ 20,984.9	$ 15,667.8	$ 16,378.7	$ 15,940.9	$ 19,174.8	$ 20,047.4
Changes in Net Position:										
Governmental activities:	$ (3,822.0)	$ (2,563.6)	$ 989.4	$ 552.2	$ (20.6)	$ 3,753.2	$ 7,220.3	$ 4,355.0	$ 8,945.7	$ 3,939.5
Business-type activities:	(859.8)	855.9	6,741.9	13,500.9	14,231.0	452.1	453.3	(151.6)	1,976.7	603.7
Total primary government	$ (4,681.8)	$ (1,707.7)	$ 7,731.3	$ 14,053.1	$ 14,210.4	$ 4,205.3	$ 7,673.6	$ 4,203.4	$ 10,922.4	$ 4,543.2

City of Cumberland, Maryland
Fund Balances - Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonspendable	2,177,821	2,582,740	2,637,657	2,482,253	2,905,853	3,609,418	3,573,092	2,824,929	3,010,083	2,908,681
Restricted	6,186,903	3,221,990	3,023,182	1,970,400	3,659,200	4,431,211	7,197,717	6,091,604	5,192,515	3,839,916
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	3,000,000	5,771,183	5,924,345	4,186,492
Unassigned	830,789	1,163,987	2,056,534	2,747,729	2,284,687	5,293,724	6,512,269	7,859,143	9,213,668	9,637,227
Unreserved	-	-	-	-	-	-	-	-	-	-
Total general fund	$ 9,195,513	$ 6,968,717	$ 7,717,373	$ 7,200,382	$ 8,849,740	$ 13,334,353	$ 20,283,078	$ 22,546,859	$ 23,340,611	$ 20,572,316
Capital Projects Fund										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonspendable	-	-	-	-	-	-	-	-	-	14,596
Restricted	(31,343)	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(132,015)	(3,449)	-	(104,201)	(145,516)	(47,982)	(38,202)	(1,218,902)	(3,397,662)	(1,529,316)
Unreserved	-	-	-	-	-	-	-	-	-	-
Total housing fund	$ (163,358)	$ (3,449)	$ -	$ (104,201)	$ (145,516)	$ (47,982)	$ (38,202)	$ (1,218,902)	$ (3,397,662)	$ (1,514,720)
All Other Governmental Funds										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonspendable	-	-	-	-	75	-	2,000	-	230,721	215,517
Restricted	2,099,470	1,854,000	1,986,392	1,642,638	1,538,922	1,428,326	1,752,169	1,122,525	844,502	990,506
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(149,510)	(26,625)	(23,538)	(43,479)	(234,135)	(140,396)	(20,611)	(11,692)	(229,676)	(211,684)
Unreserved	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	$ 1,949,960	$ 1,827,375	$ 1,962,854	$ 1,599,159	$ 1,304,862	$ 1,287,930	$ 1,733,558	$ 1,110,833	$ 845,547	$ 994,339
All Governmental Funds										
Total Fund Balance All Governmental Funds	$ 10,982,115	$ 8,792,643	$ 9,680,227	$ 8,695,340	$ 10,009,086	$ 14,574,301	$ 21,978,434	$ 22,438,790	$ 20,788,496	$ 20,051,935

City of Cumberland, Maryland
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Revenues										
Taxes	$ 11,001,020	$ 11,530,679	$ 12,486,218	$ 12,309,591	$ 12,127,222	$ 13,701,412	$ 13,535,004	$ 13,659,693	$ 14,100,340	$ 14,811,152
Licenses and permits	213,539	203,847	120,149	82,829	123,465	221,369	153,661	114,462	128,189	181,421
Intergovernmental	7,007,493	7,131,752	7,131,421	7,587,139	8,164,270	8,798,358	12,060,281	13,339,135	17,436,291	15,051,195
Charges for Services	1,688,563	1,630,969	1,572,403	1,585,937	1,670,631	1,639,737	1,837,385	2,032,639	2,033,542	2,082,791
Fines, Forfeitures and Interest	60,111	67,168	97,110	147,840	115,702	51,509	113,222	1,117,894	1,681,324	1,050,967
Miscellaneous	679,849	613,514	800,415	1,033,492	771,078	1,518,878	1,778,096	1,219,846	1,706,597	1,914,026
Total revenue	20,650,575	21,177,929	22,207,716	22,746,828	22,972,368	25,931,263	29,477,649	31,483,669	37,086,283	35,091,552
Expenditures										
Current Operations:										
General Government	$ 2,032,291	$ 2,110,185	$ 1,689,269	$ 2,130,736	$ 2,089,377	$ 2,132,825	$ 2,284,297	$ 2,305,816	$ 2,885,486	$ 2,805,552
Public Safety	11,211,859	10,789,586	11,328,558	11,191,983	11,261,493	12,542,999	14,419,869	15,289,290	15,555,933	15,976,241
Public Works	2,730,567	2,534,738	2,569,155	2,486,454	2,690,097	2,715,035	2,327,534	2,711,204	2,866,806	3,756,079
Recreation	842,531	813,098	801,327	832,010	793,052	785,922	848,365	801,253	893,539	887,127
Community development and housing	7,058,776	5,659,488	4,350,964	4,700,220	5,373,769	4,708,054	4,559,628	7,119,262	5,697,311	5,516,162
Capital Outlay	1,277,315	1,980,388	460,357	1,872,178	1,458,036	496,708	1,435,726	3,194,175	10,305,445	9,643,597
Principal	1,488,813	1,493,047	4,800,511	1,739,910	1,774,298	1,867,536	2,343,371	2,687,667	2,861,171	3,129,793
Interest	1,114,141	1,177,373	1,008,088	1,028,162	1,029,166	895,957	1,062,640	1,042,080	993,599	983,995
Bond issue costs	101,887	-	281,891	24,134	84,242	181,422	102,364	29,209	42,895	99,850
Total Expenditures	27,858,180	26,557,903	27,290,120	26,005,787	26,553,530	26,326,458	29,383,794	35,179,956	42,102,185	42,798,396
Excess (deficiency) revenue over expenditures	$ (7,207,605)	$ (5,379,974)	$ (5,082,404)	$ (3,258,959)	$ (3,581,162)	$ (395,195)	$ 93,855	$ (3,696,287)	$ (5,015,902)	$ (7,706,844)
Other Financing Sources (Uses)										
Transfers-in	$ 5,179,913	$ 5,214,542	$ 2,348,332	$ 3,671,440	$ 2,953,249	$ 3,133,101	$ 2,987,360	$ 3,974,620	$ 5,880,679	$ 7,250,472
Transfers-out	(1,497,205)	(2,213,570)	(514,430)	(1,970,688)	(1,342,002)	(601,220)	(490,674)	(1,511,973)	(4,589,091)	(5,464,258)
Issuance of debt	4,811,250	39,530	425,995	549,975	2,935,326	2,138,020	4,198,248	1,067,326	1,717,383	3,186,703
Refunding proceeds	-	-	13,864,300			6,497,210	-	-	-	-
Bond Premiums	-	-	790,643	23,345	348,335	457,037	615,344	138,889	152,219	164,393
Special Item - Demolition Costs	(249,193)	-	-	-	-	-	-	-	-	-
Payment to refund bonds	-	-	(10,944,852)	-	-	(6,663,738)	-	-	-	-
Financing of Subscription-Based Information Technology Arrangements	-	-	-	-	-	-	-	487,781	204,418	-
Financing of Leases										1,832,973
Total Other Financing Sources (Uses)	$ 8,244,765	$ 3,040,502	$ 5,969,988	$ 2,274,072	$ 4,894,908	$ 4,960,410	$ 7,310,278	$ 4,156,643	$ 3,365,608	$ 6,970,283
Net change in fund balances	**$ 1,037,160**	**$ (2,339,472)**	**$ 887,584**	**$ (984,887)**	**$ 1,313,746**	**$ 4,565,215**	**$ 7,404,133**	**$ 460,356**	**$ (1,650,294)**	**$ (736,561)**
Debt Service as percentage of non-capital expenditures	10.21%	11.04%	22.25%	11.99%	11.57%	11.27%	13.36%	12.77%	13.56%	13.40%

Note: Expenditures for Capital Assets are reported above as "Capital Outlays, as well as departmental expenditures. The total expenditures for capital assets is utilized for computing the ratio above.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Expenditures for Capital Assets	$ 2,374,138	$ 2,363,501	$ 1,189,068	$ 2,922,031	$ 2,323,827	$ 1,805,235	$ 3,881,913	$ 5,978,225	$ 13,683,086	$ 12,088,415

City of Cumberland, Maryland
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levy	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	%age of Levy		Amount	%age of Levy
2025	$ 14,530,009	$ 13,490,938	92.85%	$ -	$ 13,490,938	92.85%
2024	13,228,340	12,277,276	92.81%	527,118	12,804,394	96.80%
2023	12,754,233	11,170,432	87.58%	1,472,806	12,643,239	99.13%
2022	12,337,425	11,297,765	91.57%	992,929	12,290,694	99.62%
2021	12,137,099	11,174,416	92.07%	932,240	12,106,656	99.75%
2020	11,861,069	10,588,557	89.27%	1,232,935	11,821,492	99.67%
2019	11,605,113	10,647,083	91.74%	948,434	11,595,517	99.92%
2018	11,539,587	10,613,427	91.97%	916,532	11,529,959	99.92%
2017	10,490,966	9,692,052	92.38%	791,009	10,483,061	99.92%
2016	10,141,863	9,339,789	92.09%	794,854	10,134,643	99.93%

City of Cumberland, Maryland
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year ended June 30,	Real Property	Real Property Rate	Real Property - Less than Full Rate	Half-Year Tax Rate	Personal Property - Unincorporated	Personal Property - Corporation	Personal Property - Privately Owned Railroads and Public Utilities	Total Personal Property Tax Base	Personal Property
2025	$ 1,065,189,429	$ 1.0595	$ 1,334,500	$ 0.5298	$ 1,412,960	$ 48,869,117	$ 71,970,800	$ 122,252,877	$ 2.6480
2024	979,500,734	1.0595	1,911,803	0.5298	1,313,633	39,244,576	66,707,690	107,265,899	2.6480
2023	920,998,510	1.0595	5,738,128	0.5298	1,468,310	47,105,475	63,429,800	112,003,585	2.6480
2022	898,043,826	1.0595	240,500	0.5298	1,532,090	46,425,201	58,590,190	106,547,481	2.6480
2021	892,391,655	1.0595	1,769,500	0.5298	1,345,031	43,685,540	55,907,300	100,937,871	2.6480
2020	874,522,039	1.0595	166,170	0.5298	1,424,379	46,217,935	50,342,140	97,984,454	2.6480
2019	863,404,153	1.0595	4,914,600	0.5298	1,583,898	43,282,998	46,949,970	91,816,866	2.6480
2018	863,629,825	1.0595	-	0.5298	1,773,565	43,288,379	45,173,290	90,235,234	2.6480
2017	850,099,543	0.9654	2,195,896	0.4827	2,074,168	42,060,780	41,722,490	85,857,438	2.6480
2016	830,803,398	0.9654	3,713,487	0.4827	2,230,023	36,407,247	40,794,830	79,432,100	2.6480

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland
Property Tax Rates and Tax Levies (Real Property) – Direct Overlapping Governments
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Rate per $100 of Assessed Value				Tax Levies			
	City	County (1)	State	Total	City	County	State	Total
2025	1.0595	0.8045	0.112	1.98	$ 11,285,682	$ 8,569,449	$ 1,193,012	$ 21,048,143
2024	1.0595	0.8183	0.112	1.99	$ 10,377,810	$ 8,015,255	$ 1,097,041	$ 19,490,106
2023	1.0595	0.8315	0.112	2.00	9,757,979	7,658,103	1,031,518	18,447,600
2022	1.0595	0.8315	0.112	2.00	9,514,774	7,467,234	1,005,809	17,987,818
2021	1.0595	0.8223	0.112	1.99	9,454,890	7,338,137	999,479	17,792,505
2020	1.0595	0.8385	0.112	2.01	9,265,561	7,332,867	979,465	17,577,893
2019	1.0595	0.8324	0.112	2.00	9,147,767	7,186,976	967,013	17,301,756
2018	1.0595	0.8452	0.112	2.02	9,150,158	7,299,399	967,265	17,416,823
2017	0.9654	0.8486	0.112	1.93	8,206,861	7,213,945	952,111	16,372,917
2016	0.9654	0.8530	0.112	1.93	8,020,576	7,086,753	930,500	16,037,829

Source: Allegany County, Finance Department

City of Cumberland, Maryland
Principal Property Tax Payers
Real Property Taxes
Current Year and Nine Years Ago

	2025			2016		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City
Western MD Health System Inc.	$ 18,324,067	1	1.87%	$ 17,737,433	1	2.09%
CSX Transportation	18,048,140	2	1.84%	11,064,400	2	1.31%
Cumberland Hospitality LLC	10,160,100	3	1.04%			
2911 Rhode Island BL LLC	10,012,600	4	1.02%			
ARC Cumberland LLC	9,907,900	5	1.01%	9,203,500	3	1.09%
Cumberland MD I SGF LLC	9,185,367	6	0.94%			
Loves Travel Stop & Country Store	9,130,667	7	0.93%			
Christie Realty	7,961,333	8	0.81%			
Northbranch Properties LLC	7,649,733	9	0.78%			
Burhans Village LLC	6,668,033	10	0.68%			
Perini Services-Devlin Manor				5,316,700	4	0.63%
EII Cumberland Associates LLC				4,544,867	5	0.54%
Allegany Healthcare Group LLC				4,256,933	6	0.50%
BOIII Cumberland LLC				4,109,567	7	0.49%
Hamstead Cumberland Arms				3,526,267	8	0.42%
Cumberland Manor Associates				3,433,200	9	0.41%
Memorial Hospital Medical Center				3,233,567	10	0.38%
Total	**$ 107,047,940**		**10.93%**	**$ 66,426,434**		**7.84%**

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland
Principal Property Tax Payers
Corporation Personal Property Taxes
Current Year and Nine Years Ago

	2025			2016		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City
Columbia Gas of Maryland	$ 31,412,000	1	29.65%	$ 8,839,560	3	11.23%
Potomac Edison Company	20,242,080	2	19.10%	13,883,770	1	17.63%
CSX Transportation Inc.	11,737,530	3	11.08%	9,184,900	2	11.67%
Verizon Maryland LLC	5,678,410	4	5.36%	6,873,550	4	4.04%
Cogeco US (Atlantic Broadband)	5,010,320	5	4.73%	3,511,130	5	4.46%
The Giant Company	1,710,970	6	1.61%			0.00%
Global tel Link Corp	1,475,990	7	1.39%			
The Webstaurant Store LLC	1,443,500	8	1.36%			
FEC Western Maryland LLC	1,178,550	9	1.11%			
Roadsafe Traffic Systems, Inc	914,880	10	0.86%			
Level 3 Communications				1,154,160	9	1.47%
Giant Food Stores				1,254,180	7	1.59%
De Lage Landen Operational Service				1,669,600	6	2.12%
Haystack Imaging Services				1,177,730	8	1.50%
Black Sapphire C Cumberland				$ 901,030	10	1.14%
Total	**$ 80,804,230**		**76.26%**	**$ 48,449,610**		**56.85%**

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

			Government Activities				Business-Type Activities					
Fiscal Year Ended June 30	Personal Income	Population	General Obligation Bonds	GASB 87 Leases	GASB 96 SBITA*	Notes and Leases	General Obligation Bonds	GASB 96 SBITA*	Notes and Leases	Total Outstanding Debt	Percentage of Personal Income	Debt Per Capita
2025	$ 572,249,546	18,938	$ 27,444,898	$ 1,619,854	$ 200,541	$ 305,000	$ 27,199,488	$ 105,796	$ -	$ 56,875,577	9.94%	$ 3,003
2024	559,961,113	18,751	27,262,101	-	345,593	375,000	27,836,764	138,273	-	55,957,731	9.99%	$ 2,984
2023	526,639,371	18,769	29,376,422	-	295,241	440,000	28,277,606	124,663	-	58,513,932	11.11%	$ 3,118
2022	486,311,616	18,736	30,809,684	-	-	505,000	27,530,744	-	-	58,845,428	12.10%	$ 3,141
2021	445,291,068	19,076	28,485,390	-	-	577,148	24,892,430	-	3,064	53,958,032	12.12%	$ 2,829
2020	450,146,412	19,284	27,466,279	-	-	645,418	24,630,362	-	6,608	52,748,667	11.72%	$ 2,735
2019	401,268,520	19,480	26,019,635	-	-	708,364	31,975,935	-	10,013	58,713,947	14.63%	$ 3,014
2018	398,554,368	19,707	27,227,819	-	-	770,999	29,667,965	-	13,285	57,680,068	14.47%	$ 2,927
2017	455,698,180	19,978	26,909,376	-	-	833,336	30,162,360	-	16,429	57,921,501	12.71%	$ 2,899
2016	441,169,080	20,130	28,351,229	-	-	845,000	31,785,149	-	-	60,981,378	13.82%	$ 3,029

See Economic and Demographic Statistics Chart for Personal Income and Population sources

Details regarding the City's outstanding debt can be found in the notes to the financial statements

*Subscription-Based Information Technology Arrangements

City of Cumberland, Maryland
Ratio of General Obligation Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population	Assessed Value (000's)	General Obligation Bonds	Percentage of Total Taxable Value of Property	Per Capita
2025	18,938	$ 1,065,189,429	$ 54,644,386	5.13%	$ 2,885
2024	18,751	979,500,734	55,098,865	5.63%	2,938
2023	18,769	920,998,510	57,654,028	6.26%	3,072
2022	18,736	920,998,510	58,340,428	6.33%	3,114
2021	19,076	898,043,826	53,377,820	5.94%	2,798
2020	19,284	892,391,655	52,096,641	5.84%	2,702
2019	19,480	874,522,039	57,995,570	6.63%	2,977
2018	19,707	863,404,153	56,895,784	6.59%	2,887
2017	19,978	863,629,825	57,071,736	6.61%	2,857
2016	20,130	850,099,543	60,136,378	7.07%	2,987

Fiscal Year Ended June 30	Population	Assessed Value (000's)	General Obligation Governmental Bonds	Percentage of Total Taxable Value of Property	Per Capita
2025	18,938	$ 1,065,189,429	$ 27,444,898	2.58%	$ 1,449
2024	18,751	979,500,734	27,262,101	2.78%	1,454
2023	18,769	920,998,510	29,376,422	3.19%	1,565
2022	18,736	920,998,510	30,809,684	3.35%	1,644
2021	19,076	898,043,826	28,485,390	3.17%	1,493
2020	19,284	892,391,655	27,466,279	3.08%	1,424
2019	19,480	874,522,039	26,019,635	2.98%	1,336
2018	19,707	863,404,153	27,227,819	3.15%	1,382
2017	19,978	863,629,825	26,909,376	3.12%	1,347
2016	20,130	850,099,543	28,351,229	3.34%	1,408

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland
Ratios of Annual Debt Service Expenditures
For General Fund Debt to Total General Fund Expenditures
Last Ten Fiscal Years

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to Total General Fund Expenditures
2025	$ 3,021,043	$ 974,321	$ 3,995,364	$ 30,135,276	13.26%
2024	2,725,787	982,141	3,707,927	27,196,082	13.63%
2023	2,457,627	1,028,943	3,486,570	26,459,286	13.18%
2022	2,278,371	1,047,840	3,326,211	23,746,160	14.01%
2021	1,807,638	879,557	2,687,195	21,654,028	12.41%
2020	1,719,298	1,014,241	2,733,539	20,283,122	13.48%
2019	1,150,910	974,524	2,125,434	19,118,177	11.12%
2018 (1)	4,608,511	938,646	5,547,157	22,717,711	24.42%
2017	976,047	786,199	1,762,246	19,864,905	8.87%
2016	938,826	701,841	1,640,667	21,633,684	7.58%

(1) 2018 includes 2016 BAN debt refunding which skews the ratio. The Ratio of debt to General Fund expenditures is 10.65% excluding the $3.5 million 2016 BAN refunding.

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland
Computation of Direct and Overlapping Debt
June 30, 2025

Municipality	Net Debt Outstanding	Percentage Applicable to the City Rounded	Amount Applicable to the City
City of Cumberland (1)	$29,570,293	100.0%	$29,570,293
Allegany County, Maryland (2)	$31,656,250	21.5%	$6,804,295
Total debt and overlapping debt	$61,226,543		$36,374,588

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county' taxable assessed value that is within the government's boundaries and dividing it by the county's total assessed value

Source: City of Cumberland

City of Cumberland, Maryland
Economic and Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Personal Income (1)	Personal Income	Unemployment Rate (2)
2025	18,938	$ 30,217	$ 572,249,546	5.1%
2024	18,751	$ 29,863	$ 559,961,113	4.2%
2023	18,769	28,059	526,639,371	2.7%
2022	18,736	25,956	486,311,616	5.4%
2021	19,076	23,343	445,291,068	6.6%
2020	19,284	23,343	450,146,412	9.7%
2019	19,480	20,599	401,268,520	5.8%
2018	19,707	20,224	398,554,368	5.9%
2017	19,978	22,810	455,698,180	5.9%
2016	20,130	21,916	441,169,080	6.5%

Sources:

(1) 2016-2024, United States Census Bureau - https://www.census.gov/quickfacts/fact/table/cumberlandcitymaryland/PST

(1) 2025, Census Reporter - https://censusreporter.org/profiles/16000US2421325-cumberland-md/

(2) 2016-2024, https://fred.stlouisfed.org/series/CUMB024URN

(2) 2025, https://labor.maryland.gov/lmi/laus/

City of Cumberland, Maryland
Principal Employers in Allegany County, Maryland
Current Year and Nine Years Ago

	2025			2016		
Employer	**# of Employees**	**Rank**	**Percentage of Total County Employment**	**# of Employees**	**Rank**	**Percentage of Total County Employment**
Western Maryland Health System (UPMC)	2,100	1	7.83%	2,200	1	19.97%
Allegany County Board of Education	1,305	2	4.87%	1,188	2	10.78%
Frostburg State University	858	3	3.20%			
CSX Transportation	590	4	2.20%	900	3	8.17%
Western Correctional Institution	588	5	2.19%			
North Branch Correctional Institution	574	6	2.14%			
American Woodmark	570	7	2.13%			
Walmart	500	8	1.87%			
WebstaurantStore	500	9	1.87%			
Allegany College	461	10	1.62%	800	4	7.26%
Flagship Rehab (Care Vent, Rehab 1st)				492	5	4.47%
Allegany County Government				427	6	3.88%
Allegany County Health Dept				310	7	2.81%
City of Cumberland				258	8	2.34%
CareFirst BC/BS				208	9	1.89%
FAI Industries/Friends Aware				197	10	1.79%
Total employees for ten largest employers	**8,046**		**29.92%**	**6,980**		**63.36%**

Source: Allegany County Economic Development Office

City of Cumberland, Maryland
Building Permits Issued and Property Values
Last Ten Fiscal Years

	Commercial Construction			Residential Construction	
Fiscal Year Ended June 30	Number of Units	Value		Number of Units	Value
2025	45	$ 14,742,800	*(8)*	40	$ 3,666,757
2024	23	6,975,043	*(7)*	22	18,269,312
2023	23	2,242,148	*(6)*	21	1,464,267
2022	23	7,080,354	*(5)*	25	1,635,800
2021	20	23,041,950	*(4)*	17	1,634,719
2020	25	19,325,865	*(3)*	7	451,000
2019	27	5,682,883		23	1,730,700
2018	30	4,987,842		5	281,974
2017	35	42,136,430	*(2)*	12	557,700
2016	28	61,123,104	*(1)*	14	1,415,030

(1) Includes permit for non-taxable Board of Education High School construction - $50,783,000
(2) Includes permit for non-taxable Wastewater Treatment Plant Improvements - $26,403,440
(3) Includes permits for several non-taxable projects - $10,969,000
(4) Includes permits for several non-taxable projects - $10,019,000
(5) Includes permits for two non-taxable projects - $1,803,600
(6) Includes permits for two non-taxable projects - $89,895
(7) Includes permits for two non-taxable projects - $3,364,594
(8) Includes permits for one non-taxable project - $124,935

Source: City of Cumberland, Department of Community Development

City of Cumberland, Maryland
Annual Budget Approved Employees by Function

Function	Actual at 6/30 2025	Adopted 2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental Fund Departments											
General Government											
Mayor & Council	5	5	5	5	5	5	5	5	5	5	5
City Administrator	2	2	2	1	1	-	1	1	1	1	1
City Clerk	2	2	2	2	2	2	2	2	2	2	2
Personnel	2	2	2	2	2	2	2	2	2	2	2
Finance	8	8	8	8	8	11	11	11	11	11	11
IT	3	3	4	3	3	3	4	4	4	4	4
Cybersecurity	1	1	-	-	-	-	-	-	-	-	-
Central Services	6	6	6	6	6	5	5	6	6	6	6
Public Safety											
Police Department											
Uniform Management	5	5	4	5	5	4	6	6	6	6	6
Uniform Officers	43	46	45	46	41	44	43	45	45	47	47
Civilian	4	4	4	4	4	4	4	3	3	3	3
Police Full-time Grant	-	-	2	2	2	3	3	3	3	2	2
Fire Department	61	53	50	53	51	50	51	49	49	54	61
Fire Full-time Grant	-	-	-	-	-	-	-	-	-	-	-
Public Works:											
Administration	2	2	2	2	2	2	2	2	3	3	3
Engineering	7	7	7	7	7	8	8	8	9	8	8
Vehicle Maintenance	4	4	4	4	4	4	4	4	4	4	4
Street Department	13	17	16	17	16	14	14	15	15	16	16
Recreation											
Recreation	1	1	1	1	1	1	1	1	1	1	1
Parks	1	1	1	1	2	3	3	4	4	4	4
Community Development											
Community Development	7	7	7	7	8	9	8	7	8	10	12
Historic Preservation	2	1	1	1	1						
Economic Development	3	3	3	3	3	3	3	3	3	3	2
Downtown Development	1	2	2	2	2	2	2	3	4	4	4
Total Governmental Funds	183	182	178	182	176	179	182	184	188	196	204
Proprietary Fund Departments:											
Water Distribution	20	20	19	20	21	19	21	21	21	21	21
Water Filtration	12	12	12	12	12	10	10	10	11	10	10
Wastewater Treatment	14	14	14	14	11	12	13	13	13	13	13
Flood/Sewer	13	14	13	14	14	14	14	14	14	13	11
Utility Services	4	4	4	4	4	4	4	3	1	-	-
Municipal Parking Authority	1	1	1	1	1	1	1	1	2	2	2
Total Proprietary Funds	64	65	63	65	63	60	63	62	62	59	57
Total Full-time	**242**	**242**	**236**	**242**	**234**	**234**	**240**	**241**	**245**	**250**	**256**
Elected Public Officials	**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**

Source: City of Cumberland Human Resources Department

City of Cumberland, Maryland
Capital Assets Statistics by Function
Last Ten Fiscal Years

Function	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Government										
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	43	32	34	30	29	30	32	34	31	30
Fire:										
Stations	2	2	2	2	3	3	3	3	3	3
Number of Vehicles	14	13	14	13	15	15	15	14	15	15
Public Works:										
Streets (miles)	151.0	150.8	150.8	150.8	150.8	150.7	150.7	150.7	150.7	150.7
Traffic Signals	22	22	22	22	22	22	22	22	22	22
Enterprise Operations										
Water Operations:										
Miles of Water Main	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5
Number of Fire Hydrants	906	906	906	900	900	900	900	900	900	900
Waste Water Operations:										
Miles of Storm/Sanitary Sewers	135.0	135.0	135.0	135.0	135.0	135.0	135.0	135.0	135.0	135.0
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland
Operating Indicators by Function
Last Ten Fiscal Years

Function	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
General Government										
Building Permits Issued										
Commercial Permits Issued	45	23	23	23	20	25	27	30	35	28
Residential Permits Issued	40	22	21	25	17	7	23	5	12	14
Total Value of Permits Issued	$ 18,409,557	$ 25,244,355	$ 3,706,415	$ 8,716,154	$ 24,676,669	$ 19,776,865	$ 7,413,583	$ 5,269,816	$ 42,694,130	$ 62,538,134
Public Safety										
Traffic Citations	540	727	537	685	1,629	547	828	778	690	796
Arrests	1,892	2,087	1,623	1,504	1,794	1,918	2,151	2,276	2,144	1,926
Fire										
Number of Ambulance Calls	6,068	6,377	5,984	5,927	5,507	5,425	5,181	5,262	5,594	5,770
Number of Fire Calls	1,464	1,692	1,441	1,471	1,436	1,941	1,333	1,453	1,370	1,322
Public Works										
Miles of Streets Maintained	134.12	133.93	133.93	133.93	133.93	133.1	133.4	133.4	133.4	133.4
Miles of New Street Overlay	5.42	4.10	3.03	1.51	1.51	1.64	2.77	4.25	1.10	8.44
Enterprise Operations										
Water Operations										
Number of Service Connections	9,659	9,659	9,675	9,670	9,551	9,547	9,810	9,818	9,820	9,876
Maximum Daily Capacity (Gallons/Millions)	15	15	15	15	15	15	15	15	15	15
Average daily plant production (Gallons/Millions)	4.669	5.684	5.949	6.225	5.976	6.061	6.334	6.554	6.939	7.463
Wastewater Operations										
Number of Service Connections	8,854	8,854	8,868	8,862	8,536	8,707	8,967	8,949	8,951	8,957
Maximum Daily Capacity (Gallons/Millions)	25	25	25	25	25	25	25	25	25	25
Average daily plant production (Gallons/Millions)	9.525	10.082	9.585	10.124	10.112	10.417	15.295	11.011	10.838	9.872

Source: City of Cumberland, Finance Department

ST. MARY'S COUNTY

POPULATION (June 2020 Census):	113,777		
YEAR	**2025**	**2024**	**2023**
PROPERTY:	$15,617,871,756	$14,102,487,497	$13,643,830,856

Summary of General Fund, Year Ended June 30, 2025

	2025	**2024**	**2023**
REVENUES:			
Taxes	296,657,207	277,072,625	261,369,856
Highway user revenues	2,974,623	2,045,576	1,866,156
Licenses & permits	560,444	576,262	558,661
Intergovernmental	13,681,061	18,794,325	14,894,477
Charges for services	7,558,362	3,614,363	3,680,023
Fines and forfeitures	44,219	41,758	53,153
Other revenues	12,613,045	12,727,334	10,219,422
Pass-throughs			
Total Revenues	$ 334,088,961	$ 314,872,243	$ 292,641,748
EXPENDITURES:			
General government	38,072,042	35,849,108	34,294,465
Public safety	79,735,187	75,432,211	74,706,614
Public works	15,962,385	14,346,278	14,358,790
Health	6,136,226	5,854,004	5,598,652
Social services	5,919,213	4,948,166	5,050,606
Primary and secondary education	137,727,092	131,665,790	124,877,736
Post-secondary education	5,357,620	5,049,058	4,817,603
Parks, recreation, and culture	6,129,215	5,670,270	5,445,125
Libraries	4,318,036	3,828,048	3,310,050
Conservation of natural resources	719,504	706,414	843,494
Housing			
Economic development	3,827,987	2,778,840	2,509,072
Debt service (P & I)	15,482,150	15,628,773	13,313,552
Intergovernmental	72,786	-	-
Other	6,647,885	8,931,139	4,578,448
Pass-throughs	-	-	-
Total Expenditures	$ 326,107,328	$ 310,688,099	$ 293,704,207

	2025	**2024**	**2023**
ASSETS:			
Cash & cash equivalents	88,214,726	96,355,181	126,557,111
Restricted cash and investments	64,729,957	54,901,508	36,212,732
Taxes receivable	2,730,674	2,042,335	1,870,346
Income tax reserve	81,423,035	72,811,258	65,095,534
Accounts receivable	14,170,253	9,096,399	9,096,399
Inventory	1,420,919	1,438,066	1,328,578
Other	182,903	205,458	206,654
Due from fiduciary fund	2,715,810	1,694,391	2,069,788
Total Assets	$ 255,588,277	$ 238,544,596	$ 242,437,142
LIABILITIES:			
Accounts payable	7,013,294	3,730,011	13,759,618
Compensated-related liabilities	11,721,140	11,742,701	13,418,700
Deferred income tax distribution			
Unearned revenue	1,967,613	3,551,222	12,232,278
Other liabilities	9,286,782	8,674,345	10,248,953
Due to other funds	65,650,493	69,188,988	58,337,101
Due to other governments			
Unavailable income tax distribution			
Total Liabilities	$ 95,639,322	$ 96,887,267	$ 107,996,650

ST. MARY'S COUNTY Cont.

Year Ended June 30, 2025

	2025	2024	2023
FUND BALANCES:			
Nonspendable	$ 1,602,416	$ 1,706,732	$ 1,682,111
Restricted	$ 611,960	$ 584,212	$ 501,323
Committed	$ 62,251,237	$ 26,534,485	$ 33,880,000
Assigned	$ 5,301,755	$ 7,009,602	$ 14,394,143
Undesignated/Unassigned	$ 18,923,250	$ 43,175,738	$ 29,052,079
Total Fund Balances	$ 88,690,618	$ 79,010,769	$ 79,509,656
LONG-TERM DEBT:			
Governmental activities	211,929,263	190,821,251	165,067,311
Business-type activities	903,131	1,169,568	420,228
Total L-T Liabilities	$ 212,832,394	$ 191,990,819	$ 165,487,539

Property Taxes and Taxes Receivable: Real Property

	Total assessed Value of Real Property	General tax rate/$100	Actual Tax Levy	Current Year Amount Collected
2025	$14,712,177,646	0.8478	$124,729,842	$123,162,028
2024	$14,102,487,497	0.8478	$119,560,889	$118,078,593
2023	$13,643,830,856	0.8478	$115,672,398	$114,356,463
2022	$13,230,915,665	0.8478	$111,869,155	$111,566,607
2021	$12,790,142,604	0.8478	$108,434,829	$107,141,980
2020	$12,491,372,376	0.8478	$105,901,855	$104,425,513

ST. MARY'S COUNTY

Property Taxes and Taxes Receivable: Personal Property

	Total assessed Value of Personal Property	General tax rate/$100	Actual Tax Levy	Current Year Amount Collected
2025	$178,146,649	2.1195	$3,775,818	$3,775,818
2024	$172,662,043	2.1195	$3,659,572	$3,659,572
2023	$186,487,379	2.1195	$3,952,600	$3,952,600
2022	$180,412,597	2.1195	$3,823,845	$3,823,845
2021	$194,655,154	2.1195	$4,125,716	$4,125,716
2020	$188,477,377	2.1195	*	*

Property Taxes and Taxes Receivable: Railroads & Public Utilities Property

	Total assessed Value of Railroads & Public Utilities Property	General tax rate/$100	Actual Tax Levy	Current Year Amount Collected
2025	$143,001,981	2.1195	$3,030,927	$3,030,927
2024	$136,905,213	2.1195	$2,901,706	$2,901,706
2023	$149,487,709	2.1195	$3,168,392	$3,168,392
2022	$139,795,140	2.1195	$2,962,958	$2,962,958
2021	$131,654,730	2.1195	$2,790,422	$2,790,422
2020	$123,555,084	2.1195	*	*

* Consolidated - as amounts are not tracked separately.

ST. MARY'S COUNTY

State-aid Intercept Pledge : Analysis

Jurisdiction	**Available funds received (Period : CY-2024)**	**Available funds received (Period : CY-2025)**	**Average of funds received (Period : CY-2006 thru CY-2025)**	**Maximum Annual Debt Service (MADS) on pledged indebtedness [1]**
St. Mary's County	$170,429,369	$190,382,950	$120,073,089	$6,094,462

[1] Total of all known and proposed debt with a State-aid Intercept Pledge associated with it.

COMMISSIONERS OF ST. MARY'S COUNTY

Financial Statements and Supplemental Schedules
Together with Report of Independent Public Accountants

For the Year Ended June 30, 2025

COMMISSIONERS OF ST. MARY'S COUNTY

Financial Statements and Supplemental Schedules
Together with Report of Independent Public Accountants

JUNE 30, 2025

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Certified Public
Accountants &
SBC Business Advisors

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Commissioners of St. Mary's County

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commissioners of St. Mary's County (the County) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County, as of June 30, 2025, and the respective changes in financial position, the budgetary comparison for the general fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The County's 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10200 Grand Central Avenue • Suite 250 • Owings Mills • Maryland 21117 • P 410.584.0060 • F 410.584.0061

Certified Public Accountants & Business Advisors
SBC

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of County proportionate share and schedule of contributions and related ratios of the net pension liability of the Maryland State Retirement and Pension System, schedule of changes in net pension liability and related ratios and schedule of contributions of the Sheriff's Office Retirement Plan and of the Length of Service Program, and schedule of changes in net OPEB liability and related ratios and schedule of contributions of the Retiree Benefit Trust Fund (OPEB), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, required supplementary information, and budget and actual schedules as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements, budget and actual schedules, and schedule of unexpended appropriations for capital projects, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budget and actual schedules, and schedule of unexpended appropriations for capital projects, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements, budget and actual schedules, and schedule of unexpended appropriations for capital projects, as listed in the accompanying table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

Owings Mills, Maryland
December 4, 2025

SB & Company, LLC

This section of the Annual Financial Report of St. Mary's County, Maryland (the County) presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2025. 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 County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $403.6 million (net position). Approximately $15.3 million, or 3.8%, is attributable to the County's enterprise funds, which include business-type activities for Solid Waste and Recycling, Recreation and Parks Activities, and the Wicomico Golf Course. Unrestricted Net Position for FY2025 is $129.6 million, a change from FY2024 of $117.5 million, an increase of approximately $12.1 million. Net position includes approximately $273.3 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 County's overall net position reflects an increase of $7.1 million compared to the prior year.

- Governmental activities' total indebtedness increased by approximately $20.9 million during the fiscal year ended June 30, 2025. Increase was mainly due to the issuance of bonds during FY2025 of $30 million plus the premium amount of $1.5 million for capital improvement projects. Payments on the debt totaled approximately $10.8 million. The estimated post-closure costs of the landfill decreased by approximately $0.4 million and there was an increase in the accrual for compensated absences of approximately $0.6 million.

- As of June 30, 2025, the County's governmental funds reported combined fund balances of $160.9 million, an increase of $9.9 million compared to the prior year. The general fund reflected an increase of $9.7 million. The capital projects fund reflected an increase of $4.1 million. The fund balance for the non-major funds decreased by $3.8 million. The County's governmental fund balances as of June 30, 2025 include $69.9 million for capital projects, $88.7 million in general funds, and $2.3 million for the other non-major funds. The general fund balance of $88.7 million includes $2.2 million that is nonspendable and restricted, as well as $62.3 million which is committed to the following: $50.1 for the 15% policy reserve and $12.1 million for use of non-recurring in the FY2026 Budget. In addition, the general fund has an assigned balance of approximately $5.3 million which includes encumbrances.

Financial Highlights (continued)

- With the FY2025 budget, cost shifts continue as a result of current political, economic and budgetary conditions at both the federal and state levels. As such, this budget continues to focus on funding recurring expenses with recurring revenues. 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 the budget using $6.7 million of unassigned fund balance. Maintaining a healthy fund balance can help the County to weather negative revenue results and avoid sudden disruption or elimination of services, by allowing time for a plan to be developed to address negative trends.

- The non-major funds are special purpose funds consisting of special assessments, the emergency services support fund, the emergency services billing fund and a revolving loan fund set up to assist volunteer fire and rescue squads in financing their acquisition of capital assets.

- The non-major funds are special purpose funds consisting of special assessments, the emergency services support fund, the emergency services billing fund and a revolving loan fund set up to assist volunteer fire and rescue squads in financing their acquisition of capital assets.

- As of June 30, 2025, the unassigned fund balance for the general fund (primary operating fund) was $18.9 million, or 5.8% of general fund expenditures. Assigned fund balance of the general fund was $5.3 million, or 6.0% of the total general 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.

Overview of the Financial Statements (continued)

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, and recreation and parks. The business-type activities of the County include Recreation Activity, Wicomico Golf Course and Solid Waste & Recycling.

The government-wide financial statements include not only the 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, and the Metropolitan Commission. 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 19 to 21 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.

Overview of the Financial Statements (continued)

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 County maintains five individual governmental funds: general, capital projects, special assessments, fire and rescue revolving funds, and emergency services 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 services 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 22 and 24 of this report.

The 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 26 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 County uses enterprise funds to account for Recreation Activity Fund, Wicomico Golf Course and the Solid Waste & Recycling Fund. The proprietary fund financial statements can be found on pages 27 to 29 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 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 Length of Service Awards for Fire & Rescue and the Retiree Benefit Trust of St. Mary's County, Maryland, which addresses the County's retiree health benefits. The basic fiduciary fund financial statements can be found on pages 30 and 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 106 of this report.

Overview of the Financial Statements (continued)

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligations to retiree benefits. Required supplementary information can be found on pages 108 to 115 of this report. Combining and Individual Fund Statements on pages 117 and 118. Other supplementary information can be found on pages 121 to 130.

Government-wide Financial Analysis

Government Activities

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 the County, assets exceeded liabilities by $388.3 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. $254.3 million 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 0.2% 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 $133.4 million.

Management's Discussion and Analysis
June 30, 2025

Government-wide Financial Analysis (continued)

BALANCE SHEET
June 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current Assets	$ 271,536,493	$ 249,274,901	$ (1,811,697)	$ (261,087)	$ 269,724,796	$ 249,013,814
Other Non-Current Assets	1,105,321	976,016	-	-	1,105,321	976,016
Capital assets	455,299,120	439,342,293	19,258,855	19,454,692	474,557,975	458,796,985
Total Assets	727,940,934	689,593,210	17,447,158	19,193,605	745,388,092	708,786,815
DEFERRED OUTFLOW OF RESOURCES						
Pension	24,839,904	18,346,455	-	-	24,839,904	18,346,455
OPEB	16,033,566	20,653,680	-	-	16,033,566	20,653,680
Total Deferred Outflow of Resources	40,873,470	39,000,135	-	-	40,873,470	39,000,135
Total Assets & Deferred Outflow of Resources	768,814,404	728,593,345	17,447,158	19,193,605	786,261,562	747,786,950
LIABILITIES						
Current Liabilities	40,530,056	36,646,538	1,259,091	1,716,144	41,789,147	38,362,682
Non-Current Liabilities	319,027,898	293,873,794	903,131	1,172,898	319,931,029	295,046,692
Total Liabilities	359,557,954	330,520,332	2,162,222	2,889,042	361,720,176	333,409,374
DEFERRED INFLOW OF RESOURCES						
Pension	11,393,758	8,524,777	-	-	11,393,758	8,524,777
OPEB	9,564,127	9,383,828	-	-	9,564,127	9,383,828
Total Deferred Inflow of Resources	20,957,885	17,908,605	-	-	20,957,885	17,908,605
Total Liabilities & Deferred Inflow of Resources	380,515,839	348,428,937	2,162,222	2,889,042	382,678,061	351,317,979
NET POSITION						
Net Investment in Capital Assets	254,313,292	259,222,246	19,033,118	19,162,594	273,346,410	278,384,840
Restricted	611,960	584,212	-	-	611,960	584,212
Unrestricted	133,373,313	120,357,950	(3,748,182)	(2,858,031)	129,625,131	117,499,919
Total Net Position	388,298,565	380,164,408	15,284,936	16,304,563	403,583,501	396,468,971
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 768,814,404	$ 728,593,345	$ 17,447,158	$ 19,193,605	$ 786,261,562	$ 747,786,950

As of June 30, 2025, the County reports positive balances in all three categories of net position.

Management's Discussion and Analysis
June 30, 2025

Government-wide Financial Analysis (continued)

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

CHANGES IN NET POSITION
Years Ended June 30, 2025 and 2024

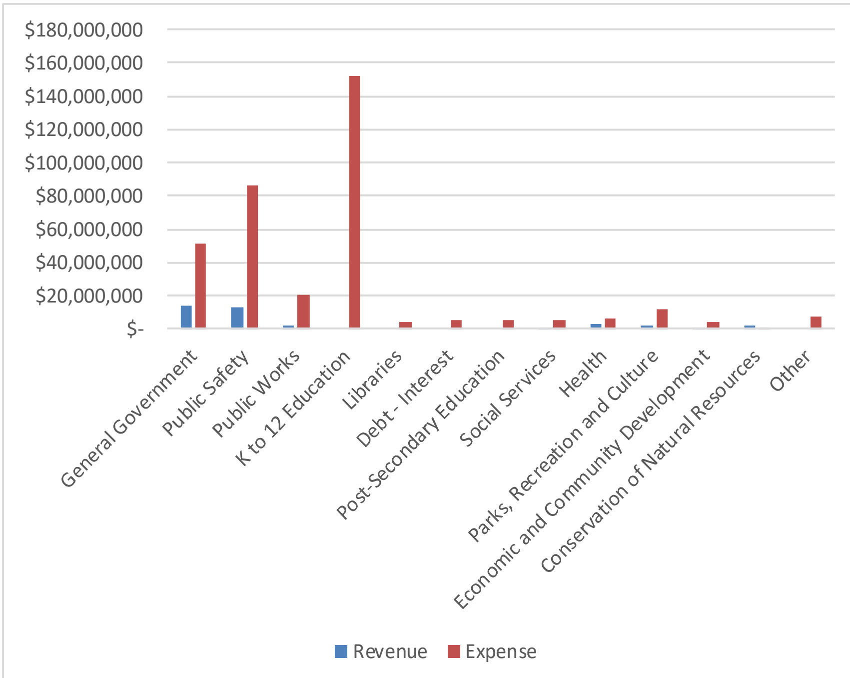
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for Services	$ 8,995,574	$ 10,454,738	$ 5,848,912	$ 5,404,752	$ 14,844,486	$ 15,859,490
Environmental/Solid Waste Fees	-	-	4,800,230	4,684,852	4,800,230	4,684,852
Operating Grants and Contributions	17,367,631	20,566,273	29,781	427,057	17,397,412	20,993,330
Capital Grants and Dedicated Fees or Taxes	12,160,509	16,926,439	-	-	12,160,509	16,926,439
General Revenues:						
Property Taxes	133,309,666	126,673,162	-	-	133,309,666	126,673,162
Income Taxes	161,756,328	148,378,008	-	-	161,756,328	148,378,008
Other Taxes	26,700,384	24,722,156	-	-	26,700,384	24,722,156
Investment Earnings	5,844,114	7,814,463	-	-	5,844,114	7,814,463
Roads Constructed by Third Parties	-	11,226,038	-	-	-	11,226,038
Miscellaneous, Principally Capital Projects Funding	3,382,126	4,645,902	(1,139)	62,368	3,380,987	4,708,270
Total Revenues	369,516,332	371,407,179	10,677,784	10,579,029	380,194,116	381,986,208
Program Expenses:						
General Government	51,236,573	51,986,163	-	-	51,236,573	51,986,163
Public Safety	86,445,463	87,567,882	-	-	86,445,463	87,567,882
Public Works	20,950,898	28,008,656	5,835,047	6,322,026	26,785,945	34,330,682
Health	6,083,438	5,854,004	-	-	6,083,438	5,854,004
Social Services	5,495,984	4,994,539	-	-	5,495,984	4,994,539
Primary and Secondary Education	152,481,714	143,127,307	-	-	152,481,714	143,127,307
Post-Secondary Education	5,282,807	5,052,642	-	-	5,282,807	5,052,642
Parks, Recreation and Culture	12,054,690	24,674,703	5,862,364	5,118,096	17,917,054	29,792,799
Libraries	4,145,289	3,844,915	-	-	4,145,289	3,844,915
Conservation of Natural Resources	713,314	706,414	-	-	713,314	706,414
Economic Development and Opportunity	3,781,238	2,779,281	-	-	3,781,238	2,779,281
Interest on Debt	4,975,307	4,430,434	-	-	4,975,307	4,430,434
Other, Principally Retiree's Health	7,735,460	9,329,722	-	-	7,735,460	9,329,722
Transfers (in)/out	-	414,000	-	(414,000)	-	-
Total Expenses	361,382,175	372,770,662	11,697,411	11,026,122	373,079,586	383,796,784
Change in Net Position	8,134,157	(1,363,483)	(1,019,627)	(447,093)	7,114,530	(1,810,576)
Net Position – beginning of year	380,164,408	381,527,891	16,304,563	16,751,656	396,468,971	398,279,547
Net Position – End of Year	$ 388,298,565	$ 380,164,408	$ 15,284,936	$ 16,304,563	$ 403,583,501	$ 396,468,971

Governmental activities: Governmental activities reflected an increase in net position of approximately $8.1 million.

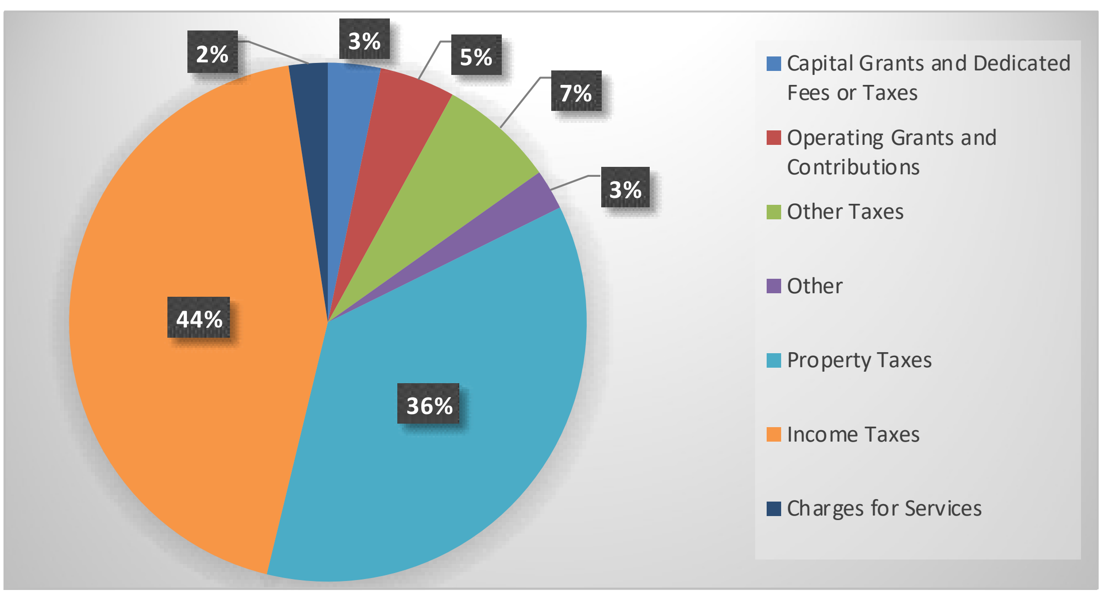
Business-type activities: Business-type activities reflected a decrease in net position of $1.0 million.

Government-wide Financial Analysis (continued)

Expenses and Program Revenues – Governmental Activities (in millions)



Revenues By Source – Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the County governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the County's 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, 2025, the County governmental funds reported combined ending fund balances of $160.9 million, an increase of $9.9 million compared to the prior year. The Capital Projects fund accounts for $69.9 million. Of the total fund balance, approximately $18.9 million, or 21.5% of this total, constitutes unassigned general fund balance, which is available for spending at the government's discretion. Assigned fund balance includes encumbrances and miscellaneous revolving fund reserved for specific uses. Restricted and committed fund balances include $39.9 million for capital projects, $50.1 million for the 15% policy reserve, and $12.1 million for non-recurring operating and pay-go funding in the FY2026 budget. Non-spendable fund balance includes $1.4 million committed to liquidate inventories and $0.2 million in interfund advances. Unassigned fund balance of the general fund represents approximately 5.8% of general fund expenditures.

The fund balance of the County general fund has increased by $9.7 million in FY2025, compared to the prior year decrease of $0.5 million. Unassigned fund balance used in the FY2025 original budget column was $6.7 million. In the FY2026 approved budget, $12.1 million was used. The total committed at June 30, 2025 is $62.3 million. The County uses unassigned fund balance for non-recurring expenses.

The capital projects fund has a total fund balance of $69.9 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, 2025. These funds have been budgeted, and the capital projects are in progress. A listing of the unexpended balances appears on pages 127 through 130.

Proprietary funds: The 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 deficit net position of ($436,946). The Recreation Activities Fund reflected unrestricted deficit net position of ($1.7 million), and the unrestricted deficit net position of the Solid Waste and Recycling Fund amounted to ($1.6 million). On a combined basis, there was a $890,151 decrease in unrestricted net position over the prior year.

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 121 through 130 reflects the original and final budgets as well as the actual results in more detail. Variances continue in inter-governmental revenues. The COVID-19 American Rescue grant was budgeted in fiscal years 2022 and 2023 for $22 million. However, actual expenditures continued in FY2025. Expenditures will continue through FY2027, the deadline for expending the funds. The FY2025 actual results reflect revenues that are $5.6 million more than the adjusted budget. Property Taxes had a negative variance of $725,479, income tax had a positive variance of $5.6 million and other local taxes also had a negative variance of $812,010. The FY2025 budget for income tax revenue is based upon an annual growth rate of 5.50% applied to tax year 2022 and based on returns filed. The FY2025 budget included an increase to the income tax rate. The rate was changed to 3.20% effective January 1, 2025. The County will continue to monitor closely the developments in property and income taxes, as these are such a significant component of funding. The assessments from the state grew by 5.4% compared to final assessments for FY2024. Property tax revenues continue to be impacted by the PACT act and the increased number of Homestead Tax Credits. 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. Just like the grant revenue variances, the related expenditures are also occurring in different years compared to budget. As with past years, the biggest variance is in personnel services due to the high number of vacancies for departments and elected officials. FY2025 only added 4.5 new positions.

While the County's financial situation is strong and sustainable, the County continues to take a conservative approach to revenue estimates, given the continued changes in the general economy. The focus on efficiency measures, both as a part of budget adoption, and throughout the operational year. The County continues to monitor expenditures and realigns savings to reserves to use on non-recurring costs – such as severe weather. Savings are not re-aligned to spend on recurring costs that carry future funding commitments. Instead, the savings can accrue to fund balance to fund future non-recurring costs, if needed. 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. As part of the annual budget process, the County approves a multi-year operating budget and ensures that operating impacts from capital improvement projects are included.

General Fund Budgetary Highlights (continued)

Recurring expenses must be supported by recurring revenues 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 a significant fund balance to position it to be able to address the uncertain future caused by the economy. As a part of each annual budget process, the County Commissioners review the prior year's unassigned fund balance and plan its use on non-recurring expenditures. Higher reserves will enable the County 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. With the Commissioners Fund Balance policy, it reinforces using fund balance for non-recurring expenses and it also stipulates that County Reserves should be at or above 15% of general fund revenue. The FY2025 ratio is approximately 21%. The County has maintained ample capacity for revenue enhancement should future needs arise, and the circumstances warrant it.

Capital Asset and Debt Administration

- **Capital assets**: The County investment in capital assets for its governmental and business-type activities as of June 30, 2025 amounts to $474.6 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, 2025 was $15.8 million. It should be noted that the capital asset balances include the County's infrastructure (i.e., roads), as the County has fully implemented the requirements of the Governmental Accounting Standards Board (GASB) Statement 34.

	Governmental Activities		Business-type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Land	**$ 46,482,000**	$ 46,504,826	**$ 1,078,666**	$ 1,078,666	**$ 47,560,666**	$ 47,583,492
Buildings and Improvements	**194,468,834**	193,005,347	**4,799,856**	4,776,834	**199,268,690**	197,782,181
Facilities Under Construction	**20,981,260**	9,750,970	**-**	-	**20,981,260**	9,750,970
Solid Waste Facilities	**-**	-	**14,768,502**	14,768,502	**14,768,502**	14,768,502
Infrastructure	**432,835,767**	413,686,982	**-**	-	**432,835,767**	413,686,982
Vehicles	**31,727,565**	28,730,878	**4,595,677**	4,329,169	**36,323,242**	33,060,047
Equipment	**43,927,783**	41,405,888	**1,368,136**	1,369,275	**45,295,919**	42,775,163
Accumulated Depreciation	**(315,124,089)**	(293,742,598)	**(7,351,982)**	(6,867,757)	**(322,476,071)**	(300,610,355)
Total	**$ 455,299,120**	$ 439,342,293	**$ 19,258,855**	$ 19,454,689	**$ 474,557,975**	$ 458,796,982

Capital Asset and Debt Administration (continued)

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

- Approximately $12.9 million in road costs were capitalized.
- Recreation & Parks - $6.3 million.
- Construction in progress totals $20.9 million – Capital Improvements project capitalized in subsequent years.

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

Long-term debt: As of June 30, 2025, the 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 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.

Primary Government	June 30, 2025	June 30, 2024	Amounts Due Within One Year
General Obligation Bonds (GOB) - County	$ 198,017,402	$ 176,079,298	$ 10,200,860
State Loans	486,817	610,257	95,137
Exempt Financing (Equipment & Vehicles)	2,481,609	3,430,492	793,492
	$ 200,985,828	$ 180,120,047	$ 11,089,489
Business-Type Activities			
Exempt Financing (Equipment)	$ 705,983	$ 998,821	$ 225,737

The County's additions to debt included $30 million of General Obligations Bonds, closed in May 2025.

As of May 1, 2025, the County had an "AAA" rating from Fitch Ratings, an "AA+" from S & P Global Ratings, and an "Aa1" from Moody's Investors Service, Inc.. Rating reviews issued by the agencies have cited the County's low debt burden with rapid amortization, history of strong financial operations and management, health reserves, budget flexibility, a stable economy, conservative budgeting, and prudent fiscal policies. The County's debt policy, adopted by the Board, provides that the ratio of debt to assessed value does not exceed 3.15% on real property to include the debt of St. Mary's Metropolitan Commission, and debt service expense as a percent of current general fund revenue does not exceed 10%.

Capital Asset and Debt Administration (continued)

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 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 FY2026 expenditure budget is $348.6 million; this budget includes the use of unassigned fund balance, $12.1 million for non-recurring expenditures and capital improvement expenditures, committed in fund balance. Only 4.50 new positions were added.

- The property tax income is based on information provided by the State, estimated taxable assessed value of $15.6 billion, a 4.5% increase over the prior year's estimate of $14.9 billion. The impact of triennial assessments shows an increase in the full value are somewhat mitigated by the County's cap of 3% homestead tax credit. Assessments continue to reflect a moderate growth, but steady; this resulted in revenue estimate at 3.2% over the prior year. Property tax revenue and senior tax credits are reduced from the impact of the Federal PACT Act reducing property assessments for 100% disable veterans. The real property tax rate remains at .8478 per $100 of assessed value, which is higher than constant yield tax rate by .0362. The County's personal property tax rate, which is 2.5 times the real property tax rate, is $2.1195.

- The income taxes were budgeted at $154.5 million. This represents an income tax revenue increase of 4.7% over the FY2025 budget and reflects both the estimated County specific tax returns as well as $8 million estimated for interest and penalties as well as the share of State-wide unallocated taxes that will be distributed to the County by the State

- Continual monitoring of the property tax and income tax revenue, which represents approximately 85% of the total revenues (excluding grants), will be a major part of the FY2027 budget development, and any indications of reduction will be offset by reduced expenditures.

Economic Factors and Next Year's Budgets and Rates (continued)

- The YMCA broke ground on November 12, 2024. The new facility will be 65,000 square feet and located in Great Mills. It will offer a diverse range of recreational and community services and it's anticipated to open in late winter/early spring 2026.

- Although the general economy of the State and United States effects the County, the activities and operations of the Patuxent Naval Air Base in St. Mary's County has a stabilizing effect on the local economy. Operations at the base, which is the busiest flight center in the world, continue to grow. Approximately 22,000 workers support the base.

- The population growth continues and is estimated to be 115,281, a 9.63% growth rate over the 2010 census.

- 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.

- County continues to develop Key Niche growth sectors – Leisure & Tourism, Historic Sites, Recreation, Water Sports, and Agritourism. Leisure includes Aquaculture, Wineries, and Breweries.

- Continued Real Estate Development at Lexington Exchange and Patuxent River Village.

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 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. 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.

Economic Factors and Next Year's Budgets and Rates (continued)

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. 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 the County'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@stmaryscountymd.gov.

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Net Position
As of June 30, 2025

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Public Schools	Library	Metropolitan Commission	Total
ASSETS							
Cash and cash equivalents	$ 88,409,130	$ 13,000	$ 88,422,130	$ 47,440,742	$ 1,071,220	$ 52,951,603	$ 189,885,695
Internal balances	2,662,141	(2,662,141)	-	-	-	-	-
Restricted cash and investments	64,729,957	702,699	65,432,656	-	81,412	-	65,514,068
Taxes receivable	2,791,330	-	2,791,330	-	-	-	2,791,330
Income tax reserve, funds held by the state	81,423,035	-	81,423,035	-	-	-	81,423,035
Due from other governments	-	-	-	21,286,688	-	-	21,286,688
Special assessments receivable	447,112	-	447,112	-	-	-	447,112
Notes receivable, fire and rescue loans	350,673	-	350,673	-	-	-	350,673
Accounts receivable	28,319,495	98,641	28,418,136	148,546	36,056	10,551,830	39,154,568
Inventory	1,420,919	36,104	1,457,023	188,151	-	244,130	1,889,304
Other	982,701	-	982,701	2,035	-	155,089	1,139,825
Fire and rescue loans, net of short term portion	1,105,321	-	1,105,321	-	-	-	1,105,321
Capital assets	770,423,209	26,605,860	797,029,069	553,563,160	6,109,213	310,314,818	1,667,016,260
Accumulated depreciation	(315,124,089)	(7,347,005)	(322,471,094)	(234,738,589)	(4,543,922)	(117,773,917)	(679,527,522)
Capital assets, net of accumulated depreciation	455,299,120	19,258,855	474,557,975	318,824,571	1,565,291	192,540,901	987,488,738
TOTAL ASSETS	727,940,934	17,447,158	745,388,092	387,890,733	2,753,979	256,443,553	1,392,476,357
DEFERRED OUTFLOWS OF RESOURCES							
Pension	24,839,904	-	24,839,904	7,703,671	-	2,740,716	35,284,291
OPEB	16,033,566	-	16,033,566	81,432,890	1,417,077	1,553,890	100,437,423
Bond refunding	-	-	-	-	-	326,796	326,796
Total Assets and Deferred Outflows of Resources	768,814,404	17,447,158	786,261,562	477,027,294	4,171,056	261,064,955	1,528,524,867

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Net Position (continued)
As of June 30, 2025

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Public Schools	Library	Metropolitan Commission	Total
LIABILITIES							
Accounts payable	$ 14,779,038	$ 426,990	$ 15,206,028	$ 11,276,951	$ 64,884	$ 1,063,277	$ 27,611,140
Compensation related liabilities	12,508,854	422,615	12,931,469	21,500,048	177,954	-	34,609,471
Unearned revenue	3,869,970	409,486	4,279,456	10,367,294	-	-	14,646,750
Other liabilities	9,372,194	-	9,372,194	91,312	20,500	4,535,549	14,019,555
Non-current liabilities:							
Due within one year	11,188,688	225,737	11,414,425	1,451,384	74,977	6,909,146	19,849,932
Due in more that one year	200,740,545	677,394	201,417,939	6,081,478	298,522	80,952,399	288,750,338
Net pension liability	88,935,646	-	88,935,646	20,389,100	-	7,817,942	117,142,688
Net OPEB liability	18,163,019	-	18,163,019	166,358,189	2,437,058	1,651,744	188,610,010
TOTAL LIABILITIES	359,557,954	2,162,222	361,720,176	237,515,756	3,073,895	102,930,057	705,239,884
DEFERRED INFLOWS OF RESOURCES							
Pension	11,393,758	-	11,393,758	493,450	-	189,207	12,076,415
OPEB	9,564,127	-	9,564,127	275,789,919	1,427,150	1,524,607	288,305,803
Total Liabilities and Deferred Inflows of Resources	380,515,839	2,162,222	382,678,061	513,799,125	4,501,045	104,643,871	1,005,622,102
.							
NET POSITION							
Net investment in capital assets	254,313,292	19,033,118	273,346,410	317,088,597	1,565,291	112,878,588	704,878,886
Restricted for:							
Capital asset purchases	611,960	-	611,960	-	-	-	611,960
Capital projects	-	-	-	100,147	-	-	100,147
Other purposes	-	-	-	-	70,735	13,758,482	13,829,217
Unrestricted	133,373,313	(3,748,182)	129,625,131	(353,960,575)	(1,966,015)	29,784,014	(196,517,445)
TOTAL NET POSITION	$ 388,298,565	$ 15,284,936	$ 403,583,501	$ (36,771,831)	$ (329,989)	$ 156,421,084	$ 522,902,765

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Activities
For the Year Ended June 30, 2025

					Net (Expense) Revenue and Changes in Net Position						
		Program Revenue			Primary Government			Component Units			
Functions/programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Public Schools	Library	Metropolitan Commission	Total
Primary government:											
Governmental activities:											
General government	$ 51,236,573	$ 3,140,874	$ 1,821,472	$ 8,701,967	$ (37,572,260)	$ -	$ (37,572,260)	$ -	$ -	$ -	$ (37,572,260)
Public safety	86,445,463	5,179,839	7,567,369	-	(73,698,255)	-	(73,698,255)	-	-	-	(73,698,255)
Public works	20,950,898	380,458	1,766,936	329,485	(18,474,019)	-	(18,474,019)	-	-	-	(18,474,019)
Health	6,083,438	-	3,474,841	-	(2,608,597)	-	(2,608,597)	-	-	-	(2,608,597)
Social services	5,495,984	665	1,362,597	-	(4,132,722)	-	(4,132,722)	-	-	-	(4,132,722)
Primary and secondary education	152,481,714	-	-	-	(152,481,714)	-	(152,481,714)	-	-	-	(152,481,714)
Post-secondary education	5,282,807	-	-	-	(5,282,807)	-	(5,282,807)	-	-	-	(5,282,807)
Parks, recreation and culture	12,054,690	157,588	218,415	1,433,881	(10,244,806)	-	(10,244,806)	-	-	-	(10,244,806)
Libraries	4,145,289	-	-	-	(4,145,289)	-	(4,145,289)	-	-	-	(4,145,289)
Conservation of natural resources	713,314	-	-	1,695,176	981,862	-	981,862	-	-	-	981,862
Economic development and opportunity	3,781,238	136,150	1,156,001	-	(2,489,087)	-	(2,489,087)	-	-	-	(2,489,087)
Interest on long-term debt	4,975,307	-	-	-	(4,975,307)	-	(4,975,307)	-	-	-	(4,975,307)
Other, including OPEB	7,735,460	-	-	-	(7,735,460)	-	(7,735,460)	-	-	-	(7,735,460)
Total governmental activities	361,382,175	8,995,574	17,367,631	12,160,509	(322,858,461)	-	(322,858,461)	-	-	-	(322,858,461)
Business-type activities:											
Recreation activity	3,679,644	3,015,832	29,781	-	-	(634,031)	(634,031)	-	-	-	(634,031)
Wicomico	2,182,720	1,999,760	-	-	-	(182,960)	(182,960)	-	-	-	(182,960)
Solid waste/recycling	5,835,047	833,320	-	-	-	(5,001,727)	(5,001,727)	-	-	-	(5,001,727)
Total business-type activities	11,697,411	5,848,912	29,781	-	-	(5,818,718)	(5,818,718)	-	-	-	(5,818,718)
TOTAL PRIMARY GOVERNMENT	$ 373,079,586	$ 14,844,486	$ 17,397,412	$ 12,160,509	(322,858,461)	(5,818,718)	(328,677,179)	-	-	-	(328,677,179)
Component unit:											
Public schools	$ 306,161,337	$ 2,660,657	$ 70,676,326	$ 31,263,884	-	-	-	(201,560,470)	-	-	(201,560,470)
Library	7,658,862	87,048	101,452	-	-	-	-	-	(7,470,362)	-	(7,470,362)
MetCom	28,943,502	18,287,189	-	1,533,546	-	-	-	-	-	(9,122,767)	(9,122,767)
Total component units	$ 342,763,701	$ 21,034,894	$ 70,777,778	$ 32,797,430	-	-	-	(201,560,470)	(7,470,362)	(9,122,767)	(218,153,599)
Property taxes					133,309,666	-	133,309,666	-	-	-	133,309,666
Income taxes					161,756,328	-	161,756,328	-	-	-	161,756,328
Other taxes					26,700,384	-	26,700,384	-	-	-	26,700,384
Investment earnings					5,844,114	-	5,844,114	2,801,176	30,594	2,390,037	11,065,921
Grants and contributions not restricted to specific purposes					-	(1,139)	(1,139)	256,857,666	7,369,495	-	264,226,022
Environmental/solid waste fees					-	4,800,230	4,800,230	-	-	-	4,800,230
Roads constructed by third parties					-	-	-	-	-	-	-
Miscellaneous					3,382,126	-	3,382,126	3,859,415	-	12,560,521	19,802,062
Transfers in/out					-	-	-	-	-	-	-
TOTAL GENERAL REVENUE					330,992,618	4,799,091	335,791,709	263,518,257	7,400,089	14,950,558	621,660,613
CHANGE IN NET POSITION					8,134,157	(1,019,627)	7,114,530	61,957,787	(70,273)	5,827,791	74,829,835
NET POSITION - BEGINNING OF YEAR					380,164,408	16,304,563	396,468,971	(98,729,618)	(259,716)	150,593,293	448,072,930
NET POSITION - END OF YEAR					$ 388,298,565	$ 15,284,936	$ 403,583,501	$ (36,771,831)	$ (329,989)	$ 156,421,084	$ 522,902,765

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

COMMISSIONERS OF ST. MARY'S COUNTY

Balance Sheet – Governmental Funds
As of June 30, 2025

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 88,214,726	$ -	$ 194,404	$ 88,409,130
Due from other funds	2,715,810	63,521,742	4,146,912	70,384,464
Restricted cash and investments	64,729,957	-	-	64,729,957
Taxes receivable	2,730,674	-	60,656	2,791,330
Income tax reserve, funds held by the state	81,423,035	-	-	81,423,035
Special tax assessments receivable	-	-	303	303
Notes receivable, fire and rescue loans	-	-	350,673	350,673
Accounts receivable	14,170,253	14,149,242	-	28,319,495
Inventory	1,420,919	-	-	1,420,919
Other	182,903	-	799,798	982,701
Note receivable, fire and rescue loans, net of current portion	-	-	1,105,321	1,105,321
Special tax assessments receivable, net of current portion	-	-	446,809	446,809
TOTAL ASSETS	$ 255,588,277	$ 77,670,984	$ 7,104,876	$ 340,364,137
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 7,013,294	$ 7,690,558	$ 75,186	$ 14,779,038
Compensation-related liabilities	11,721,140	-	787,714	12,508,854
Unearned revenue	1,967,613	-	1,902,357	3,869,970
Other liabilities	9,286,782	85,412	-	9,372,194
Due to other funds	65,650,493	-	2,071,830	67,722,323
TOTAL LIABILITIES	95,639,322	7,775,970	4,837,087	108,252,379
DEFERRED INFLOWS OF RESOURCES				
Unavailable income tax distribution	71,258,337	-	-	71,258,337
FUND BALANCES				
Nonspendable	1,602,416	-	-	1,602,416
Restricted	611,960	-	-	611,960
Committed	62,251,237	39,854,944	4,165,313	106,271,494
Assigned	5,301,755	30,040,070	-	35,341,825
Unassigned	18,923,250	-	(1,897,524)	17,025,726
TOTAL FUND BALANCES	88,690,618	69,895,014	2,267,789	160,853,421
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 255,588,277	$ 77,670,984	$ 7,104,876	$ 340,364,137

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

Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position
As of June 30, 2025

Fund balance of governmental funds	$ 160,853,421
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net	455,299,120
Certain income tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the fund financial statements	71,258,337
Deferred outflow and inflow of resources related net deferred pension and OPEB activity are not financial resources and therefore are not reported in the funds	19,915,585
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(200,985,828)
Compensated absences	(8,715,405)
Landfill post-closure costs	(2,228,000)
Net pension liability	(88,935,646)
Net OPEB liability	(18,163,019)
Net position of governmental activities	$ 388,298,565

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2025

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
REVENUE				
Property taxes	$ 133,309,666	$ -	$ -	$ 133,309,666
Income taxes	153,144,551	-	-	153,144,551
Energy taxes	354,278	-	-	354,278
Recordation taxes	7,318,609	-	-	7,318,609
Transfer taxes	-	8,155,172	-	8,155,172
Excise taxes	-	1,450,031	-	1,450,031
Agricultural/development taxes	-	174,810	-	174,810
Other local taxes	2,530,103	-	3,742,758	6,272,861
Highway user revenues	2,974,623	-	-	2,974,623
Licenses and permits	560,444	747,100	-	1,307,544
Intergovernmental	13,681,061	12,849,595	-	26,530,656
Charges for services	7,558,362	-	-	7,558,362
Fines and forfeitures	44,219	-	-	44,219
Special assessments	-	-	65,601	65,601
Other revenues	12,613,045	-	3,316,525	15,929,570
Total Revenue	334,088,961	23,376,708	7,124,884	364,590,553
EXPENDITURES				
General government	38,072,042	10,132,577	-	48,204,619
Public safety	79,735,187	-	11,300,509	91,035,696
Public works	15,962,385	13,565,634	-	29,528,019
Health	6,136,226	-	-	6,136,226
Social services	5,919,213	-	-	5,919,213
Primary and secondary education	137,727,092	16,077,765	-	153,804,857
Post-secondary education	5,357,620	-	-	5,357,620
Parks, recreation and culture	6,129,215	8,005,980	-	14,135,195
Libraries	4,318,036	-	-	4,318,036
Conservation of natural resources	719,504	-	-	719,504
Economic development and opportunity	3,827,987	-	-	3,827,987
Debt service - principal and interest	15,482,150	162,969	78,719	15,723,838
Intergovernmental	72,786	-	-	72,786
Other	6,647,885	1,154,699	-	7,802,584
Total Expenditures	326,107,328	49,099,624	11,379,228	386,586,180
Excess (Deficiency) Revenue Over Expenditures	7,981,633	(25,722,916)	(4,254,344)	(21,995,627)
OTHER FINANCING SOURCES (USES)				
Proceeds from bonds	-	30,000,000	-	30,000,000
Premium from bonds	-	1,479,044	-	1,479,044
Fire & rescue loan repayments	-	-	412,185	412,185
Transfers in/out	1,698,216	(1,698,216)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,698,216	29,780,828	412,185	31,891,229
NET CHANGES IN FUND BALANCE	9,679,849	4,057,912	(3,842,159)	9,895,602
FUND BALANCES - BEGINNING OF YEAR	79,010,769	65,837,102	6,109,948	150,957,819
FUND BALANCES - END OF YEAR	$ 88,690,618	$ 69,895,014	$ 2,267,789	$ 160,853,421

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

COMMISSIONERS OF ST. MARY'S COUNTY

Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Net changes in fund balances in governmental funds		$ 9,895,602
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and donated capital assets exceeded depreciation in the current period.		
Capital outlay and donated assets capitalized	$ 37,344,756	
Depreciation and loss on disposal	(21,387,929)	15,956,827
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond, capital lease and installment purchase principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.		
Net pension liability and net OPEB liability and related deferred outflows and inflows	(5,222,067)	
Compensated absences and pension liability	(611,201)	
Landfill post closure cost	369,000	
Issuance of debt and exempt financing, including premium	(31,479,044)	
Payments of debt principal	10,613,263	(26,330,049)
Revenue and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide or use current financial resources. This is the net difference of revenues and expenditures recognized between the governmental funds and statement of activities.		8,611,777
Change in net position of governmental activities		$ 8,134,157

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis) – General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual - Budgetary Basis	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Property taxes	$ 133,678,038	$ 133,678,038	$ 132,952,559	$ (725,479)
Income taxes	147,556,606	147,556,606	153,144,551	5,587,945
Other local taxes	11,015,000	11,015,000	10,202,990	(812,010)
Highway user revenues	2,757,385	2,757,385	2,974,623	217,238
Licenses and permits	638,020	638,020	552,882	(85,138)
Charges for services	4,134,400	4,104,607	4,741,762	637,155
Fines and forfeitures	49,625	49,625	38,171	(11,454)
State/Federal grants	13,992,102	13,993,987	13,690,220	(303,767)
Other revenue	9,650,380	9,728,288	10,855,506	1,127,218
TOTAL GENERAL FUND REVENUES	323,471,556	323,521,556	329,153,264	5,631,708
EXPENDITURES				
General government	40,512,098	41,373,022	38,399,299	2,973,723
Public safety	82,816,426	84,298,167	81,030,926	3,267,241
Public works	13,684,449	16,945,356	16,074,961	870,395
Health	6,066,387	6,192,220	6,174,647	17,573
Social services	6,151,076	6,179,269	5,958,757	220,512
Primary and secondary education	137,703,288	137,853,254	137,727,092	126,162
Post-secondary education	5,357,620	5,357,620	5,357,620	-
Parks, recreation and culture	6,494,103	6,911,382	6,272,521	638,861
Libraries	4,318,036	4,318,036	4,318,036	-
Conservation of natural resources	797,776	755,407	719,504	35,903
Economic development and opportunity	2,795,743	2,826,152	3,903,457	(1,077,305)
Debt service	16,197,331	16,197,331	15,482,150	715,181
Inter-governmental	72,786	72,786	72,786	-
Other	6,242,000	6,259,341	4,834,882	1,424,459
TOTAL GENERAL FUND EXPENDITURES	329,209,119	335,539,343	326,326,638	9,212,705
OTHER FINANCING SOURCES AND USES				
Fund balance	6,654,485	9,729,054	-	(9,729,054)
Appropriation reserve	(2,500,000)	(88,725)	-	88,725
Reserves - emergency appropriations	(816,922)	(22,542)	-	22,542
General fund transfers/pay-go	2,400,000	2,400,000	2,400,000	-
TOTAL OTHER FINANCING SOURCES AND USES	5,737,563	12,017,787	2,400,000	(9,617,787)
EXCESS OF EXPENDITURES AND OTHER FINANCING USES OVER REVENUES AND OTHER FINANCING SOURCES	$ -	$ -	5,226,626	$ 5,226,626
Reconciliation to GAAP Basis Financial Statements:				
Effect of encumbrances and other transfers			4,453,223	
			$ 9,679,849	

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Net Position - Proprietary Funds
As of June 30, 2025

	Recreation Activity Fund	Wicomico Golf Course Fund	Solid Waste & Recycling Fund	Total Proprietary Funds
ASSETS				
Current Assets				
Cash and cash equivalents	$ -	$ 13,000	$ -	$ 13,000
Due from other funds	-	53,669	-	53,669
Restricted cash from investments	-	6,878	695,821	702,699
Accounts receivable	29,681	-	68,960	98,641
Inventory and other assets	-	36,104	-	36,104
Total current assets	29,681	109,651	764,781	904,113
Noncurrent Assets				
Capital assets	419,436	6,877,066	19,309,358	26,605,860
Accumulated depreciation	(309,787)	(3,674,023)	(3,363,195)	(7,347,005)
Capital assets, net	109,649	3,203,043	15,946,163	19,258,855
Total Assets	139,330	3,312,694	16,710,944	20,162,968
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts payable	8,761	80,400	337,829	426,990
Compensation-related liabilities	130,539	108,269	183,807	422,615
Due to other funds	1,239,120	-	1,295,193	2,534,313
Unearned revenue	382,403	27,083	-	409,486
Total current liabilities	1,760,823	215,752	1,816,829	3,793,404
Noncurrent Liabilities				
Due within one year:				
Financing agreements	-	27,390	198,347	225,737
Advance from general fund	-	22,463	-	22,463
Compensated absences				-
Due in more than one year:				
Financing agreements	-	58,271	421,975	480,246
Advance from general fund	-	159,034	-	159,034
Compensated absences	3,287	91,077	102,784	197,148
Total noncurrent liabilities	3,287	358,235	723,106	1,084,628
Total Liabilities	1,764,110	573,987	2,539,935	4,878,032
NET POSITION				
Net investment in capital assets	109,649	3,175,653	15,747,816	19,033,118
Unrestricted	(1,734,429)	(436,946)	(1,576,807)	(3,748,182)
Total Net Position	$ (1,624,780)	$ 2,738,707	$ 14,171,009	$ 15,284,936

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2025

	Recreation Activity Fund	Wicomico Golf Course Fund	Solid Waste & Recycling Fund	Total Proprietary Funds
OPERATING REVENUE				
Charges for services	$ 3,015,832	$ 1,999,760	$ 833,320	$ 5,848,912
Federal	29,781	-	-	29,781
Environmental/solid waste fees	-	-	4,800,230	4,800,230
TOTAL OPERATING REVENUE	3,045,613	1,999,760	5,633,550	10,678,923
OPERATING EXPENSES				
Personnel services	2,624,350	986,148	1,354,220	4,964,718
Operating supplies	232,114	325,111	37,552	594,777
Professional services	322,273	94,173	2,065,497	2,481,943
Communications	8,377	3,431	4,082	15,890
Transportation	57,744	34,911	111,662	204,317
Rentals	98,760	75,179	61,527	235,466
Public utilities	281,154	87,627	26,181	394,962
Other operating costs	13,195	2,398	57,044	72,637
Tipping fees	-	-	1,371,866	1,371,866
Retiree health benefits (OPEB)	-	36,000	23,000	59,000
Equipment	34,669	376,202	336,711	747,582
Depreciation	7,008	128,758	348,459	484,225
TOTAL OPERATING EXPENSES	3,679,644	2,149,938	5,797,801	11,627,383
OPERATING LOSS	(634,031)	(150,178)	(164,251)	(948,460)
OTHER INCOME (EXPENSE)				
Use of exempt financing	-	(32,782)	(37,246)	(70,028)
Loss on diposal of fixed asset	(1,139)	-	-	(1,139)
TOTAL OTHER INCOME (EXPENSE)	(1,139)	(32,782)	(37,246)	(71,167)
NET CHANGES IN NET POSITION	(635,170)	(182,960)	(201,497)	(1,019,627)
NET POSITION - BEGINNING OF YEAR	(989,610)	2,921,667	14,372,506	16,304,563
NET POSITION - END OF YEAR	$ (1,624,780)	$ 2,738,707	$ 14,171,009	$ 15,284,936

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

COMMISSIONERS OF ST. MARY'S COUNTY

Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2025

	Recreation Activity Fund	Wicomico Golf Course Fund	Solid Waste & Recycling Fund	Total Proprietary Funds
Cash Flows from Operating Activities				
Receipts from customers	$ 2,989,722	$ 2,002,226	$ 5,643,516	$ 10,635,464
Payments to suppliers	(1,070,583)	(974,776)	(4,139,041)	(6,184,400)
Payments to employees	(2,664,011)	(1,064,042)	(1,617,946)	(5,345,999)
Net Cash from Operating Activities	(744,872)	(36,592)	(113,471)	(894,935)
Cash Flows from Noncapital Financing Activities				
Grants and other activity	(1,139)	57,285	28,486	84,632
Change in due to/from other funds	823,786	217,314	284,803	1,325,903
Net Cash from Noncapital Financing Activities	822,647	274,599	313,289	1,410,535
Cash Flows from Capital and Related Financing Activities				
Principal paid on long term debt	-	(27,391)	(199,818)	(227,209)
Acquisition and construction of capital assets	(77,775)	(210,616)	-	(288,391)
Net Cash from Capital and Related Financing Activities	(77,775)	(238,007)	(199,818)	(515,600)
Net change in cash	-	-	-	-
Cash, beginning of year	-	13,000	-	13,000
Cash, End of Year	$ -	$ 13,000	$ -	$ 13,000
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	$ (634,031)	$ (150,178)	$ (164,251)	$ (948,460)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	7,008	128,758	348,459	484,225
Changes in assets and liabilities:				
Accounts receivable	(22,529)	900	9,966	(11,663)
Inventory and other assets	-	14,213	-	14,213
Accounts payable	(22,297)	10,043	(66,919)	(79,173)
Compensation-related liabilities	(42,948)	(52,218)	(250,918)	(346,084)
Unearned revenue	(33,362)	1,566	-	(31,796)
Compensated absences	3,287	10,324	10,192	23,803
Net Cash from Operating Activities	$ (744,872)	$ (36,592)	$ (113,471)	$ (894,935)

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

Statement of Net Position – Fiduciary Funds
As of June 30, 2025

	Sheriff's Office Retirement Plan	Length of Service Awards Program	Retiree Benefit Trust of St. Mary's County	Total Fiduciary Funds
ASSETS				
Investments	$ 171,281,555	$ 20,251,794	$ 129,943,589	$ 321,476,938
Accounts receivable	-	-	160,899	160,899
NET POSITION				
Held in trust for pension and OPEB	$ 171,281,555	$ 20,251,794	$ 130,104,488	$ 321,637,837

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

Statement of Changes in Net Position - Fiduciary Funds
For the Year Ended June 30, 2025

	Sheriff's Office Retirement Plan	Length of Service Awards Program	Retiree Benefit Trust of St. Mary's County	Total Fiduciary Funds
ADDITIONS				
Contributions - employer	$ 8,823,323	$ 2,561,236	$ -	$ 11,384,559
Contributions - employee	1,720,904	-	-	1,720,904
Interest and dividends	3,185,389	506,569	2,493,890	6,185,848
Net realized and unrealized gains	14,230,841	1,686,799	11,460,341	27,377,981
Total additions	27,960,457	4,754,604	13,954,231	46,669,292
DEDUCTIONS				
Benefits	7,806,574	1,561,236	4,795,046	14,162,856
Administrative expenses	269,225	34,062	253,806	557,093
TOTAL DEDUCTIONS	8,075,799	1,595,298	5,048,852	14,719,949
CHANGES IN NET POSITION	19,884,658	3,159,306	8,905,379	31,949,343
NET POSITION - BEGINNING OF YEAR	151,396,897	17,092,488	121,199,109	289,688,494
NET POSITION - END OF YEAR	$ 171,281,555	$ 20,251,794	$ 130,104,488	$ 321,637,837

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

1. 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 Government Accounting Standards Board (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 three 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

St. Mary's County Public Schools (the School System) – 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. The County has oversight responsibility for approval and partial funding of the School System's operating budget.

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

St. Mary's County Library (the 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 Library
23630 Hayden Farm Lane
Leonardtown, Maryland 20650

Basis of Presentation

The financial statements of 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 GASB. The accompanying financial statements include various agencies, department organizations and offices which are legally part of the County (the Primary Government) and the County's Component Units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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

Government-wide Financial 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements (continued)

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.

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 Statement No. 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. No major funds by category are summarized into a single column.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements, to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at a more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

Governmental Funds

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

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

2. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

<u>Fiduciary Funds</u> (continued)

Custodial 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, 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

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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 general accepted accounting principles (GAAP) basis.

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 GAAP. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget and Budgetary Accounting (continued)

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

b. Public hearings are conducted to obtain taxpayer comments.

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

d. All revisions that alter the expenditures of each fund must be approved by the County or the Chief Financial Officer.

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

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

g. The budgeted amounts are as adopted, including amendments, by the County.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Investments (continued)

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 non-spendable 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 and Safe Leave Benefits

Full-time employees earn annual leave on the basis of years of full time service. Employees with 0 to 5 years of service earn eighty hours (80) per year up to a maximum of 200 hours per year on the employee's 20th year anniversary. Regular part-time employees earn annual leave on the basis of years of service and prorated on the number of hours actually worked, as a percentage of the normal work week of 40 hours. A maximum of 360 hours of annual leave may be carried into the new calendar year for full-time employees. Unused leave in excess of 360 hours as of December 31st will be converted to sick and safe leave. A maximum of 180 hours of annual leave may be carried into the new calendar year for regular part-time employees and unused leave in excess of 180 hours will be converted to sick and safe leave. An employee leaving County service shall receive a lump sum payment at their current rate of pay for any unused accumulated annual leave. Former County employees may be credited with prior years of full-time or regular part-time service if they are reinstated with the County within one (1) year. Retirees are not eligible for their previous rate of accrual.

Full-time employees are provided with twelve (12) hours of personal leave on January 1st of each year. Personal leave for regular part-time employee is prorated according to the number of hours scheduled to work on an annual basis.

All employees, including exempt employees, shall be entitled to earn compensatory time off for work performed in excess of the normal work period. The maximum compensatory leave accrual for non-exempt employees is 240 hours.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual, Personal, and Sick and Safe Leave Benefits (continued)

If not prohibited by employment contract, the maximum compensatory leave accrual for exempt employees is 80 hours. If not prohibited by employment contract, the maximum compensatory leave accrual for law enforcement employees and correctional officers is 480 hours.

Full-time employees earn sick and safe leave at a rate of 4.62 hours per 2-week pay period to a maximum of 120 hours per year. Sick and safe leave for regular part-time employees is prorated according to the number of hours worked. Employees hired from another agency may transfer up to 400 hours of unused sick and safe leave within 30 days of their hire date and may be utilized by the new employee after the successful completion of probation. The transferred sick and safe leave balance may not be applied toward another agencies' pension and sick and safe leave for which payment was received is not eligible for transfer. An employee is not entitled to receive payment for unused sick and safe leave at separation or retirement. However, an employee may be eligible to receive service credit at retirement for unused sick and safe leave depending on the provisions of the retirement plan to which the employee contributes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the County to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses/expenditures 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. 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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 obligation or asset is calculated on an actuarial basis consistent with the requirements of GASB Statement No. 27 – Accounting for Pensions by State and Local Government Employers. Expenditures are recognized when paid or are expected to be paid with current available resources. The net pension obligation (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 (the Code) 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.

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Depository institutions must be Maryland banks and must be approved for use by the County Commissioners.

Cash Deposits

As of June 30, 2025, the carrying amount of the County's deposits was $153,114,068 (including petty cash totaling $51,050 at various County departments) and the collected bank balance was $156,834,698. Of the collected bank balance, $2,624,877 was covered by Federal Deposit Insurance Corporation (FDIC) and $154,209,821 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. The fiduciary funds have separate formal investment policies which allow alternative investments at the discretion of the Trustees.

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. As permitted by GASB Statement No. 79, 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. The County is not subject to any limitations or restrictions on withdrawals of its investments in the MLGIP.

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

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

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 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The summary below identifies the fair market value levels of the investments of the primary government and fiduciary funds as of June 30, 2025.

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

	Level 1	Level 2	Level 3	Total
Investments at Fair Value				
Retiree Benefit Trust (OPEB):				
Money market funds	$ 3,450,069	$ -	$ -	$ 3,450,069
Pooled, common and collective funds	-	103,000	-	103,000
Bond / equity funds	96,390,973	-	-	96,390,973
Venture/ltd. partnership/closely held	-	-	29,999,547	29,999,547
Length of Service Awards Trust (LOSAP):				
Money market funds	543,536	-	-	543,536
Bond / equity funds	19,708,258	-	-	19,708,258
Pension Fund: Sheriff's Office Retirement Plan:				
Money market funds	7,178,529	-	-	7,178,529
Pooled, common and collective funds	-	367,023	-	367,023
Bond / equity funds	133,737,696	-	-	133,737,696
Venture/ltd. partnership/closely held	-	-	29,998,307	29,998,307
Total investments at fair value	$ 261,009,061	$ 470,023	$ 59,997,854	$ 321,476,938

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.

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 a bank failure, the School System's deposits may not be returned to it. Maryland State Law prescribes that local government units such as the School System must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2025, 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. As of June 30, 2025, the carrying amount of the School System's deposits was $11,652,909 and the bank balance was $12,141,576.

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Short-Term 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. As of June 30, 2025, short-term investments consist primarily of deposits in the MLGIP. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The School System has no policy on credit risk.

The carrying amount and market value of such investments were $35,291,898, $495,935, and $116,019, for governmental activities, business-type activity, and fiduciary responsibilities, respectively.

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, which is MLGIP's share price.

The School System is not subject to any limitations or restrictions on withdrawals of its investments in MLGIP.

Long-Term Investments

As of June 30, 2025, the Capital Projects Fund's long-term investment consisted of a certificate of deposit which had a maturity of greater than one year but less than five years.

The Retiree Benefit Trust Fund's (OPEB) investments are invested in the Maryland Association of Board of Educations Pooled OPEB Trust (MABE Trust). The MABE Trust is administered by the Maryland Association of Board of Education and is a wholly-owned instrumentality of its members. The nine members who are the sole contributors to the MABE Trust are the boards of education of the following counties in Maryland: Allegany, Caroline, Cecil, Charles, Harford, Kent, Prince George's, St. Mary's, and Washington.

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Long-Term Investments (continued)

The investments of the MABE Trust are stated at fair value and are managed by Wells Fargo Advisors and consist of money market funds, U.S. government and agency fixed income and asset backed securities, equity securities, mutual funds and exchange traded funds, and corporate bonds and corporate asset backed securities. The MABE Trust 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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Although all of the investments in the MABE Trust are considered Level 1 and Level 2, the School Systems membership investment in the MABE Trust is considered Level 2. As of June 30, 2025, the pooled net position of the MABE Trust was $772,172,812, in total, of which the School System's allocated investment balance was $88,027,743. The School System places no limits on the amount they may be invested with any one issuer. The School System may terminate its membership in the MABE Trust and withdrawal its allocated investment balance by providing written notice six months prior to the intended date of withdrawal.

St. Mary's County Library

Cash Deposits and Investments

As of June 30, 2025, the carrying amount of the Library's cash was $577,609 and the bank balances totaled $585,820. As a government entity, the Library's bank balance is fully insured. As of June 30, 2025, there was no uninsured or uncollateralized bank balance.

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.

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Library (continued)

Cash Deposits and Investments (continued)

	Carrying Amount	Market Value
Unrestricted:		
Investment in the Maryland Local Government Investment Pool	$ 493,611	$ 493,611
Restricted:		
The Vanguard Group	$ 81,412	$ 81,412

None of the Library's deposits or investments are subject to concentration of credit risk, interest rate risk or foreign currency risk. The investments are not subject to custodial credit risk.

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

St. Mary's County Metropolitan Commission

Deposits

The carrying amount of MetCom's deposits was $52,951,603 as of June 30, 2025. Of the bank balances, $500,000 was covered by Federal depository insurance as of June 30, 2025 with the remaining $52,451,603 adequately covered by collateral.

Cash and cash equivalents consisted of the following:

MLGIP	$ 5,925,062
Broker Deposits-CDRS	8,000,000
Insured cash sweep	34,605,527
Cash	4,421,014
	$ 52,951,603

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

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, One East Pratt Street, 5th Floor West, Baltimore, Maryland 21202. 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 AAA by Standards and Poor's. As of June 30, 2025, 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. MLGIP is managed as a Rule 2a-7 pool. Therefore, MetCom faces no interest rate risk. The cost and fair value of the MLGIP investments as of June 30, 2025 was $5,925,062.

3. CAPITAL ASSETS

Primary Government

A summary of changes in capital assets is as follows:

	Balance June 30, 2024	Additions	Transfers/ Disposals	Balance June 30, 2025
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	$ 46,504,826	$ -	$ (22,826)	$ 46,482,000
Construction in progress	9,750,970	22,504,355	(11,274,065)	20,981,260
911 system & equipment	1,423,733	-	-	1,423,733
Total Capital Assets not Being Depreciated	57,679,529	22,504,355	(11,296,891)	68,886,993
Capital Assets Being Depreciated:				
Buildings & improvements	193,005,347	1,463,487	-	194,468,834
Computer equipment	2,087,109	187,236	-	2,274,345
Other equipment	575,052	-	-	575,052
Vehicles - licensed	25,288,816	2,996,687	-	28,285,503
Off-road vehicles	3,442,062	-	-	3,442,062
Miscellaneous equipment	12,169,605	2,242,574	(6,438)	14,405,741
Roads	324,742,865	12,871,060	-	337,613,925

3. CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance June 30, 2024	Additions	Transfers/ Disposals	Balance June 30, 2025
Curbing	$ 946,791	$ -	$ -	$ 946,791
Sidewalks	1,128,839	-	-	1,128,839
Guardrails	1,981,550	-	-	1,981,550
Airport infrastructure	10,922,835	-	-	10,922,835
Airport equipment	579,104	98,523	-	677,627
Baseball fields	802,670	-	-	802,670
Bridges	12,537,322	-	-	12,537,322
Parks & recreation	50,066,117	6,277,725	-	56,343,842
Marinas & docks	8,393,600	-	-	8,393,600
Irrigation systems	241,853	-	-	241,853
Signage	630,233	-	-	630,233
Parking lots	1,292,307	-	-	1,292,307
911 system & equipment	24,571,285	-	-	24,571,285
Total Capital Assets Being Depreciated	675,405,362	26,137,292	(6,438)	701,536,216
Accumulated Depreciation for:				
Buildings & improvements	(70,604,296)	(4,487,272)	-	(75,091,568)
Computer equipment	(2,010,849)	(34,740)	219,110	(1,826,479)
Other equipment	(281,808)	(16,628)	-	(298,436)
Vehicles - licensed	(16,688,454)	(2,704,609)	-	(19,393,063)
Off-road vehicles	(1,958,808)	(306,584)	1,139	(2,264,253)
Miscellaneous equipment	(8,318,410)	(1,047,041)	637,007	(8,728,444)
Roads	(144,150,087)	(9,751,730)	-	(153,901,817)
Curbing	(862,056)	(10,692)	-	(872,748)
Sidewalks	(720,283)	(21,640)	-	(741,923)
Guardrails	(888,358)	(42,883)	-	(931,241)
Airport infrastructure	(6,903,083)	(563,122)	-	(7,466,205)
Airport equipment	(579,105)	(4,926)	-	(584,031)
Baseball fields	(581,670)	(11,483)	-	(593,153)
Bridges	(4,537,952)	(244,637)	-	(4,782,589)
Parks & recreation	(12,414,700)	(1,812,004)	-	(14,226,704)
Marinas & docks	(7,018,186)	(196,638)	-	(7,214,824)
Irrigation systems	(182,946)	(19,852)	-	(202,798)
Signage	(503,783)	(7,740)	-	(511,523)
Parking lots	(1,015,352)	(67,081)	-	(1,082,433)
911 equipment	(13,522,412)	(887,445)	-	(14,409,857)
Total Accumulated Depreciation	(293,742,598)	(22,238,747)	857,256	(315,124,089)
Total Capital Assets Being Depreciated, Net	381,662,764	3,898,545	850,818	386,412,127
Governmental Activities Capital Assets, Net	$ 439,342,293	$ 26,402,900	$ (10,446,073)	$ 455,299,120

3. CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance June 30, 2024	Additions	Transfers/ Disposals	Balance June 30, 2025
Business-type Activities:				
Capital Assets not Being Depreciated:				
Land	$ 1,078,666	$ -	$ -	1,078,666
Solid waste facilities	14,768,502	-	-	14,768,502
Total Capital Assets not Being Depreciated	15,847,168	-	-	15,847,168
Capital Assets Being Depreciated:				
Buildings & improvements	4,776,834	23,022	-	4,799,856
Computer equipment	57,188	-	(1,139)	56,049
Other equipment	39,359	-	-	39,359
Vehicles - licensed	2,716,970	-	-	2,716,970
Off-road vehicles	1,612,199	266,508	-	1,878,707
Miscellaneous equipment	699,966	-	-	699,966
Irrigation systems	572,762	-	-	572,762
Total Capital Assets Being Depreciated	10,475,278	289,530	(1,139)	10,763,669
Accumulated Depreciation for:				
Buildings & improvements	(2,621,562)	(121,695)	-	(2,743,257)
Computer equipment	(57,188)	-	-	(57,188)
Other equipment	(39,359)	-	-	(39,359)
Vehicles - licensed	(1,973,607)	(186,183)	-	(2,159,790)
Off-road vehicles	(1,046,468)	(144,685)	-	(1,191,153)
Miscellaneous equipment	(602,263)	(8,629)	-	(610,892)
Irrigation systems	(527,310)	(23,033)	-	(550,343)
Total Accumulated Depreciation	(6,867,757)	(484,225)	-	(7,351,982)
Total Capital Assets Being Depreciated, Net	3,607,521	(194,695)	(1,139)	3,411,687
Business-type Activities Capital Assets, Net	$ 19,454,689	$ (194,695)	$ (1,139)	$ 19,258,855

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

Governmental Activities:	
General government	$ 1,823,980
Public safety	4,467,460
Public works	12,253,091
Social services	548,104
Post-secondary education	42,285
Parks, recreation, and culture	2,883,857
Libraries	199,628
Economic development and opportunity	20,342
Total Depreciation - Governmental Activities	$ 22,238,747

3. CAPITAL ASSETS (continued)

Primary Government (continued)

Business-type Activities:	
Recreation activity fund	$ 7,008
Solid waste/recycling	348,459
Wicomico	128,758
Total Depreciation - Business-type Activities	$ 484,225

Component Units

St. Mary's County Public Schools

Capital asset activity for the year ended June 30, 2025 is as follows:

	Balance, June 30, 2024	Additions	Deletions/ Transfers	Balance, June 30, 2025
Governmental Activities				
Capital assets not being depreciated				
Land	$ 3,734,759	$ -	$ -	$ 3,734,759
Construction in process	13,485,004	27,818,433	(1,813,444)	39,489,993
	17,219,763	27,818,433	(1,813,444)	43,224,752
Capital assets being depreciated/amortized				
Buildings and improvements	471,660,116	4,277,473	995,847	476,933,436
Furniture and equipment	19,500,636	9,405,024	(499,184)	28,406,476
Right-to-use leased assets	1,025,884	-	(204,001)	821,883
Right-to-use subscription assets	1,319,123	395,402	(76,953)	1,637,572
	493,505,759	14,077,899	215,709	507,799,367
Accumulated depreciation/amortization for				
Building and improvements	(209,243,687)	(11,775,594)	-	(221,019,281)
Furniture and equipment	(8,681,828)	(2,612,203)	471,882	(10,822,149)
Right-to-use leased assets	(205,177)	(6,935)	-	(212,112)
Right-to-use subscription assets	(361,585)	(450,873)	-	(812,458)
	(218,492,277)	(14,845,605)	471,882	(232,866,000)
Governmental Activities Capital Assets, Net	$ 292,233,245	$ 27,050,727	$ (1,125,853)	$ 318,158,119
Business-Type Activities				
Capital assets being depreciated				
Furniture and equipment	$ 2,268,493	$ 313,028	$ (42,480)	$ 2,539,041
	2,268,493	313,028	(42,480)	2,539,041
Accumulated depreciated for				
Furniture and equipment	(1,826,631)	(86,508)	40,550	(1,872,589)
	(1,826,631)	(86,508)	40,550	(1,872,589)
Business-Type Activities Capital Assets, Net	$ 441,862	$ 226,520	$ (1,930)	$ 666,452

3. CAPITAL ASSETS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Depreciation expense was charged in the Statement of Activities as follows:

Governmental Activities	
Administration	$ 42,943
Mid-level administration	118,038
Other instructional costs	992,453
Special education	2,870
Student personnel services	-
Student health services	21,508
Student transportation services	153,608
Operation of plant	13,177,520
Maintenance of plant	336,665
	$ 14,845,605
Business-Type Activities	
Food service	$ 86,508

St. Mary's County Library

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets:				
Furnishings and equipment	$ 1,162,481	$ 17,750	$ -	$ 1,180,231
Leasehold improvements	87,735	-	-	87,735
Books	5,014,335	451,011	624,099	4,841,247
	6,264,551	468,761	624,099	6,109,213
Accumulated depreciation:				
Furnishings and equipment	1,146,818	5,944	-	1,152,762
Leasehold improvements	23,407	1,755	-	25,162
Books	3,697,529	292,568	624,099	3,365,998
	4,867,754	300,267	624,099	4,543,922
Capital Assets, Net	$ 1,396,797	$ 168,494	$ -	$ 1,565,291

Governmental activities depreciation expense of $300,267 was charged to Library services.

3. CAPITAL ASSETS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025
Capital assets being depreciated:				
Utility plants	$ 177,900,204	$ 578,828	$ 110	$ 178,478,922
Water plant systems	87,554,423	8,020,160	-	95,574,583
Equipment	11,430,542	848,792	23,320	12,256,014
Buildings	4,088,933	-	465	4,088,468
Total Capital Assets Being Depreciated	280,974,102	9,447,780	23,895	290,397,987
Capital assets not being depreciated:				
Utility plant construction in process	5,486,582	2,947,572	21,620	8,412,534
Water plant construction in process	11,426,184	4,387,951	7,173,385	8,640,750
Land/land rights	2,850,787	12,760	-	2,863,547
Total Capital Assets	300,737,655	16,796,063	7,218,900	310,314,818
Accumulated depreciation:				
Utility plants	69,305,852	4,478,289	110	73,784,031
Water plant systems	28,421,777	3,098,587	-	31,520,364
Equipment	8,824,463	408,976	23,320	9,210,119
Buildings	3,043,367	216,501	465	3,259,403
Total Accumulated Depreciation	109,595,459	8,202,353	23,895	117,773,917
Net Capital Assets	$ 191,142,196	$ 8,593,710	$ 7,195,005	$ 192,540,901

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 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 the 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, 2025 was $0.8478 per $100 of assessed value based on the full valuation method. The Constant Yield tax rate for FY2025 was $0.8104. The personal property tax rate during the year ended June 30, 2025 was $2.1195 per $100 of assessed value. The County Treasurer bills and collects all property taxes.

4. PROPERTY TAX (continued)

A 100% allowance for uncollectible receivables is established for prior year taxes receivable. County property tax receivable as of June 30, 2025, net of the allowance for uncollectible receivables of $410,141, is $1,857,162 (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 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, 2025, there were no delinquent special assessment receivables due from taxpayers.

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 as of June 30, 2025 of $8,506,500.

Capital Projects Fund: Unearned revenue consists of prefunding in the amount of $1,582,476 for construction projects at Spring Ridge Middle School and Safety and Security Initiatives.

Enterprise Fund: Unearned revenue of $278,318 represents student lunch ticket sales collected in advance which will be consumed by students in next fiscal year.

6. LONG-TERM OBLIGATONS

Primary Government

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds - County	$ 165,871,000	$ 30,000,000	$ 9,156,000	$ 186,715,000	$ 9,730,000
Premium	10,208,298	1,479,044	384,940	11,302,402	470,860
State loans and special assessment	610,257	-	123,440	486,817	95,137
Exempt financing	3,430,492	-	948,883	2,481,609	793,492
	180,120,047	31,479,044	10,613,263	200,985,828	11,089,489
Landfill post-closure costs	2,597,000	-	369,000	2,228,000	-
Compensated absences	8,104,204	611,201	-	8,715,405	99,199
Total	$ 190,821,251	$ 32,090,245	$ 10,982,263	$ 211,929,233	$ 11,188,688
Business-type Activities:					
Exempt financing	$ 998,821	$ -	$ 292,838	$ 705,983	$ 225,737
Compensated absences	170,747	26,401	-	197,148	-
Total	$ 1,169,568	$ 26,401	$ 292,838	$ 903,131	$ 225,737

For governmental activities, compensated absences are generally liquidated by the governmental fund to which the liability relates. For all other governmental activity debt, the general fund typically liquidates the liability.

Governmental Activities

General Obligation Bonds

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

On July 26, 2016, the County issued General Obligation Bonds of $25,000,000 Consolidated Public Improvement Bonds. The Consolidated Public Improvement Bonds will mature on August 1 in 20 annual serial installments, beginning in the year 2017 and ending with the year 2036. Interest on the Bonds is payable semiannually on each February 1 and August 1 to maturity with an average interest rate of 2.25%.

On October 24, 2017, the 2009 Series B, Build America Bonds were refunded in the 2017 General Obligation Bonds, Series 2017 for $15,475,000. The 2017 General Obligation Bonds will mature on July 15 in 10 installments, beginning in 2020 and ending in 2029. Interest on the Bonds is payable semiannually on each January 15 and July 15 to maturity with an average interest rate of 1.89%.

6. LONG-TERM OBLIGATONS (continued)

Primary Government (continued)

Governmental Activities (continued)

General Obligation Bonds (continued)

On September 18, 2018, the County issued General Obligation Bonds of $30,000,000. The Consolidated Public Improvement Bonds will mature on September 15 in 20 installments, beginning in the year 2019 and ending in 2038. Interest on the Bonds is payable semiannually on each March 15 and September 15 to maturity with a true interest rate of 3.17%.

On April 28, 2020, the County issued General Obligation Bonds of $30,000,000. The Consolidated Public Improvement Bonds will mature on May 1 in 20 installments, beginning in the year 2021 and ending in 2040. Interest on the Bonds is payable semiannually on each May 1 and November 1 to maturity with a true interest rate of 2.216%.

On May 11, 2021, the County issued General Obligation Bonds of $30,000,000. The premium received was $4,065,145. The Consolidated Public Improvement Bonds will mature on May 1 in 20 installments, beginning in the year 2022 and ending in 2041. Interest on the Bonds is payable semiannually on each May 1 and November 1 to maturity with a true interest rate of 1.6216%.

On August 8, 2022, the County issued General Obligation Bonds of $30,000,000. The premium received was $3,774,863. The Consolidated Public Improvement Bonds will mature on August 1 in 20 installments, beginning in the year 2023 and ending in 2042. Interest on the Bonds is payable semiannually on each February 1 and August 1 to maturity with a true interest rate of 3.196%.

On December 5, 2023 the County issued General Obligation Bonds of $30,000,000. The premium received was $2,973,709. The Consolidated Public Improvement Bonds will mature on December 1 in 20 installments, beginning in the year 2024 and ending in 2043. Interest on the Bonds is payable semiannually on each December 15 and June 15 to maturity with a true interest rate of 3.39%.

On May 6, 2025 the County issued General Obligation Bonds of $30,000,000. The premium received was $1,479,044. The Consolidated Public Improvement Bonds will mature on December 15 in 21 installments, beginning in the year 2025 and ending in 2045. Interest on the Bonds is payable semiannually on each December 15 and June 15 to maturity with a true interest rate of 3.93%.

6. LONG-TERM OBLIGATONS (continued)

Primary Government (continued)

Governmental Activities (continued)

2024 Exempt Financing Equipment Lease

On September 29, 2023, the County entered into an agreement with TD Equipment Finance, Inc. to borrow a total of $5,200,000 for the purchase of vehicles and other replacement equipment. The lease bears interest at a rate of 4.19% per annum, payable annually through 2028. 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 2024 exempt financing equipment lease as of June 30, 2025 based on the total final lease amount of $5,200,000 are as follows:

Years ending June 30,	Principal	Interest	Total
2026	$ 793,492	$ 103,979	$ 897,471
2027	826,739	70,732	897,471
2028	861,378	36,092	897,470
	$ 2,481,609	$ 210,803	$ 2,692,412

Long-term obligations as of June 30, 2025 consist of the following:

Description	Due	Rate	Amount
MD Water quality loans and other state loans:			
Holly Point Shores	2008-2032	None	$ 70,199
Murray Road Revetment	2004-2028	None	10,896
Piney Point Lighthouse	2009-2026	None	33,637
Villas on Waters Edge	2009-2032	None	152,572
Kingston Creek II	2010-2037	None	126,519
Thomas Road	2016-2030	None	53,280
Gibson Road	2017-2031	None	39,714
Total state loans and special assessment debt			486,817

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Governmental Activities (continued)

Description	Due	Rate	Amount
General obligation bonds			
2016 Consolidated Public Improvement Bonds	2017-2037	2.25%	$ 17,310,000
2017 Refunding	2020-2029	1.89%	8,415,000
2018 Consolidated Public Improvement Bonds	2019-2038	3.17%	23,525,000
2020 Consolidated Public Improvement Bond	2021-2040	2.21%	24,495,000
2021 Consolidated Public Improvement	2022-2041	1.62%	25,785,000
2022 Consolidated Public Improvement	2024-2043	3.20%	28,100,000
2023 Consolidated Public Improvement	2025-2044	3.39%	29,085,000
2025 Consolidated Public Improvement	2025-2045	3.93%	30,000,000
Total general obligation bonds			186,715,000

Long term obligations as of June 30, 2025 consist of the following:

Total state loans and bonds	187,201,817
Premium	11,302,402
Accrued landfill closure and post closure costs	2,228,000
Exempt financing	2,481,609
Accumulated unpaid annual and sick leave	8,715,405
Total	$ 211,929,233

Special Assessment Debt

Special assessment fund debt payable as of June 30, 2025 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.	$ 70,199
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.	152,572
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.	126,519
	$ 349,290

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)

Governmental Activities (continued)

Special Assessment Debt (continued)

The annual requirements to amortize all debt outstanding as of June 30, 2025 including interest of $65,236,489 except for the accrued landfill closure and post-closure costs, accumulated unpaid leave benefits, and exempt financing, are as follows:

	Governmental Activities		
For the years ending June 30,	Principal	Interest	Total
2026	$ 9,825,137	$ 6,706,475	$ 16,531,612
2027	9,656,500	6,827,800	16,484,300
2028	10,096,500	6,363,875	16,460,375
2029	10,567,868	5,884,525	16,452,393
2030	11,062,868	5,382,225	16,445,093
2031-2035	52,481,869	20,636,009	73,117,878
2036-2040	55,326,075	10,547,305	65,873,380
2041-2045	26,080,000	2,801,444	28,881,444
2046	2,105,000	86,831	2,191,831
Subtotal	187,201,817	$ 65,236,489	$ 252,438,306
Plus: premium	11,302,402		
Total	$ 198,504,219		

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

	General Obligation Bonds	State Loans	Special Assessment Fund	Total
Principal	$ 186,715,000	$ 137,527	$ 349,290	$ 187,201,817
Interest	65,236,489	-	-	65,236,489
	$ 251,951,489	$ 137,527	$ 349,290	$ 252,438,306

6. LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Business-Type Activities

2024 Exempt Financing Equipment

The annual requirements to amortize the business-type activities portion of the 2024 exempt financing equipment as of June 30, 2025 based on the total final financing amount of $5,200,000 are as follows:

Years ending June 30,	Principal	Interest	Total
2026	$ 225,737	$ 29,581	$ 255,318
2027	235,195	20,122	255,317
2028	245,051	10,267	255,318
	$ 705,983	$ 59,970	$ 765,953

Component Units

St. Mary's County Public Schools

Long-term debt as of June 30, 2025 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, 2025:

	Balance, June 30, 2024	Additions	Reductions	Balance, June 30, 2025	Due Within One Year
Governmental Activities					
Lease liability	$ 1,025,884	$ -	$ 204,001	$ 821,883	$ 215,239
SBITA liability	1,101,033	343,949	530,891	914,091	509,020
Compensated absences	5,612,030	38,211	24,178	5,626,063	708,433
Net OPEB liability	315,725,160	-	149,366,971	166,358,189	-
Net pension liability	17,521,533	2,867,567	-	20,389,100	-
	$ 340,985,640	$ 3,249,727	$ 150,126,041	$ 194,109,326	$ 1,432,692
Business-Type Activities					
Compensated absences	$ 172,351	$ 562	$ 2,088	$ 170,825	$ 18,692

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

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Lease Liability: The School System has entered into various five-year lease agreements as lessee. As of June 30, 2025, the value of the lease liability was $821,883. The School System is required to make quarterly or monthly principal and interest payments ranging from $2,750 to $21,600. The lease agreements have interest rate ranging from 6.5% to 7.5%. The equipment has a five-year estimated useful life. The value of the right-to-use assets as of the end of the current fiscal year was $821,883 and had accumulated amortization of $212,112.

The future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2025 under these equipment financing agreements are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 215,239	$ 55,372	$ 270,611
2027	232,162	38,449	270,611
2028	247,671	20,188	267,859
2029	126,811	2,992	129,803
Total	**$ 821,883**	**$ 117,001**	**$ 938,884**

SBITA Liability: The School System uses software under a subscription basis. When the term of the subscription exceeds one year, the arrangements are reported as intangible assets known as SBITAs, with corresponding SBITA liabilities that represent the payment obligations under the subscription contract. SBITAs used by the School System have service terms varying from 34 months to 5 years, including anticipated renewals. The School System has one SBITA contract that had not been fully placed into service as of June 30, 2025. It was subsequently implemented in July 2025. The tables below show the total value of the School System's SBITA assets, and the principal and interest payments due, over the remaining terms of the subscriptions.

The future principal and interest payments for SBITA as of June 30, 2025, were as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 509,020	$ 55,529	$ 564,549
2027	254,503	25,694	280,197
2028	150,568	3,515	154,083
Total	**$ 914,091**	**$ 84,738**	**$ 998,829**

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Library

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, 2025:

Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025	Amount due within one year
$ 311,488	$ 62,011	$ -	$ 373,499	$ 74,977

St. Mary's County Metropolitan Commission

Long-term bonds payable as of June 30, 2025 are as follows:

Bond Payable Description	Due	Rate	Principal	Interest
Thirtieth issue	2012-2029	2.96 - 3.4%	$ 393,370	$ 34,628
Fortieth issue	2015-2027	2.08%	1,415,000	44,304
Forty-eighth Issue	2019-2049	3.39%	6,352,000	3,901,072
Forty-ninth Issue	2019-2029	1.82%	130,000	14,294
Fiftieth issue	2020-2030	0.96%	3,039,000	398,564
Fifty-first issue	2021-2034	1.79%	13,500,786	1,011,266
Fifty-second issue	2023-2036	1.79%	11,951,130	1,611,166
Fifty-forth issue	2021-2051	2.67%	8,990,000	4,529,836
Fifty-fifth issue	2025-2054	4.68%	10,871,391	10,443,186
			56,642,677	21,988,316
Less current portion			4,248,249	1,643,213
			$ 52,394,428	$ 20,345,103

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2025 are as follows:

Years Ending June 30,	Principal	Interest	Total
2026	$ 4,115,838	$ 1,773,208	$ 5,889,046
2027	4,248,249	1,643,213	5,891,462
2028	3,633,573	1,531,650	5,165,223
2029	3,737,325	1,431,857	5,169,182
2030	3,712,228	1,328,827	5,041,055
2031-2035	12,651,679	5,426,699	18,078,378
2036-2040	9,361,592	3,914,826	13,276,418
2041-2045	5,442,500	2,855,379	8,297,879
2046-2050	6,215,500	1,617,034	7,832,534
2051-2055	3,524,193	465,623	3,989,816
Total	$ 56,642,677	$ 21,988,316	$ 78,630,993

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

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.

Thirtieth Issue (continued)

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.

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 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.

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Forty-eighth Issue

On November 21, 2019, MetCom issued $7,152,371 of Infrastructure Financing Bonds, 2019, Series BII, in conjunction with the CDA. As of June 30, 2024, the unspent proceeds were $3,651,593.

The bonds mature on April 1, 2049 in 30 annual installments, beginning in 2020 and ending in 2049. The average interest yield on these bonds is 3.39%. Interest was payable on April 1, 2020 and semiannually thereafter on each April 1 and October 1 to maturity. The bonds may be prepaid in whole or in part, at any time after June 1, 2029.

Forty-ninth Issue

On November 21, 2019, MetCom issued $279,594 of Infrastructure Financing Bonds, 2019, Series BI, in conjunction with the CDA. There were no unspent proceeds as of June 30, 2022.

The bonds mature on April 1, 2029 in 10 annual installments, beginning in 2020 and ending in 2029. The average interest yield on these bonds is 1.82%. Interest was payable on April 1, 2020 and semiannually thereafter on each April 1 and October 1 to maturity.

Fiftieth Issue

On August 11, 2020, MetCom issued Refinancing Bonds Series 2020-A1 in the principal amount of $5,411,345, after a premium discount of $980,662. These bonds were issued with a true interest cost of .96% to refund certain maturities of MetCom's 2010 Series A Bonds, the Twenty-seventh Issue, issued in conjunction with the CDA, with a coupon rate ranging from .75% to 4.31% on the refunded bonds.

These bonds were issued to take advantage of a favorable interest rate environment, and to reduce its total debt service payments in excess of $1,000,000. Interest is payable on October 1, 2020 and semiannually thereafter on each October 1 and April 1 to maturity.

Fifty-first Issue

On July 1, 2021, MetCom issued an advanced refunding of Issues 2012B, 2013A, and 2014A in the principal amount of $17,026,696 Series 2021B (Taxable). These bonds were issued with a true interest cost of 1.79% to refund. This advance refunding was issued to take advantage of a favorable interest rate environment, and to reduce its total debt service payments in excess of $2,000,000. Principal and interest payments are payable on the first of every month to maturity in 2034.

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Fifty-second Issue

On July 1, 2021, MetCom issued General Obligation Bonds Series 2021A in the principal amount of $13,210,248. These bonds were issued with a true interest cost of 1.79%. The proceeds of the Series 2021A Bond will be used to finance all or a portion of the costs of various routine and non-routine capital upgrades, rehabilitation, improvements or renovations to its various water and wastewater facilities. These bonds were issued from undrawn proceeds of prior CDA issuances 2012B, 2013A, and 2014A, and were issued to take advantage of the favorable interest rate environment. Principal and interest payments are payable on the first of every month to maturity in 2036.

Fifty-fourth Issue

On December 2, 2021, MetCom issued $10,590,570 of Infrastructure Financing Bonds, Series 2021A-1 and 2021A-2 in conjunction with CDA. As of June 30, 2025, the unspent proceeds were $2,736,651.

The bonds mature on April 1, 2051 in 30 annual installments, beginning in 2022 and ending in 2051. The average interest yield on these bonds is 2.67%. Interest was payable on April 1, 2022 and semiannually thereafter on each April 1 and October 1 to maturity. The bonds may be prepaid in whole or in part, at any time after June 1, 2031.

Fifty-fifth Issue

On May 16, 2024, MetCom issued $10,917,198 of Infrastructure Financing Bonds, 2024A Series in conjunction with the Community Development Administration. As of June 30, 2024 the unspent proceeds were $8,397,043.

The bonds mature on April 1, 2054 in 30 annual installments, beginning in 2024 and ending is 2054. The average interest yield on these bonds is 4.68%. Interest was payable on October 1, 2024 and semiannually thereafter on each April 1 and October 1 to maturity. The bonds may be prepaid in whole or in part at any time on or after June 1, 2034.

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

Notes and and loans payable as of June 30, 2025 are as follows:

Loans Payable Description	Due	Rate	Principal	Interest
MD Water Quality Loan #22	2027	1.10%	$ 44,782	$ 2,335
MD Water Quality Loan #25	2029	1.00%	42,970	3,297
MD Water Quality Loan #26	2030	1.00%	156,679	12,758
MD Water Quality Loan #28	2030	2.20%	135,148	16,604
MD Water Quality Loan #32	2034	1.80%	2,420,473	338,085
MD Water Quality Loan #33	2033	1.70%	180,913	23,251
MD Water Quality Loan #34	2035	2.10%	11,632,639	2,000,902
MD Water Quality Loan #35	2035	2.10%	2,908,160	961,834
MD Water Quality Loan #37	2034	2.00%	1,173,712	164,962
Leonardtown #41	2037	1.80%	972,451	191,330
MD Water Quality Loan #42	2038	1.50%	2,113,277	333,490
MD Water Quality Loan #43	2038	1.50%	1,485,627	387,015
MD Water Quality Loan #44	2039	1.60%	3,463,068	626,283
MD Water Quality Loan #45	2039	1.70%	1,175,481	255,784
MD Water Quality Loan #46	2039	1.70%	871,705	192,366
MD Water Quality Loan #47	2049	1.70%	725,886	292,363
MD Water Quality Loan #53	2042	0.80%	1,715,897	224,447
			31,218,868	6,027,106
Less current portion			2,793,308	938,324
			$ 28,425,560	$ 5,088,782

The annual requirements to amortize principal and interest payments on all notes and loans outstanding as of June 30, 2025 are as follows:

Years Ending June 30,	Principal	Interest	Total
2026	$ 2,793,308	$ 938,324	$ 3,731,632
2027	2,799,306	744,890	3,544,196
2028	2,851,054	689,809	3,540,863
2029	2,931,746	645,873	3,577,619
2030	2,918,232	583,982	3,502,214
2031-2035	13,713,745	2,056,132	15,769,877
2036-2040	3,067,968	356,384	3,424,352
2041-2045	143,509	11,712	155,221
Total	$ 31,218,868	$ 6,027,106	$ 37,245,974

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

As of June 30, 2025, MetCom has nineteen loans from the Maryland Water Quality Financing Administration.

- Loan number eighteen for $4,712,200 was used to upgrade the Marley-Taylor WRF.
- 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.
- 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.

  Loan number thirty-seven in the amount of $2,420,291 is for the Route 235 and Route 712 Interceptor Rehabilitation.
- Loan number forty-one in the amount of $1,705,500 is for MetCom's share of Leonardtown's Maryland Department of the Environment (MDE) loan for the ENR project. Loan number forty-one is a shared project with the Town of Leonardtown for the Leonardtown Wastewater Treatment Plan ENR Upgrade. Of the total proceeds in the amount of $7,500,000, MetCom is contributing 22.74% in debt service.
- Loan number forty-two in the amount of $3,368,474 is for the St. Clement's Shores Water Line Extension.
- Loan number forty-three in the amount of $2,491,768 is for the Piney Point Water.
- Loan number forty-four in the amount of $5,292,504 is for the Great Mills Wastewater Pumping Station.
- Loan number forty-five in the amount of $2,052,427 is for Phase I of the Town Creek Water line replacement project.
- Loan number forty-six in the amount of $1,543,828 is for Phase 4 of the Patuxent Park Water Line Replacement Project.

6. LONG-TERM OBLIGATIONS (continued)

Component Units (continued)

St. Mary's County Metropolitan Commission (continued)

- Loan number forty-seven in the amount of $1,550,260 is for Phase 4 of the Patuxent Park Sewer Line Replacement Project. Both projects funded by loan forty-six and forty-seven are joint projects with the County.
- Loan number fifty-three in the amount of $2,389,167 is for Phase 2 of the St. Clements Shores Water System Replacement project.

Changes in Long-Term Debt

The changes in long-term debt payable for the year ended June 30, 2025 were as follows:

	June 30, 2024	Additions	Deductions	June 30, 2025	Amounts Due Within One Year
Bonds payable	$ 60,544,674	$ 113,971	$ 4,015,968	$ 56,642,677	$ 4,115,838
Notes and loans payable	34,232,518	-	3,013,650	31,218,868	2,793,308
Total long-term debt	$ 94,777,192	$ 113,971	$ 7,029,618	$ 87,861,545	$ 6,909,146

7. FUND BALANCES

A summary of the nonspendable, restricted, committed, assigned and unassigned fund balances as of June 30, 2025 are as follows:

		Special Revenue Funds			Debt Service Fund	
	General Fund	Fire and Rescue Revolving Loan Fund	Emergency Services Support Fund	Emergency Services Billing Fund	Special Assessments	Capital Projects Fund
Nonspendable						
Inventory	$ 1,420,919	$ -	$ -	$ -	$ -	$ -
Interfund advance (Wicomico)	181,497	-	-	-	-	-
Total Nonspendable	1,602,416	-	-	-	-	-
Restricted						
County matching funds for approved grants	611,960	-	-	-	-	-
Total Restricted	611,960	-	-	-	-	-
Committed						
15% policy reserve	50,113,344	-	-	-	-	-
Operating budget, non-recurring items	12,137,893	-	-	-	-	-
Other, net, including grants	-	3,186,497	367,982	-	610,834	-

7. FUND BALANCES (continued)

		Special Revenue Funds			Debt Service Fund	
	General Fund	Fire and Rescue Revolving Loan Fund	Emergency Services Support Fund	Emergency Services Billing Fund	Special Assessments	Capital Projects Fund
Committed (continued)						
Funding sources specified for capital projects:						
Land preservation	$ -	$ -	$ -	$ -	$ -	$ 5,552,538
Various capital projects - transfer tax	-	-	-	-	-	20,311,117
County pay-go	-	-	-	-	-	11,842,774
Public safety - excise taxes	-	-	-	-	-	(276,426)
Roads - impact fees and excise taxes	-	-	-	-	-	968,390
Roads - mitigation	-	-	-	-	-	384,707
Parks - impact fees and excise taxes	-	-	-	-	-	(42,130)
Parks - mitigation	-	-	-	-	-	753
Schools - impact fees and excise taxes	-	-	-	-	-	1,079,096
Schools - mitigation	-	-	-	-	-	34,125
Total Committed	62,251,237	3,186,497	367,982	-	610,834	39,854,944
Assigned	5,301,755	-	-	-	-	30,040,070
Unassigned	18,923,250	-	-	(1,897,524)	-	-
Total Fund Balances	$ 88,690,618	$ 3,186,497	$ 367,982	$ (1,897,524)	$ 610,834	$ 69,895,014

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 balances is delegated to the Finance Department by the Board to carry out their approved plan.

The non-spendable fund balance includes:

- Inventory - The amount of inventory as of June 30, 2025 carried as an asset.
- Interfund advance to Wicomico.

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 FY2025, but for which the period extends beyond June 30, 2025. These funds will be needed to meet the obligations of the grant.

7. FUND BALANCES (continued)

The committed fund balance includes:

- County Reserve - set by ordinance, 15% of revenue.
- Operating for non-recurring - Prior unassigned fund balance committed for the next budget cycle.
- The amount committed for Special Revenue Funds.
- The debt service 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.
    - 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 general fund assigned fund balance is composed of:

Encumbrances	$	2,032,311
Miscellaneous revolving fund		3,269,444
	$	5,301,755

When unassigned fund balance is used, it is used for one-time, non-recurring expenses. In May 2025, as part of the approval of the fiscal year 2026 budget, the Board approved to use Fiscal year 2024 unassigned fund balance for operating non-recurring of $12,137,893. A total amount of $31,037,845 remains unused of the fiscal year 2024 unassigned fund balance 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. 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

Maryland State Retirement and Pension System

<u>Summary of Significant Accounting Policies</u>

Pensions. Virtually all employees of the County (other than those covered by the Sheriff's Office Retirement Plan) are members of the Maryland State Retirement and Pension System (the System). The System is considered a single multiple employer cost sharing plan.

8. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

Summary of Significant Accounting Policies (continued)

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

General Information about the Pension Plan

Plan Description. Certain employees of the County are provided with pensions through the System—a cost-sharing multiple-employer defined benefit pension plan administered by the System. The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of the System to the Board of Trustees.

The System issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/ACFR/.

Benefits Provided. A member of the System is generally eligible for full retirement benefits upon the earlier of attaining age 62 with 5 years of eligibility service or accumulating 30 years of eligibility service regardless of age. Those entering the plan July 1st, 2011 or later will qualify for a normal service retirement when they are age 65 with at least 10 years of eligibility service or combined age and years of eligibility service equal to at least 90.

Early Service Retirement. A member of the System may retire with reduced benefits after completing 15 years of eligibility service and at least 55 years old. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for the System member is 42%. Those entering the plan July 1st, 2011 or later will qualify for an early service retirement when they are at least age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month of retirement prior to the retiree's 65th birthday. The maximum reduction is 30%

8. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

General Information about the Pension Plan (continued)

Disability and Death Benefits. Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's average final compensation (AFC). A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Contributions. (ERS) The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The County's contractually required contribution rate for the System for the year ended June 30, 2025 was approximately $4.5 million, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the System from the County were approximately $4.5 million for the year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2025, the County reported a liability of approximately $44.8 million for its proportionate share of the System's net pension liability. The System's net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the System's net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2024, the County's proportion for the System was 0.15 percent, which was substantially the same as its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the County recognized pension expense for the System of $4,993,021. As of June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

8. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	Deferred Outflow	Deferred Inflow
Contributions subsequent to year end	$ 5,070,745	$ -
Changes in assumptions	3,021,726	-
Net difference between projected and actual investment earnii	3,234,789	-
Change in proportion	269,251	-
Difference between actual and expected experience	4,625,838	1,083,910
Total	$ 16,222,349	$ 1,083,910

$5.1 million reported as deferred outflows of resources related to the System resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the System pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the System will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2026	$ 1,958,079
2027	1,958,079
2028	1,958,079
2029	3,132,208
2030	1,061,249
Total	$ 10,067,694

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The County's proportionate share of the System net pension liability calculated using the discount rate of 6.80 percent is $44,786,609. Additionally, the County's proportionate share of the System net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (5.80 percent) is $64,990,012, or 1-percentage-point higher (7.80 percent) is $27,819,011.

Sheriff's Office Retirement Plan

The membership data related to the St. Mary's County Sheriff's Office Retirement Plan (SORP or the Plan) at July 1, 2025 was as follows:

Retirees and beneficiaries currently receiving benefits	154
Terminated plan members	77
Active plan members	201

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

The St. Mary's County Sheriff's Office Retirement Plan is a defined benefit plan which provides a monthly benefit at normal retirement age, early retirement age, or due to a disability. Participants contribute 8% of pay to the Plan. The County contribution varies each year. Participants are vested after five (5) years of eligibility service.

Years of Credited Service may be obtained under the Plan by:

- Employment with the Sheriff's Office
- Transferring credit and contributions from another governmental employer's defined pension plan in the State of Maryland
- Requesting credit for pre-employment military service
- Leaves of absence due to line-of-duty injury or illness

Normal Retirement

Age 62 or after earning 25 years of eligibility service; whichever happens first. The amount of the annual normal retirement benefit is an amount equal to the lesser of (a) 80% of the Participant's average compensation, plus credit for unused sick leave, or (b) 2.5% of the Participant's average compensation multiplied by Years of Credited Service credited or earned on and after July 1, 2008, plus 2.0% of the Participant's average compensation multiplied by Years of Credited Service earned prior to July 1, 2008.

For purposes of calculating the amount of the normal retirement benefit, participants will receive credit for one month of Credited Service for each 22 days of unused sick leave.

Early Retirement

After completing 20 years of eligibility service. Benefits are calculated in the same way as the normal retirement benefit. However, benefits are reduced by 0.50% for each month the payment begins prior to the participant reaching his/her normal retirement date.

Late Retirement

A participant who continues to work past his/her normal retirement date is eligible to receive the benefit to which the Participant would have been entitled to receive if he or she had retired at his or her normal retirement date but adjusted by including any additional years of credited service which have accrued since his or her normal retirement date, subject to a maximum benefit of 80% of the participant's average compensation.

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

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.

Disability Retirement

The Plan provides for Line-of-Duty and Ordinary disability benefits. A Line-of-Duty benefit may be payable if a participant terminates employment due to a job-related injury which is compensable under workers' compensation. For disability applications received on or after October 1, 2000, Line-of-Duty disability benefits are categorized as "catastrophic" and "non-catastrophic." The annual benefit payable for a catastrophic disability is 66 2/3% of a participant's average pay, plus a benefit that is the equivalent of the employee contributions the participant made to the plan. The annual benefit for a non-catastrophic disability is 50% of a participant's average pay, plus a benefit that is the equivalent of the employee contributions the participant made to the plan.

An Ordinary disability benefit may be payable if a participant becomes disabled after completing five (5) years of eligibility service. The benefit is equal to 1.6%, multiplied by the participant's average compensation at the time of disability, then multiplied by years of credited service the participant is projected to have earned up to the date the participant would have reached his/her normal retirement date.

Death Benefits

If a participant dies prior to his or her Benefit Commencement Date, the participant's spouse, surviving children, or designated beneficiary may be entitled to receive death benefits as outline in the Plan document.

Deferred Vested Benefit

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

The amount of the participant's deferred vested pension benefit 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.

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

Withdrawal of Employee Contributions

A participant who terminates employment is eligible to receive the return of his/her accumulated contribution including interest. A vested participant who withdraws his/her employee contributions shall forfeit any rights to any future benefit payments. Interest on employee contribution for non-vested participants will cease following the 12-month anniversary of a participant's termination date.

Deferred Retirement Option Program (DROP)

The Deferred Retirement Option Program (DROP) is a program that allows for receipt of normal retirement for members of the Sheriff's Office Retirement Plan while remaining employed for an additional three (3) to five (5) years. Participants who have earned at least 25 years of credited service, but no more than 27 years of credited service, are eligible to enter DROP.

DROP Benefit

During participation in DROP, a participant's account is credited with:

- An amount equal to the participant's monthly retirement benefit under the Plan, calculated as of the date the participant enters DROP;
- Interest monthly at a minimum annual rate of 3.5%;
- The participant's biweekly SORP employee contributions while in DROP calculated at the same percentage of salary as any other SORP participant; and
- Any cost-of-living adjustments (COLAs) that would have been payable when eligible if a participant had retired and begun receiving retirement benefits instead of participating in DROP.

Salary Increases During DROP Period

A DROP participant remains an active employee while in DROP and is eligible for promotions and pay increases subject to the personnel manual and budgeted appropriations. DROP participation is not a guarantee of employment.

Termination of Employment at End of DROP

Election to participate in DROP will include a binding letter of resignation of employment with the St. Mary's County Sheriff's Office as of the last day of the elected DROP participation period.

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

Termination of Employment at End of DROP (continued)

If a participant's employment with the St. Mary's County Sheriff's Office ends before the end of the DROP period elected, whether voluntarily or involuntarily, and the participant has not completed at least three (3) full years of DROP participation, the DROP participant's monthly retirement benefit will be calculated as if he/she had never elected to participate in DROP, but will be paid in the form of payment the participant elected when he/she elected to participate in DROP. The participant's DROP account will be reduced to zero.

Disability During DROP Period

If a participant terminates employment as a result of total and permanent disability (as defined in the SORP), the participant may apply for a disability benefit. If the participant's application for a disability benefit is approved, the participant will be eligible to elect either: 1) a retirement benefit determined as if he/she had never elected to participate in DROP with no payment of a DROP account, or 2) the retirement benefit determined when the participant entered DROP plus the participant's DROP account.

DROP End Date

The DROP is scheduled to end on June 30, 2026. At that time, the SORP Board of Trustees will conduct an actuarial study to assess the effectiveness of the DROP. The Board of County Commissioners may elect to reinstate the DROP after that date.

Net Pension Liability of the County

The components of the net pension liability of the Sheriff's plan at June 30, 2025 were as follows:

Total pension liability	$ 210,137,972
Less: Plan fiduciary net position	171,281,555
County's net pension liability	$ 38,856,417
Plan fiduciary net position as a percentage of the total pension liability	81.51%

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2024 rolled forward to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Rates vary by participant service
Investment rate of return	7.25%, net of invest expense, including inflation
Mortality	RP-2014 Combined Mortality Tables for Males and Females, with Blue Collar adjustment and generational projection by Scale MP-2016

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2024 actuarial valuation report.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net position liability, calculated using a single discount rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one (1) percentage point lower or one (1) percentage point higher.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Sheriff's Plan net pension liability	$ 71,261,291	$ 38,856,417	$ 11,322,612

Asset Allocation

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

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

Asset Allocation (continued)

Asset Class	Allocation
Domestic equity	38.2%
International equity	20.5%
Fixed income	22.4%
Hedge funds	8.7%
Private equity	2.4%
Real assets	2.6%
Cash equivalents	5.2%
Total	100%

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2025, the Sheriff's office retirement plan reported a net pension liability of $38,856,417. The net pension liability was measured as of July 1, 2024 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, 2025.

For the year ended June 30, 2025, the Sheriff's office retirement plan recognized pension expense of $6,889,342 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
actual earnings on pension plan investments	$ -	$ 6,060,957
Difference between actual and expected experience	8,203,617	-
Total	$ 8,203,617	$ 6,060,957

The deferred outflows and deferred inflows will be amortized in the following fiscal years as follows:

Years Ending June 30,	Amount
2026	$ 3,504,309
2027	(971,147)
2028	(453,735)
2029	(603,537)
2030	666,770
Total	$ 2,142,660

8. RETIREMENT PLANS (continued)

Sheriff's Office Retirement Plan (continued)

Discount Rate

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

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 39.9% 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 $22,601,000. The following employer contributions were made during the fiscal year ended June 30, 2025:

	Contributions	% of Covered Payroll
Actuarially determined contribution	$ 8,823,000	41.00%

Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit

Plan Description

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

8. RETIREMENT PLANS (continued)

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

Eligibility and Benefits

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

1) The person is certified in accordance with the point system to have served as an active volunteer subsequent to December 31, 1979.
2) Any person who discontinued active volunteer service prior to July 1, 1980 may receive credit for the service after being certified in accordance with the point system.

b. Beginning July 1, 2006, active volunteer fire and rescue squads and advanced life support unit personnel may select from three Length of Service program benefit options. Selection of benefit options by the individual are irrevocable. Active members receiving benefits under Option 3 who complete 20 years of certified service will have their benefits recalculated under Option 1 of the program. The options, with rates reflected effective July 1, 2023, 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 ($300) per month for life. Payments will begin in the month following eligibility.
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 ($200) per month for life.
3) 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 *ten dollars ($10.00) 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 ten dollars ($10.00) for each additional full year of certified volunteer service after July 1, 2023.

8. RETIREMENT PLANS (continued)

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

Eligibility and Benefits (continued)

An additional payment of ten dollars ($10) per month shall be added to the benefit for each full year of volunteer service in excess of twenty (20) years effective July 1, 2023 Prior to 2006, an additional payment of five dollars ($5.00) per month was added to the benefit for each additional full year of certified volunteer service in excess of twenty (20) years. This benefit amount was increased to eight dollars ($8.00) effective July 1, 2006. Therefore, for each additional full year of certified volunteer service between July 1, 2006, and June 30, 2023, participants will receive the benefit amount of eight dollars ($8.00).

In the event that any active volunteer becomes disabled during the course of his or her service while actively engaged in providing such services and in the event that the disability prevents the volunteer from pursuing his or her normal occupation and in the event that the disability is of a permanent nature as certified by the Maryland Workmen's Compensation Commission or other competent medical authority as designated by the County, 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.

a. 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.
b. 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.
c. 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.
d. 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)

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 the 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, 2025 was approximately $2.6 million.

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

8. RETIREMENT PLANS (continued)

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

Net Pension Liability of the County

The components of the net pension liability of the LOSAP plan at June 30, 2025 were as follows:

Total pension liability	$	25,544,414
Less: Plan fiduciary net position		20,251,794
County's net pension liability	$	5,292,620
Plan fiduciary net position as a percentage of the total pension liability		79.28%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024 rolled forward to June 30, 2025 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expense and including inflation
Mortality	PUB-2010S Public Safety Mortality table with generational projection scale MP-2021

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the June 30, 2023 actuarial valuation report.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net position liability, calculated using a single discount rate of 6.50% as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one (1) percentage point lower or one (1) percentage point higher.

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
LOSAP Plan net pension liability	$ 8,473,620	$ 5,292,620	$ 2,463,878

8. RETIREMENT PLANS (continued)

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

Asset Allocation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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
Domestic equity	38.2%
International equity	20.5%
Fixed income	22.4%
Hedge funds	8.7%
Real assets	2.6%
Private equity	2.4%
Cash equivalents	5.2%
Total	100%

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2025, the LOSAP plan reported a net pension liability of $5,292,620. The net pension liability was measured as of June 30, 2023 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, 2025.

For the year ended June 30, 2025, the LOSAP plan recognized pension expense of $142,946 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
Difference between expected and actual experience	$ 264,335	$ 1,952,033
Changes in assumptions	149,603	1,251,042
Net difference between projected and actual earnings on pension plan investments	-	1,045,816
Total	$ 413,938	$ 4,248,891

8. RETIREMENT PLANS (continued)

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

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The deferred outflows and deferred inflows will be amortized in the following fiscal years as follows:

Years Ending June 30,	Amount
2026	$ (549,284)
2027	(886,507)
2028	(607,312)
2029	(605,655)
2030	(395,397)
Thereafter	(790,798)
Total	$ (3,834,953)

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 $9,281,216 or 5.599% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling $15,130,093 or 9.13% of current covered payroll for fiscal year 2025. 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.

8. RETIREMENT PLANS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

As of June 30, 2025, the School System reported a liability of $20,389,100 of the SRPS total liability of $26,304,436,000. As of June 30, 2025, the School System's proportionate share of the SRPS was 0.078%, an increase of 0.002% from the prior year.

St. Mary's County Library

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2025, the Library's total payroll and payroll for covered employees was $3,243,751.

For fiscal year 2025, the state contributed $436,321 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 13.45% of covered payroll.

St. Mary's Metropolitan Commission

Retirement and Pension Plan

MetCom's contribution to the System was $841,095 for the year ended June 30, 2025.

As of June 30, 2025, MetCom reported a liability of $7,817,942 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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. As of June 30, 2024, MetCom's proportion was 0.030%.

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, 2025:

Primary Government	Due From	Due To
General Fund		
Fire & Rescue Revolving Loan Fund	$ -	$ 3,186,497
Special Assessments	-	618,937
Emergency Services Support Fund	-	341,478
Emergency Services Billing Fund	2,071,830	-
Capital Projects Fund	-	63,521,742
Enterprise Funds	2,715,810	53,669
Special Revenue Funds		
General Fund	1,456,145	-
Special Assessments		
General Fund	618,937	-
Capital Projects Fund		
General Fund	63,521,742	-
Enterprise Funds		
General Fund	53,669	2,715,810
Total due from/due to	$ 70,438,133	$ 70,438,133

Individual fund transfers in and out are composed of the following for the year ended June 30, 2025:

	Transfers in:				
	Emergency Services Support Fund	Emergency Services Billing Fund	Capital Projects Fund	Enterprise Funds	Total
Transfers out:					
General Fund	$ -	$ -	$ (1,698,216)	$ -	$ (1,698,216)

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.

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 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.

The County is subject to risks and uncertainties as a result of current political, economic, and budgetary conditions at both the federal and state levels. Federal budget reductions may result in decreased funding allocations to the State, which could exacerbate the State's existing budget deficit. In response to this deficit, the State has implemented certain cost containment measures and mandated programs and initiatives to the Counties that are not accompanied by corresponding funding sources.

These unfunded mandates may require the County to absorb additional costs to maintain compliance with State requirements and to continue providing essential public services. The extent of the financial impact to the County cannot be reasonably estimated at this time; however, management continues to monitor developments in State and federal budget actions and assess their potential effect on County operations and financial position.

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, 2025, 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. They will be funded by the State of Maryland or County bond issues, totaling approximately $26,047,897.

10. COMMITMENTS AND CONTINGENCIES (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

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. If there is a deficit, the School System is required to pay the callable margin, which is calculated as 5% of total premiums billed during the current period. Any remaining deficit amount is carried-forward to the next billing period, to be offset by any future surplus. 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, 2025, a refund of $164,032 was due to the School System.

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

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 and the St. Mary's County Sheriff's Department Retirement Plan. 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.

The OPEB plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County, Maryland (the Trust) has an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The 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 in stocks, real estate, and limited partnership equities included in the investment policy statement.

As of June 30, 2025, membership consisted of:

Retirees and beneficiaries currently receiving benefits	374
Active plan members	549

The Trustees determine how much is contributed to the OPEB Trust as part of the budget process. The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the actuarially determined contribution (ADC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB codification. The ADC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period of thirty years. The current ADC is $3,609,000. The County did not contribute to the OPEB Trust during the year ended June 30, 2025.

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Primary Government (continued)

Investments

The County's investment authority is established in the Investment Policy for the Retiree Benefit Trust of St. Mary's County, Maryland. The investment allocation of the Trust, per the policy, is as follows:

	Lower Limit	Strategic Allocation	Upper Limit
Domestic Large Cap Equities	12%	22%	32%
Domestic Small/Mid Cap Equities	5%	9%	14%
Real Estate Equities	4%	8%	12%
International Equities	7%	10%	13%
Emerging Market Equities	0%	5%	7%
Domestic Fixed Income	16%	22%	36%
TIPS	0%	5%	7%
High Yield Fixed Income	0%	5%	7%
Real Estate Alternatives	0%	6%	6%
Private Equity	0%	12%	12%
Cash Equivalents	0%	0%	10%

For the year ended June 30, 2025, the annual money weighted rate of return of the OPEB Trust was 11.51%.

Net OPEB Liability of the County

The components of the net OPEB liability of the County as of June 30, 2025 were as follows:

Total OPEB liability	$ 148,267,507
Less: Plan fiduciary net position	130,104,488
County's net OPEB liability (asset)	$ 18,163,019
Plan fiduciary net position as a percentage of the total OPEB liability	87.75%

Actuarial Assumptions

The total OPEB liability as determined by an actuarial valuation as of July 1, 2024 rolled forward to June 30, 2025 using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Primary Government (continued)

Actuarial Assumptions (continued)

Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll
Remaining amortization period	13 for FYE 2025
Asset valuation method	Market Value Assets
Investment rate of return	6.50%
Payroll growth rate	3.50%
Inflation	2.30%
Healthcare cost trend rate	6.0% trending to 4.0% (pre-Medicare) and 3.94% (post-Medicare)
Discount Rate	6.50%

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net OPEB liability (asset)	$ 43,073,845	$ 18,163,019	$ (1,583,489)

	1% Decrease 2.94%	Medical Trend 3.94%	1% Increase 4.94%
Net OPEB liability (asset)	$ (3,632,122)	$ 18,163,019	$ 46,194,193

For the year ended June 30, 2025, the County recognized OPEB expense of $4,581,317. As of June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 4,009,677	$ 1,639,570
Changes in assumptions	12,023,889	3,469,472
Net difference between projected and actual earnings on OPEB plan investments	-	4,455,085
Total	$ 16,033,566	$ 9,564,127

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Primary Government (continued)

Actuarial Assumptions (continued)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2026	$ 2,913,957
2027	913,349
2028	71,500
2029	978,701
2030	1,717,493
Thereafter	(125,561)
Total	$ 6,469,439

Component Units

St. Mary's County Public Schools

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 ten or more years. These negotiated agreements provide that the School System will contribute from 60% to 85% 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.

As of July 1, 2024, the date of the last actuarial valuation, approximately 1,241 retirees were receiving benefits, and 1,616 active employees are potentially eligible to receive future benefits.

The School System contributes the pay as you go portion, along with an annually budgeted prefunding amount of the annual determined contribution (ADC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Codification. The ADC 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.

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

The current ADC rate is 7.41% of annual covered payroll. The School System contributed $12,277,860 for the year ended June 30, 2025, consisting of contributions towards current healthcare and life insurance premiums accounted for in the general fund with $4,000,000 in additional contributions during the current year to prefund future benefits to the retirement benefit trust fund.

The components of the School System's net OPEB liability as June 30, 2025 are as follows:

Total OPEB liability	$ 254,385,932
Less: Plan fiduciary net position	(88,027,743)
School System's net OPEB liability	$ 166,358,189
Plan fiduciary net position as a percentage of the total OPEB liability	34.60%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2024, using the following actuarial assumptions below, applied to all periods included in the measurement, unless otherwise specified. Actuarial assumptions used in the latest actuarial valuation were:

Actuarial cost method	Entry age normal
Inflation	2.60%
Salary increase	3.50%
Investment rate of return	7.00%
Discount rate	7.00%
Healthcare cost trend rate	7.00%, ultimate trend rate
Mortality	Pub-2010, MP 2021

The long-term expected rate of return on OPEB 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 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 target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the MABE Trust as of June 30, 2025 was 8.07%.

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

Actuarial Assumptions (continued)

Discount rate. The discount rate used to measure the total OPEB liability was 7.00 percent, based on a 20-year municipal bond rate average of AA/Aa or higher. The projection of cash flow used to determine the discount rate assumed that the School System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net OPEB liability	$ 203,721,257	$ 166,358,189	$ 135,769,630
	1% Decrease 3.04%	**Healthcare Cost Trend Rates 4.04%**	**1% Increase 5.04%**
Net OPEB liability	$ 133,381,523	$ 166,358,189	$ 207,836,353

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources

Related to OPEB. For the year ended June 30, 2025, the School System recognized OPEB expense of $25,559,715. As of June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in experience	$ 48,964,929	$ 89,210,898
Changes in assumptions	30,868,162	186,579,021
Projected and actual earnings	1,599,799	-
Total	$ 81,432,890	$ 275,789,919

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Public Schools (continued)

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	Amount
2026	$ (41,976,786)
2027	(44,583,385)
2028	(45,315,355)
2029	(35,304,597)
2030	(27,176,906)
Total	$ (194,357,029)

Detailed OPEB plan information for the School System is available in their current year audited financial statements.

St. Mary's County Library

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 of 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.

The Library's OPEB plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County Library as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, and vision coverage to current and eligible future retirees. 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 Association of Counties (MACo) OPEB Trust.

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Library (continued)

Plan Description (continued)

The OPEB Trust does not issue a stand-alone financial report. The Library Board of Trustees receive quarterly and annual reports from the firm Asset Strategy to monitor the performance of investments.

Membership of the OPEB Plan enrolled in coverage as of June 30 consisted of:

Retirees and beneficiaries currently receiving benefits	10
Active plan members	44

Investments

The Library's investment authority is established in the Retiree Benefit Trust of St. Mary's County Library. For the year ended June 30, 2025, the annual money weighted rate of return of the OPEB Trust was 4.17%.

The components of the net OPEB liability of the Library as of June 30, 2025 was:

Total OPEB liability	$	3,962,624
Less: Plan fiduciary net position		1,525,566
Library's net OPEB liability	$	2,437,058
Plan fiduciary net position as a percentage of the total OPEB liability		38.50%

Actuarial Assumptions

The total OPEB liability as determined by an actuarial valuation as of July 1, 2024 rolled forward to June 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Projected unit credit
Inflation	2.50%
Investment rate of return	6.00%
Discount Rate	5.07%
Healthcare cost trend rate	5.20% trending to 3.94%

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Library (continued)

Actuarial Assumptions (continued)

The long-term nominal expected rate of return on OPEB plan investments of 6% was determined using a building block method where return expectations are established for each asset class. The building block approach uses the current underlying fundamentals, not historical returns. Spread and the risk-free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity. These return expectations are weighted based on asset/target amounts.

The discount rate used to measure the total OPEB liability was 5.07% as of June 30, 2025. The projection of cash flow used to determine the discount rate assumed that the Library's contributions will be made at rates equal to current contributions levels.

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	1% Decrease 2.92%	Medical Trend 3.92%	1% Increase 4.92%
Net OPEB liability	$ 1,748,884	$ 2,437,058	$ 3,364,789

	1% Decrease 4.07%	Discount Rate 5.07%	1% Increase 6.07%
Net OPEB liability	$ 3,211,345	$ 2,437,058	$ 1,832,829

For the year ended June 30, 2025, the Library recognized OPEB expense of $295,254. As of June 30, 2025, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 930,626	$ 241,658
Changes in assumptions	482,418	1,185,492
Net difference between projected and actual earnings on pension plan investments	4,033	-
Total	$ 1,417,077	$ 1,427,150

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's County Library (continued)

Actuarial Assumptions (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in expense as follows:

Years Ending June 30,	Amount
2026	$ 140,020
2027	79,036
2028	(138,605)
2029	(169,975)
2030	61,302
Thereafter	18,149
Total	$ (10,073)

St. Mary's 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.

MetCom's OPEB plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County Metropolitan Commission as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The 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.

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's Metropolitan Commission (continued)

Plan Description (continued)

The Trust assets are invested with the MLGIP and the Maryland Association of Counties (MACo) OPEB Trust. The OPEB Trust does not issue a stand-alone financial report.

As of June 30, 2025, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21
Active plan members	77
	98

Investments

MetCom's investment authority is established in the Retiree Benefit Trust of St. Mary's County Metropolitan Commission. For the year ended June 30, 2025, the annual money weighted rate of return of the OPEB Trust was 11.5%.

Actuarial Assumptions

The components of the net OPEB liability of MetCom as of June 30, 2025 were as follows:

Total OPEB liability	$ 12,945,603
Less: Plan fiduciary net position	11,293,859
Net OPEB liability	$ 1,651,744
Plan fiduciary net position as a percentage of the total OPEB liability	87.24%

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, rolled forward to June 30, 2025 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Projected unit credit
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.50%
Healthcare cost trend rate	The trend for 2025 is 5.2%. The ultimate trend is 3.94%.
Discount rate	7.00%

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's Metropolitan Commission (continued)

Actuarial Assumptions (continued)

The long-term nominal expected rate of return on OPEB plan investments of 7.00% was determined using a building block method where return expectations are established for each asset class. The building block approach uses the current underlying fundamentals, not historical returns. Spread and the risk-free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity. These return expectations are weighted based on asset/target amounts.

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2025. The projection of cash flow used to determine the discount rate assumed that the MetCom's contributions will be made at rates equal to current contributions levels.

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	1% Decrease 2.92%	Medical Trend 3.92%	1% Increase 4.92%
Net OPEB liability / (asset)	$ (186,455)	$ 1,651,744	$ 3,981,343

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net OPEB liability / (asset)	$ 3,731,535	$ 12,945,603	$ (7,849)

For the year ended June 30, 2025, MetCom recognized OPEB expense of $231,280. As of June 30, 2025, MetCom reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,340,222	$ 538,244
Changes of assumptions	213,668	777,644
Net difference between projected and actual earnings on OPEB plan Investments	-	208,719
	$ 1,553,890	$ 1,524,607

11. OTHER POST EMPLOYMENT BENEFITS (continued)

Component Units (continued)

St. Mary's Metropolitan Commission (continued)

Actuarial Assumptions (continued)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2026	$ 145,034
2027	(203,087)
2028	(153,942)
2029	(59,120)
2030	40,265
Thereafter	260,133
Total	$ 29,283

12. LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and Federal laws and regulations require the 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 post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $2,228,000 reported as landfill closure and post-closure care liability at June 30, 2025 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 post-closure 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. Post-closure 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. 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

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.

REQUIRED SUPPLEMENTARY INFORMATION

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule Schedule of County's Proportionate Share of the Net Pension Liability of the Maryland State Retirement and Pension System
June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
County's proportion of the System net pension liability (asset)	0.17%	0.15%	0.14%	0.14%	0.10%	0.10%	0.10%	0.10%	0.10%	0.05%
County's proportionate share of the System net pension liability	$ 44,786,609	$ 34,194,220	$ 28,140,646	$ 19,999,186	$ 25,828,781	$ 21,900,552	$ 21,827,060	$ 21,380,865	$ 23,903,575	$ 21,747,150
Total	$ 44,786,609	$ 34,194,220	$ 28,140,646	$ 19,999,186	$ 25,828,781	$ 21,900,552	$ 21,827,060	$ 21,380,865	$ 23,903,575	$ 21,747,150
County's covered-employee payroll	$ 45,564,663	$ 41,917,473	$ 39,282,417	$ 32,849,075	$ 30,017,844	$ 24,077,933	$ 24,077,933	$ 23,960,863	$ 22,117,812	$ 20,945,112
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	98.29%	81.58%	71.64%	60.88%	86.04%	90.96%	90.65%	89.23%	108.07%	103.83%
Plan fiduciary net position as a percentage of the total pension liability	72.08%	73.81%	76.27%	81.94%	72.34%	72.34%	71.18%	69.38%	65.79%	68.78%

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Contributions and Related Ratios of the Net Pension Liability of the Maryland State Retirement and Pension System
June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 4,458,013	$ 3,621,179	$ 3,209,905	$ 2,937,461	$ 2,903,407	$ 2,074,428	$ 2,180,432	$ 2,050,819	$ 2,012,485	$ 1,973,642
Contributions in relation to the contractually required contribution	(4,458,013)	(3,621,179)	(3,209,905)	(2,937,461)	(2,903,407)	(2,074,428)	(2,180,432)	(2,050,819)	(2,012,485)	(1,973,642)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County's covered-employee payroll	$ 45,564,663	$ 41,917,473	$ 39,282,417	$ 32,849,075	$ 30,017,844	$ 24,077,933	$ 24,077,933	$ 23,960,863	$ 22,117,812	$ 20,945,112
Contributions as a percentage of covered-employee payroll	9.78%	8.64%	8.17%	8.94%	9.67%	8.62%	9.06%	8.56%	9.10%	9.42%

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Changes in Net Pension Liability and Related Ratios – Sheriff's Office Retirement Plan
June 30, 2025 (Amounts in 000's)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability:										
Service cost	$ 5,894	$ 5,722	$ 5,556	$ 4,979	$ 4,834	$ 3,944	$ 3,829	$ 4,129	$ 3,979	$ 3,826
Interest	14,203	13,363	11,929	10,889	10,153	9,532	9,180	8,576	7,867	7,317
Differences between expected and actual experience	4,000	-	9,244	-	1,486	-	(8,105)	-	626	-
Changes of assumptions	-	-	-	-	-	-	4,551	-	1,308	-
Benefit payments, including refunds of member contributions	(7,806)	(7,524)	(6,709)	(7,604)	(5,034)	(4,775)	(4,430)	(4,324)	(3,672)	(3,436)
Net change in total pension liability	16,291	11,561	20,020	8,264	11,439	8,701	5,025	8,381	10,108	7,707
Total pension liability – beginning	193,846	182,285	162,265	154,001	142,562	133,861	128,836	120,455	110,347	102,640
Total pension liability – ending (a)	$ 210,137	$ 193,846	$ 182,285	$ 162,265	$ 154,001	$ 142,562	$ 133,861	$ 128,836	$ 120,455	$ 110,347
Plan fiduciary net position:										
Contributions – employer	$ 8,823	$ 8,607	$ 7,271	$ 7,004	$ 6,926	$ 6,071	$ 5,644	$ 5,147	$ 5,149	$ 4,816
Contributions – member	1,721	1,753	1,510	1,156	1,383	1,181	1,103	1,055	1,085	1,011
Net investment income	17,416	16,629	11,281	(11,681)	28,260	5,126	3,434	5,661	7,724	(1,803)
Benefit payments, including refunds of member contributions	(7,806)	(7,524)	(6,709)	(7,604)	(5,034)	(4,775)	(4,430)	(4,324)	(3,672)	(3,436)
Administrative expense	(269)	(217)	(210)	(114)	(138)	(40)	(162)	(114)	(93)	(122)
Net change in plan fiduciary net position	19,885	19,248	13,143	(11,238)	31,398	7,564	5,589	7,425	10,193	466
Plan fiduciary net position – beginning	151,397	132,149	119,006	130,244	98,846	91,282	85,693	78,268	68,075	67,609
Plan fiduciary net position – ending (b)	$ 171,282	$ 151,397	$ 132,149	$ 119,006	$ 130,244	$ 98,846	$ 91,282	$ 85,693	$ 78,268	$ 68,075
County's net pension liability – ending (a) – (b)	$ 38,855	$ 42,449	$ 50,136	$ 43,259	$ 23,757	$ 43,716	$ 42,579	$ 43,143	$ 42,187	$ 42,272
Plan fiduciary net position as a percentage of the total pension liability	81.51%	78.10%	72.50%	73.34%	84.57%	69.34%	68.19%	66.51%	64.98%	61.69%
Covered employee payroll	$ 22,601	$ 20,381	$ 18,929	$ 17,960	$ 17,357	$ 15,216	$ 14,216	$ 12,965	$ 13,981	$ 12,740
County's net pension liability as a percentage of covered employee payroll	171.92%	208.28%	264.86%	240.86%	136.87%	287.30%	299.51%	332.77%	301.75%	331.81%

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Contributions – Sheriff's Office Retirement Plan
June 30, 2025 (Amounts in 000's)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 8,132	$ 8,607	$ 7,271	$ 7,004	$ 6,926	$ 6,071	$ 5,644	$ 5,147	$ 5,149	$ 4,816
Less: contributions related to the actuarially determined contribution	8,823	8,607	7,271	7,004	6,926	6,071	5,644	5,147	5,149	4,816
Contribution deficiency (excess)	$ (691)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 22,601	$ 20,381	$ 18,929	$ 17,960	$ 17,357	$ 15,216	$ 14,216	$ 12,965	$ 13,981	$ 12,740
Contributions as a percentage of covered employee payroll	39.04%	42.23%	38.41%	39.00%	39.90%	39.90%	39.70%	39.70%	36.83%	37.80%

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 (closed)
Remaining amortization period	Varies, 15 - 19 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
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-2014 Combined Healthy tables with Blue Collar adjustment and generational projection by Scale MP-2016

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Changes in Net Pension Liability and Related Ratios – Length of Service Award Program (LOSAP)
June 30, 2025 (Amounts in 000's)

	2025	2024	2023	2022	2021	2020	2019	2018
Total pension liability:								
Service cost	$ 379	$ 366	$ 613	$ 572	$ 497	$ 482	$ 608	$ 608
Interest	1,606	1,623	1,588	1,446	1,402	1,457	1,400	1,355
Changes in benefit terms	-	767	-	-	-	-	-	-
Differences between expected and actual experience	-	(1,950)	-	617	-	(1,741)	-	-
Changes of assumptions	-	(1,608)	-	349	-	-	-	(206)
Benefit payments, including refunds of member contributions	(1,561)	(1,490)	(1,271)	(1,192)	(1,149)	(1,097)	(1,015)	(964)
Net change in total pension liability	424	(2,292)	930	1,792	750	(899)	993	793
Total pension liability – beginning	25,120	27,412	26,482	24,690	23,940	24,839	23,846	23,053
Total pension liability – ending (a)	$ 25,544	$ 25,120	$ 27,412	$ 26,482	$ 24,690	$ 23,940	$ 24,839	$ 23,846
Plan fiduciary net position:								
Contributions – employer	$ 2,561	$ 3,334	$ 5,871	$ 4,392	$ 2,149	$ 2,097	$ 1,815	$ 1,566
Contributions – member	-	-	-	-	-	-	-	-
Net investment income	2,192	1,643	932	(1,219)	1,081	4	151	19
Benefit payments, including refunds of member contributions	(1,561)	(1,490)	(1,271)	(1,192)	(1,149)	(1,097)	(1,015)	(964)
Administrative expense	(34)	(28)	(45)	(27)	(24)	(12)	(22)	(9)
Net change in plan fiduciary net position	3,158	3,459	5,487	1,954	2,057	992	929	612
Plan fiduciary net position – beginning	17,094	13,635	8,148	6,194	4,137	3,144	2,215	1,603
Plan fiduciary net position – ending (b)	$ 20,252	$ 17,094	$ 13,635	$ 8,148	$ 6,194	$ 4,137	$ 3,144	$ 2,215
County's net pension liability – ending (a) – (b)	$ 5,292	$ 8,026	$ 13,777	$ 18,334	$ 18,496	$ 19,803	$ 21,695	$ 21,631
Plan fiduciary net position as a percentage of the total pension liability	79.28%	68.05%	49.74%	30.77%	25.09%	17.28%	12.66%	9.29%
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
County's net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to schedule:

Information prior to 2018 is not available.

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Contributions – Length of Service Award Program (LOSAP)
June 30, 2025 (Amounts in 000's)

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 2,304	$ 2,677	$ 2,677	$ 2,482	$ 2,482	$ 2,576	$ 2,576	$ 2,325
Less: contributions related to the actuarially determined contribution	2,561	3,334	5,871	4,392	2,149	2,097	1,815	1,566
Contribution deficiency (excess)	$ (257)	$ (657)	$ (3,194)	$ (1,910)	$ 333	$ 479	$ 761	$ 759
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Traditional Unit Credit
Amortization method	Level payments over closed periods
Remaining amortization period	Remaining periods range from 10 to 19 years
Asset valuation method	Market value
Inflation	2.50 percent
Salary increases	Not applicable
Investment rate of return	6.5 percent, compounded annually, net of expenses
Retirement age	Normal retirement age
Mortality	PUB-2010S Public Safety Mortality table with generational projection scale MP-2021

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2025 (Amounts in 000's)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:									
Service cost	$ 4,638	$ 2,903	$ 2,365	$ 2,285	$ 2,051	$ 2,162	$ 2,083	$ 2,268	$ 2,233
Interest	9,221	8,650	8,309	7,711	6,636	6,671	6,311	6,624	6,250
Differences between expected and actual experience	(376)	-	(2,094)	(252)	13,902	265	212	(5,530)	183
Changes of assumptions	-	12,315	5,647	-	(9,191)	(5,904)	-	(6,080)	(1,199)
Benefit payments, including refunds of member contributions	(4,795)	(4,646)	(4,497)	(4,121)	(3,951)	(3,707)	(3,391)	(3,134)	(3,009)
Net change in total OPEB liability	8,688	19,222	9,730	5,623	9,447	(513)	5,215	(5,852)	4,458
Total OPEB liability – beginning	139,579	120,357	110,627	105,004	95,557	96,070	90,855	96,707	92,249
Total OPEB liability – ending (a)	$ 148,267	$ 139,579	$ 120,357	$ 110,627	$ 105,004	$ 95,557	$ 96,070	$ 90,855	$ 96,707
Plan fiduciary net position:									
Contributions – employer	$ -	$ -	$ -	$ 4,121	$ 3,951	$ 3,707	$ 3,391	$ 3,134	$ 3,009
Contributions – member	-	-	-	-	-	-	-	-	-
Net investment income	13,954	11,643	6,346	(5,627)	30,069	3,820	6,804	8,360	8,203
Benefit payments, including refunds of member contributions	(4,795)	(4,646)	(4,497)	(4,121)	(3,951)	(3,707)	(3,391)	(3,134)	(3,009)
Administrative expense	(254)	(209)	(355)	(327)	(573)	(392)	(575)	(396)	(51)
Net change in plan fiduciary net position	8,905	6,788	1,494	(5,954)	29,496	3,428	6,229	7,964	8,152
Plan fiduciary net position – beginning	121,199	114,411	112,917	118,871	89,375	85,947	79,718	71,754	63,602
Plan fiduciary net position – ending (b)	$ 130,104	$ 121,199	$ 114,411	$ 112,917	$ 118,871	$ 89,375	$ 85,947	$ 79,718	$ 71,754
County's net OPEB liability (asset) – ending (a) – (b)	$ 18,163	$ 18,380	$ 5,946	$ (2,290)	$ (13,867)	$ 6,182	$ 10,123	$ 11,137	$ 24,953
Plan fiduciary net position as a percentage of the total OPEB liability	87.75%	86.83%	95.06%	102.07%	113.21%	93.53%	89.46%	87.74%	74.20%
Covered employee payroll	67,085	62,298	58,211	50,809	47,375	43,741	40,075	39,830	39,756
County's net OPEB liability (asset) as a percentage of covered employee payroll	27.07%	29.50%	10.21%	-4.51%	-29.27%	14.13%	25.26%	27.96%	62.77%

Notes to schedule:
Information prior to 2017 is not available.

COMMISSIONERS OF ST. MARY'S COUNTY

Schedule of Contributions - OPEB
June 30, 2025 (Amounts in 000's)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 3,609	$ 3,473	$ 6,085	$ 4,062	$ 3,359	$ 3,252	$ 6,097	$ 5,879	$ 5,217
Less: contributions related to the actuarially determined contribution	-	-	-	4,121	3,951	3,707	3,391	3,134	3,009
Contribution deficiency (excess)	$ 3,609	$ 3,473	$ 6,085	$ (59)	$ (592)	$ (455)	$ 2,706	$ 2,745	$ 2,208
Covered employee payroll	$ 67,085	$ 62,298	$ 58,211	$ 50,809	$ 47,375	$ 43,741	$ 40,075	$ 39,830	$ 39,756
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	8.11%	8.34%	8.47%	8.46%	7.87%	7.57%

Methods and assumptions used to determine contribution rates:

Valuation date	7/1/2024
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll
Remaining amortization period	13 for FYE 2025
Asset valuation method	Market Value Assets
Investment rate of return	6.50%
Payroll growth rate	3.50%
Inflation	2.30%
Healthcare cost trend rate	6.0% trending to 4.0% (pre-Medicare) and 3.94% (post-Medicare)
Discount rate	6.50%

COMBINING AND INDIVIDUAL FUND STATEMENTS

COMMISSIONERS OF ST. MARY'S COUNTY

Combining Balance Sheet – Non-Major Governmental Funds
As of June 30, 2025

	Special Assessments	Fire and Rescue Revolving Loan Fund	Emergency Services Support Fund	Emergency Services Billing Fund	Total Non-Major Funds
ASSETS					
Cash	$ -	$ -	$ -	$ 194,404	$ 194,404
Due from other funds	618,937	3,186,497	341,478	-	4,146,912
Special tax assessments receivable, current portion	303	-	-	-	303
Note receivable, fire and rescue loans, current portion	-	350,673	-	-	350,673
Emergency support services taxes receivable	-	-	60,656	-	60,656
Emergency billing receivable	-	-	-	799,798	799,798
Special tax assessments receivable, net of current portion	446,809	-	-	-	446,809
Note receivable, fire and rescue loans, net of current portion	-	1,105,321	-	-	1,105,321
TOTAL ASSETS	$ 1,066,049	$ 4,642,491	$ 402,134	$ 994,202	$ 7,104,876
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 8,852	$ -	$ 17,038	$ 49,296	$ 75,186
Unearned revenue	446,363	1,455,994	-	-	1,902,357
Compensation-related liabilities	-	-	17,114	770,600	787,714
Due to other funds	-	-	-	2,071,830	2,071,830
TOTAL LIABILITIES	455,215	1,455,994	34,152	2,891,726	4,837,087
FUND BALANCES					
Committed	610,834	3,186,497	367,982	-	4,165,313
Unassigned	-	-	-	(1,897,524)	(1,897,524)
TOTAL FUND BALANCES	610,834	3,186,497	367,982	(1,897,524)	2,267,789
TOTAL LIABILITIES AND FUND BALANCES	$ 1,066,049	$ 4,642,491	$ 402,134	$ 994,202	$ 7,104,876

COMMISSIONERS OF ST. MARY'S COUNTY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
For the Year Ended June 30, 2025

	Special Assessments	Fire and Rescue Revolving Loan Fund	Emergency Services Support Fund	Emergency Services Billing Fund	Total Non-Major Funds
REVENUE					
Special assessments	$ 65,601	$ -	$ -	$ -	$ 65,601
Emergency services support tax	-	-	3,742,758	-	3,742,758
Other	-	-	302,167	3,014,358	3,316,525
TOTAL REVENUE	65,601	-	4,044,925	3,014,358	7,124,884
EXPENDITURES					
Public safety	-	485,000	3,982,548	6,832,961	11,300,509
Debt service	42,369	-	36,350	-	78,719
TOTAL EXPENDITURES	42,369	485,000	4,018,898	6,832,961	11,379,228
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	23,232	(485,000)	26,027	(3,818,603)	(4,254,344)
OTHER FINANCING SOURCES AND USES					
Fire and rescue loan repayments	-	412,185	-	-	412,185
NET CHANGES IN FUND BALANCES	23,232	(72,815)	26,027	(3,818,603)	(3,842,159)
FUND BALANCES - BEGINNING OF YEAR	587,602	3,259,312	341,955	1,921,079	6,109,948
FUND BALANCES - END OF YEAR	$ 610,834	$ 3,186,497	$ 367,982	$ (1,897,524)	$ 2,267,789

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OTHER SUPPLEMENTAL INFORMATION

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Revenues and Other Financings Sources-Budget and Actual
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual - Budgetary Basis	Favorable (Unfavorable) Variance
PROPERTY TAXES				
Real property taxes	$ 127,381,947	$ 127,381,947	$ 125,066,783	$ (2,315,164)
Payments in lieu of taxes	244,681	244,681	257,407	12,726
Personal property	158,638	158,638	110,594	(48,044)
Public utilities	3,231,623	3,231,623	3,030,927	(200,696)
Ordinary business corporations	3,014,148	3,014,148	3,665,224	651,076
Additions and abatements	(250,000)	(250,000)	733,305	983,305
Penalties and interest	760,000	760,000	1,339,986	579,986
Homeowners tax credit (county)	(700,000)	(700,000)	(588,143)	111,857
Other tax credits	(162,999)	(162,999)	(663,524)	(500,525)
Total property taxes	**133,678,038**	**133,678,038**	**132,952,559**	**(725,479)**
Income Tax				
Local income tax	**147,556,606**	**147,556,606**	**153,144,551**	**5,587,945**
Other Local Taxes				
Recordation taxes	8,000,000	8,000,000	7,318,609	(681,391)
Energy taxes	325,000	325,000	354,278	29,278
Public accommodations tax	1,200,000	1,200,000	1,259,962	59,962
Trailer park tax	350,000	350,000	396,654	46,654
CATV franchise fees	1,000,000	1,000,000	743,240	(256,760)
Admissions and amusement	140,000	140,000	130,247	(9,753)
Total other local taxes	**11,015,000**	**11,015,000**	**10,202,990**	**(812,010)**
State-shared taxes - highway users	2,757,385	2,757,385	2,974,623	217,238
TOTAL TAXES	**295,007,029**	**295,007,029**	**299,274,723**	**4,267,694**
LICENSES AND PERMITS				
Business licenses and permits services	344,000	344,000	305,351	(38,649)
Marriage licenses	8,000	8,000	8,740	740
Traders licenses	170,000	170,000	153,896	(16,104)
Other	116,020	116,020	84,895	(31,125)
TOTAL LICENSES AND PERMITS	**638,020**	**638,020**	**552,882**	**(85,138)**
INTER-GOVERNMENTAL				
General government	720,513	1,514,305	1,617,022	102,717
Public safety	7,334,592	7,327,853	7,140,611	(187,242)
Public works	1,576,541	2,129,484	1,734,524	(394,960)
Social services	1,239,786	1,324,963	1,223,902	(101,061)
Health	595,670	720,334	608,460	(111,874)
Parks, recreation and culture	25,000	725,000	218,415	(506,585)
Economic development & opportunity	-	75,000	1,147,286	1,072,286
Appropriation	2,500,000	177,048	-	(177,048)
TOTAL INTER-GOVERNMENTAL	**13,992,102**	**13,993,987**	**13,690,220**	**(303,767)**

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Revenues and Other Financings Sources-Budget and Actual
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual -	Favorable
	Original	Final	Budgetary Basis	(Unfavorable) Variance
CHARGES FOR SERVICES				
General government	$ 2,353,542	$ 2,353,542	$ 3,197,941	$ 844,399
Public safety	481,682	481,682	575,728	94,046
Public works	760,559	730,766	557,000	(173,766)
Social services	158,423	158,423	79,718	(78,705)
Parks, recreation and culture	380,194	380,194	331,375	(48,819)
TOTAL CHARGES FOR SERVICES	**4,134,400**	**4,104,607**	**4,741,762**	**637,155**
FINES AND FORFEITURES				
General government	20,750	20,750	13,756	(6,994)
Public safety	28,875	28,875	24,415	(4,460)
TOTAL FINES AND FORFEITURES	**49,625**	**49,625**	**38,171**	**(11,454)**
OTHER REVENUES				
General Government				
Interest and dividend	3,000,000	3,000,000	5,836,474	2,836,474
Disposal of fixed assets	324,000	324,000	168,769	(155,231)
Other income	6,241,000	6,241,000	4,736,046	(1,504,954)
Contributions and donations	85,380	163,288	114,217	(49,071)
TOTAL OTHER REVENUES	**9,650,380**	**9,728,288**	**10,855,506**	**1,127,218**
TOTAL, BEFORE PASS-THROUGH PROCEEDS	**323,471,556**	**323,521,556**	**329,153,264**	**5,631,708**
Pass-through proceeds	-	-	-	-
OTHER FINANCING SOURCES				
Appropriation of fund balance	**6,654,485**	**9,729,054**	**-**	**(9,729,054)**
TOTAL REVENUES INCLUDING PASS-THROUGHS	**$ 330,126,041**	**$ 333,250,610**	**$ 329,153,264**	**$ (4,097,346)**

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Expenditures - Budget and Actual General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual -	Favorable
	Original	Final	Budgetary Basis	(Unfavorable) Variance
GENERAL GOVERNMENT				
Legislative/county commissioners				
Legislative/county commissioners	$ 576,278	$ 588,408	$ 572,289	$ 16,119
County administrator	776,627	776,627	753,016	23,611
Public information	384,592	377,671	376,467	1,204
County attorney	1,375,951	1,371,654	1,311,411	60,243
Legislative/county commissioners	**3,113,448**	**3,114,360**	**3,013,183**	**101,177**
Department of finance				
Administration/budget	957,041	949,082	953,830	(4,748)
Accounting	924,141	919,679	918,214	1,465
Auditing	50,000	50,000	38,255	11,745
Procurement	465,391	491,443	489,533	1,910
Department of finance	**2,396,573**	**2,410,204**	**2,399,832**	**10,372**
Department of information & technology				
Technology	**7,426,382**	**7,305,309**	**6,992,248**	**313,061**
Department of human resources				
Human resources	1,655,295	1,625,548	1,349,383	276,165
Risk management	1,776,748	1,785,194	1,641,891	143,303
Grants	55,440	38,612	39,195	(583)
Department of human resources	**3,487,483**	**3,449,354**	**3,030,469**	**418,885**
Department of public works & transportation				
Development review	301,907	327,688	326,600	1,088
Mailroom/messenger services	159,397	144,951	131,252	13,699
Vehicle maintenance shop	2,073,941	1,983,037	1,983,440	(403)
Building Services	5,857,063	5,769,254	5,474,119	295,135
Department of public works & transportation	**8,392,308**	**8,224,930**	**7,915,411**	**309,519**
Department of land use & growth management				
Administration	849,942	938,034	956,919	(18,885)
Comprehensive Planning	502,876	633,349	440,848	192,501
Development Services	430,319	360,103	347,708	12,395
Zoning Administration	381,807	419,768	395,596	24,172
Planning Commission	24,687	25,077	23,797	1,280
Boards and Commissions	35,648	36,274	31,754	4,520
Historical Preservation	2,230	2,230	1,272	958
Permit Services	492,511	420,072	402,844	17,228
Inspections & Compliance	638,382	650,611	637,310	13,301
Board of Electrical Examiners	4,730	4,730	2,840	1,890
Building Code Appeals Board	-	-	-	-
Commission on the Environment	3,860	3,860	3,446	414
Plumbing & Gas Board	-	-	-	-
Grants	1,000	2,594	1,594	1,000
Department of land use & growth management	**3,367,992**	**3,496,702**	**3,245,928**	**250,774**
Circuit Court				
Administration	1,612,458	1,612,458	1,192,170	420,288
Law library	42,250	42,250	28,251	13,999
Grants	909,173	1,070,156	1,005,811	64,345
Orphan's court	74,155	75,044	67,969	7,075
Circuit court	**2,638,036**	**2,799,908**	**2,294,201**	**505,707**
Office of the state's attorney				
Judicial	5,916,755	5,878,521	5,529,508	349,013
Grants	-	851,661	837,963	13,698
Office of the state's attorney	**5,916,755**	**6,730,182**	**6,367,471**	**362,711**
County treasurer	**616,360**	**640,423**	**592,575**	**47,848**
Alcohol beverage board	**379,230**	**358,657**	**339,195**	**19,462**
Board of elections	**2,333,191**	**2,398,653**	**1,772,909**	**625,744**
Ethics commission	**833**	**833**	**173**	**660**
SDAT - Leonardtown Office	**443,507**	**443,507**	**435,704**	**7,803**
Total general government	**$ 40,512,098**	**$ 41,373,022**	**$ 38,399,299**	**$ 2,973,723**

COMMISSIONERS OF ST. MARY’S COUNTY, MARYLAND

Schedule of Expenditures - Budget and Actual General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual - Budgetary	Favorable (Unfavorable)
	Original	Final	Basis	Variance
PUBLIC SAFETY				
Department of Emergency Services				
Emergency communications center	$ 4,484,336	$ 4,261,647	$ 4,070,469	$ 191,178
Emergency radio communications	5,463,600	5,469,343	5,414,867	54,476
Emergency management	899,291	904,160	861,383	42,777
Animal control	2,129,952	2,115,564	1,902,951	212,613
Grants	3,320,900	3,744,227	4,495,378	(751,151)
Department of Emergency Services	**16,298,079**	**16,494,941**	**16,745,048**	**(250,107)**
Office of the sheriff				
Law enforcement	42,423,506	43,620,309	41,470,302	2,150,007
Corrections	19,344,507	19,957,382	19,542,020	415,362
Training	432,677	457,204	432,542	24,662
Canine	41,960	41,960	41,482	478
Court security	1,066,076	1,066,076	930,754	135,322
Grants	3,209,621	2,660,295	1,868,778	791,517
Office of the sheriff	**66,518,347**	**67,803,226**	**64,285,878**	**3,517,348**
Total public safety	**$ 82,816,426**	**$ 84,298,167**	**$ 81,030,926**	**$ 3,267,241**
PUBLIC WORKS				
Department of PW and transportation				
Administration	$ 714,753	$ 648,402	$ 609,537	$ 38,865
Engineering services	1,172,021	1,185,018	1,182,838	2,180
Construction & inspections	1,127,397	1,221,669	1,221,545	124
County highways	6,083,104	8,699,200	8,455,270	243,930
MS4 Program	1,081,292	1,076,344	770,132	306,212
St Mary's county airport	295,847	304,552	232,430	72,122
Grants - St. Mary's transit system	3,210,035	3,810,171	3,603,209	206,962
Department of PW and transportation	**13,684,449**	**16,945,356**	**16,074,961**	**870,395**
Total public works	**$ 13,684,449**	**$ 16,945,356**	**$ 16,074,961**	**$ 870,395**
HEALTH				
Department of Agriculture	**$ 126,000**	**$ 126,000**	**$ 126,912**	**$ (912)**
Operating allocation				
Health department	5,344,717	5,344,784	5,344,465	319
Operating allocation	**5,344,717**	**5,344,784**	**5,344,465**	**319**
Human services				
Human Services-Admin Grants	181,142	191,016	166,132	24,884
Grants	414,528	530,420	537,138	(6,718)
Human services	**595,670**	**721,436**	**703,270**	**18,166**
Total health	**$ 6,066,387**	**$ 6,192,220**	**$ 6,174,647**	**$ 17,573**
SOCIAL SERVICES				
Department on aging & human services				
Aging Administration	$ 3,254,463	$ 3,132,283	$ 3,009,944	$ 122,339
Grants	1,474,603	1,627,432	1,538,814	88,618
Non-profit allocation	818,047	818,047	815,547	2,500
Department on aging & human services	**5,547,113**	**5,577,762**	**5,364,305**	**213,457**
Department of social services	**568,963**	**566,507**	**559,452**	**7,055**

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Expenditures - Budget and Actual General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual - Budgetary Basis	Favorable (Unfavorable) Variance
Operating allocation				
Tri-County Community Action (SMTCCAC, Inc.)	$ 35,000	$ 35,000	$ 35,000	$ -
Operating allocation	**35,000**	**35,000**	**35,000**	**-**
Total social services	**$ 6,151,076**	**$ 6,179,269**	**$ 5,958,757**	**$ 220,512**
PRIMARY AND SECONDARY EDUCATION				
Board of Education	**$ 134,369,907**	**$ 134,369,907**	**$ 134,369,907**	**$ -**
Non-public school bus transportation	**3,333,381**	**3,483,347**	**3,357,185**	**126,162**
Operating allocation				
Non Profit Allocation	-	-	-	-
Total primary and secondary education	**$ 137,703,288**	**$ 137,853,254**	**$ 137,727,092**	**$ 126,162**
POST-SECONDARY EDUCATION				
College of Southern Maryland - general operations	$ 5,282,620	$ 5,282,620	$ 5,282,620	$ -
Operating allocation				
University System of Maryland at Southern Maryland (USMSM)	40,000	40,000	40,000	-
Non Profit Allocation	35,000	35,000	35,000	-
Operating allocation	**75,000**	**75,000**	**75,000**	**-**
Total post-secondary education	**$ 5,357,620**	**$ 5,357,620**	**$ 5,357,620**	**$ -**
PARKS, RECREATION AND CULTURE				
Department of recreation and parks				
Administration	$ 1,698,719	$ 1,542,441	$ 1,549,706	$ (7,265)
Parks maintenance	3,550,896	3,426,595	3,245,453	181,142
Grants division	25,000	725,000	288,635	436,365
Museum division	1,080,658	1,078,516	1,049,897	28,619
Non Profit Agency - Miscellaneous	138,830	138,830	138,830	-
Department of recreation and parks	**6,494,103**	**6,911,382**	**6,272,521**	**638,861**
Total parks, recreation and culture	**$ 6,494,103**	**$ 6,911,382**	**$ 6,272,521**	**$ 638,861**
LIBRARIES				
County funding - general operations	**$ 4,318,036**	**$ 4,318,036**	**$ 4,318,036**	**$ -**
CONSERVATION OF NATURAL RESOURCES				
University of MD Extension-St. Mary's	$ 311,098	$ 311,098	$ 303,016	$ 8,082
Soil Conservation District	127,373	132,110	122,349	9,761
Agriculture and seafood allocation	316,205	269,099	251,039	18,060
Conservation of natural resources	**754,676**	**712,307**	**676,404**	**35,903**
Operating allocation				
SMC Forest Conservation District Board	2,500	2,500	2,500	-
Southern Md. Resource Conservation/Dev.	20,600	20,600	20,600	-
Waterman's Association allocation	20,000	20,000	20,000	-
Operating allocation	**43,100**	**43,100**	**43,100**	**-**
Total conservation of natural resources	**$ 797,776**	**$ 755,407**	**$ 719,504**	**$ 35,903**

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Expenditures - Budget and Actual General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual - Budgetary Basis	Favorable (Unfavorable) Variance
	Original	Final		
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Department of economic development				
Administration/office of the director	$ 662,306	$ 655,939	$ 656,191	$ (252)
Tourism development	480,312	480,312	480,312	-
Agriculture & seafood development	421,606	358,799	334,719	24,080
Less Allocation	(316,205)	(269,099)	(251,039)	(18,060)
Business development	691,448	688,368	687,841	527
Non-Profit Allocation	54,255	54,255	54,255	-
Grants	-	75,000	1,187,286	(1,112,286)
Department of economic development	**1,993,722**	**2,043,574**	**3,149,565**	**(1,105,991)**
Office of Community Services				
Office of community services	665,871	642,713	616,652	26,061
Human relations commission	1,850	1,850	1,290	560
Commission for women	7,000	10,715	9,629	1,086
	674,721	**655,278**	**627,571**	**27,707**
Human Resources				
Commission for the disabled	2,300	2,300	1,321	979
Tri-County Council	125,000	125,000	125,000	-
Operating allocation	**127,300**	**127,300**	**126,321**	**979**
Total economic development and opportunity	**$ 2,795,743**	**$ 2,826,152**	**$ 3,903,457**	**$ (1,077,305)**
DEBT SERVICE				
Debt service	**$ 16,197,331**	**$ 16,197,331**	**$ 15,482,150**	**$ 715,181**
INTER-GOVERNMENTAL				
Leonardtown tax rebate	**$ 72,786**	**$ 72,786**	**$ 72,786**	**$ -**
OTHER				
Employer contributions-retiree health benefits	$ 6,182,000	$ 6,182,000	$ 4,795,046	$ 1,386,954
Unemployment compensation	5,000	22,341	20,182	2,159
Bank service fees	55,000	55,000	19,654	35,346
Total other	**$ 6,242,000**	**$ 6,259,341**	**$ 4,834,882**	**$ 1,424,459**
Total expenditures, before pass-throughs	**$ 329,209,119**	**$ 335,539,343**	**$ 326,326,638**	**$ 9,212,705**
Pass-through expenditures	**-**	**-**	**-**	**-**
Total expenditures, including pass-throughs	**$ 329,209,119**	**$ 335,539,343**	**$ 326,326,638**	**$ 9,212,705**
Appropriation reserve	$ 2,500,000	$ 88,725	$ -	$ 88,725
Reserve - emergency appropriations	816,922	22,542	-	22,542
Reserves	**3,316,922**	**111,267**	**-**	**111,267**
Total reserves	**$ 3,316,922**	**$ 111,267**	**$ -**	**$ 111,267**
Total expenditures, including pass-throughs and reserves	**$ 332,526,041**	**$ 335,650,610**	**$ 326,326,638**	**$ 9,323,972**
Transfer				
General fund transfers	**(2,400,000)**	**(2,400,000)**	**(2,400,000)**	**-**
Total expenditures and other financing uses	**$ 330,126,041**	**$ 333,250,610**	**$ 323,926,638**	**$ 9,323,972**

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Unexpended Appropriations for Capital Projects
For the Year Ended June 30, 2025

LAND PRESERVATION		
Agriculture Preservation	$ 8,140,739	
Critical Area Planting	88,318	
Rural Legacy Program	12,852,644	$ 21,081,701
HIGHWAYS		
4 Way Inter MD4/Wildewood	20,835	
Bridge/Culvert Replace.	1,293,294	
Buck Hewitt Road	1,400,861	
County Bridge Replace/Repair	2,034,013	
FDR Blvd MD4 to Pegg Rd	14,326,366	
Federal Bridge Replace	558,228	
Johnson Farm Pond	61,419	
Mattapany Road	395,674	
Mt. Wolfe Roundabout	4,464	
Neighborhood Drainage Imp	2,707,423	
Regional Water Quality&Nutrient	71,292	
Retrofit Sidewalk Program	1,715,800	
Roadway & Safety Imrovement	3,169,598	
Roadwork Maintenance	1,091,068	
Side-Path or Bikeways	127,340	
South Shangri-La Drive Side	35,065	
Southhampton Neighborhood	3,489,557	
Streetscape Improvement	1,213,672	
Transportation Plan Update	4,518	
Water Qlty&Nutr Remov Grant	847,429	34,567,916
MARINE		
Piney Point Lighthouse Museum	2,030,063	
Piney Point Rd Shore Erosion	350,310	
St. George Creek Dredge	515,888	
St. Marys County Flood Plan	525	
St. Patrick Creek Maintenance	846,915	3,743,701

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Unexpended Appropriations for Capital Projects (continued)
For the Year Ended June 30, 2025

PUBLIC WORKS		
911 Back Up Center	$ 4,775	
Adult Det Center Upgrades	115,953	
Airport Improvements	4,883,985	
Airport Master Plan	1	
Airport Wetlands Mitigation	82,073	
Animal Shelter New Building	29,785	
Bldg Maint & Repair Proj-Critical	97,486	
Bldg Maint & Repair Proj-Program	383,060	
Buses and Bus Facility	212,553	
District 1 Sheriff Office	2	
Emerg Comm Cntr Exp	1,924,934	
Energy Efficiency & Conservation	97,910	
Facilities Master Plan Update	94,655	
Fire Dept Water Supply	322,448	
Health Department Renovations	32,829	
Leonartown Lib/Garvey Sr. Center	35,323	
North County Farmers Market	574,880	
Northern Senior Activity Cnt Add	1	
Parking and Site Improvements	198,836	
Public Administration Enterprise	1,004,334	
Public Safety Comp. Aided Disp	734,693	
Sheriff's District 3 Office	73,737	
Sheriff's Headquarters	11,758,802	$ 22,663,055
PIERS AND BOAT RAMPS		
St. Inigoes Landing Boating Facility	468,020	468,020

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Unexpended Appropriations for Capital Projects (continued)
For the Year Ended June 30, 2025

PUBLIC SCHOOLS		
Bldg Infrastructure-Critical	$ 1,170,006	
Bldg Infrastructure-Programmatic	360,166	
Chillers/Controls	1,882,240	
Chopticon HS Pre-Design	1,145,686	
Chopticon HS Soil Erosion	1	
Dynard ES-Roof/HVAC/Emerg Pwr	28,886	
Great Mills HS-Partial Roof Repl	1,327,173	
Green Holly ES Partial/Roof	4,663,860	
Lettie Dent Modernization	4,178,732	
Mechanicsville ES Modernization	115,181	
Piney Point ES HVAC Sys	1,986,121	
Relocatables for Various Sites	200,690	
Safety&Security Init.	564,535	
School Capacity Study K-12	65,150	
Town Creek ES HVAC	264,834	$ 17,953,261
RECREATION & PARKS		
Central County Park	30,000	
Child Care Facility	3,021,349	
Elms Beach Park Improvement	3,645,714	
Gymnastics Center Project	335	
Myrtle Point Park	319,227	
Park Planning Grant	100,560	
Parks Land & Facility Acquisition	1,196,350	
Rec Facility & Park Improvements	2,187,934	
Shannon Farm Property	2,433,223	
Snow Hill Park	4,622,767	
Solar Panels, Dorsey Park	32,530	
Sports Complex	150,000	
St. Clements Isl Mus Renov	3,557,970	
Three Notch Trail, Phase 7	5,881,109	
Three Notch Trail, Phase 8	338,286	
YMCA - Great Mills	18,852,061	46,369,415

COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Schedule of Unexpended Appropriations for Capital Projects (continued)
For the Year Ended June 30, 2025

SOLID WASTE				
Clements Convenience Center	$	3,086		
Convenience Center Repair		90,013		
Landfill Mitigation		18,628		
St. Andrews Landfill		61,247	$	172,974
Total			$	147,020,043

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Financial Statements and Supplemental Schedules
Together with Reports of Independent Public Accountants

For the Years Ended June 30, 2025 and 2024

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ST. MARY'S COUNTY METROPOLITAN COMMISSION

Financial Statements and Supplemental Schedules
Together with Reports of Independent Public Accountants

JUNE 30, 2025 AND 2024

CONTENTS

SBC Certified Public Accountants & Business Advisors

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
St. Mary's County Metropolitan Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the St. Mary's County Metropolitan Commission (MetCom), a component unit of St. Mary's County, Maryland, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise MetCom's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of MetCom as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of MetCom and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

MetCom's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Certified Public Accountants & Business Advisors
SBC

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability of the Maryland State Retirement and Pension System and related ratios, schedule of contributions and related ratios of the net pension liability of the Maryland State Retirement and Pension System, schedule of changes in net OPEB liability and relations ratios, and schedule of contributions – OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, required supplementary information, and budget and actual schedules as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MetCom's basic financial statements. The schedules of departmental allocable operating and nonoperating revenues and expenses, schedules of service charges and direct operating expenses, and schedules of administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of departmental allocable operating and nonoperating revenues and expenses, schedules of service charges and direct operating expenses, and schedules of administrative expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules of departmental allocable operating and nonoperating revenues and expenses, schedules of service charges and direct operating expenses, and schedules of administrative expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

Certified Public
Accountants &
SBC Business Advisors

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated December 4, 2025 on our consideration of MetCom's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 MetCom's internal control over financial reporting and compliance.

Owings Mills, Maryland
December 4, 2025

SB & Company, LLC

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Management's Discussion and Analysis
June 30, 2025 and 2024

This section of the St. Mary's County Metropolitan Commission (MetCom) annual financial report presents a narrative overview and analysis of the financial activities of MetCom for the fiscal years ended June 30, 2025 and 2024. We encourage readers to use the information presented here in conjunction with the accompanying financial statements and the accompanying notes to those financial statements.

Financial Highlights

- MetCom's total net position increased by $5.8 and $9.6 million, or 3.9% and 6.8%, as a result of operations in FY2025 and FY2024, respectively.

- During the current year, MetCom's revenue from operations was $18.3 million, representing an increase of 1.8% over the prior year. During FY2024, revenue increased by 5.3% over FY2023. Both years realized an increase in usage and new customers.

- MetCom's operating expenses excluding depreciation were $18.5 million and $18.2 million for the years ended June 30, 2025 and 2024, respectively.

- Depreciation expense totaled $8.2 million and $7.7 million for the years ended June 30, 2025 and 2024, respectively.

- MetCom's net nonoperating revenue was $12.7 million and $13.2 million for the years ended June 30, 2025 and 2024, respectively. The decrease of 3% was a result of a decrease in debt service charges. FY2024 increase of 36% was a result of an increase in both debt service charges and interest income.

Overview of the Financial Statements

The *statement of net position* presents information on all of MetCom'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 MetCom is improving or deteriorating.

The *statement of revenues, expenses, and changes in net position* presents information showing how MetCom's net position changed during the applicable 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.

The *statement of cash flows* presents the sources and uses of MetCom's cash during the applicable fiscal year.

Overview of the Financial Statements (continued)

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided within the basic financial statements.

MetCom as a Whole

Statements of Net Position

MetCom's total net position increased by approximately $5.8 million and $9.6 million during the years ended June 30, 2025 and 2024, respectively. The increase for FY2025 was a result of a decrease in long-term debt outstanding. The increase for FY2024 was a result of investments in capital assets. The following condensed statements of net position show the changes in assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2025, 2024, and 2023.

NET POSITION
(in millions)

	As of June 30,		
	2025	**2024**	**2023**
ASSETS AND DEFERRED OUTFLOWS			
Current and other assets	$ 63.9	$ 67.6	$ 63.2
Capital assets	192.5	191.1	181.0
Deferred outflows	4.6	2.9	2.6
Total Assets and Deferred Outflows	261.0	261.6	246.8
LIABILITIES AND DEFERRED INFLOWS			
Long-term debt outstanding	87.8	94.7	82.0
Pension liability	7.8	6.3	5.7
OPEB liability	1.7	1.0	1.6
Other liabilities	5.4	7.1	14.5
Deferred inflows	1.9	1.9	2.0
Total Liabilities and Deferred Inflows	104.6	111.0	105.8
NET POSITION			
Net investment in capital assets	112.9	108.5	101.2
Restricted	13.8	14.7	16.7
Unrestricted	29.8	27.4	23.1
Total Net Position	$ 156.5	$ 150.6	$ 141.0

Overview of the Financial Statements (continued)

Statements of Revenue, Expenses, and Changes in Net Position

Changes in MetCom's net position can be determined by reviewing the following condensed Statements of Revenue, Expenses, and Changes in Net Position:

CHANGES IN NET POSITION
(in millions)

	Years Ended June 30,		
	2025	**2024**	**2023**
Operating revenues	$ 18.3	$ 18.0	$ 17.1
Operating expenses	(18.5)	(18.2)	(16.7)
Depreciation expense	(8.2)	(7.7)	(7.0)
Operating loss	(8.4)	(7.9)	(6.6)
Nonoperating revenues, net	12.7	13.2	9.7
Capital contributions	1.5	4.3	1.6
Change in net position	5.8	9.6	4.7
Net position – beginning of year	150.6	141.0	136.3
Net Position – End of year	$ 156.4	$ 150.6	$ 141.0

MetCom's operating revenues total $18.3 million during the current year. Total operating revenues increased by $0.3 million or 1.7% over the prior year, compared to operating revenue in the prior year of $18.0 million, which was an increase of 5.3% over FY2023. For both FY2025 and FY2024, the increase was largely a result of increased rates. FY2024 also realized a significant increase in interest income.

Expenses from MetCom's operations excluding depreciation were $18.5 million and $18.2 million for the years ended June 30, 2025 and 2024, respectively. Depreciation expense total $8.2 million and $7.7 million for the years ended June 30, 2025 and 2024, respectively.

MetCom's net nonoperating revenue was $12.7 million and $13.2 million for the years ended June 30, 2025 and 2024, respectively. The decrease of 3.8% was a result of a decrease in debt service changes. FY2024 increase of 36.1% was a result of an increase in debt service charges and an increase in interest income.

Overview of the Financial Statements (continued)

Capital Asset and Debt Administration

Capital Assets

MetCom's investment in capital assets for its activities as of June 30, 2025 and 2024, amounts to $192.5 million and $191.2 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction in progress, buildings, plants, systems, and equipment. The net increase in MetCom's investment in capital assets for the fiscal years ended June 30, 2025 and 2024, was $1.5 million and $10.2 million, respectively. The majority of the increase was the capitalization of capital projects for FDR BLVD Water Main, Greenbrier Water Storage Tank Replacement, Loveville Road Water Main Replacement, and the Grinder Pump Project.

CAPITAL ASSETS
(in millions)

	June 30,		
	2025	**2024**	**2023**
Utility plants	$ 178.4	$ 177.9	$ 168.8
Water plants	95.5	87.6	75.7
Equipment	12.3	11.4	10.8
Buildings	4.1	4.1	4.1
Land	2.9	2.9	1.9
Construction in progress	17.1	16.9	22.8
Total before depreciation	310.3	300.8	284.1
Accumulated depreciation	(117.8)	(109.6)	(103.1)
Net Capital Assets	$ 192.5	$ 191.2	$ 181.0

Long-Term Debt

As of June 30, 2025 and 2024, MetCom had a total of $87.8 million and $94.7 million, respectively, in debt outstanding.

DEBT ADMINISTRATION
(in millions)

	June 30,		
	2025	**2024**	**2023**
Bonds payable	$ 56.6	$ 60.5	$ 53.4
Notes and loans payable	31.2	34.2	37.4
	$ 87.8	$ 94.7	$ 90.8

Overview of the Financial Statements (continued)

Economic Factors and Next Year's Budgets and Rates

The FY 2026 budget reflects a healthy revenue balance which supports the tiered rate sstructure. The budget includes a 2.10% rate increase in water service rates, and a 2.70% increase in sewer service rates.

Requests for Information

This financial report is designed to provide a general overview of MetCom's finances for all those with an interest in MetCom. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the MetCom Administrative office at 23121 Camden Way, California, Maryland 20619.

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ST. MARY'S COUNTY METROPOLITAN COMMISSION

Statements of Net Position
As of June 30, 2025 and 2024

	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	**$ 52,951,603**	$ 51,573,695
Accounts receivable	**2,352,598**	3,338,204
Loans and grants receivable	**8,199,232**	12,166,199
Inventory	**244,130**	489,924
Prepaid expenses	**141,729**	-
Total current assets	**63,889,292**	67,568,022
NONCURRENT ASSETS		
Net capital assets	**192,540,901**	191,142,196
Unamortized bond discount	**13,360**	15,030
Total noncurrent assets	**192,554,261**	191,157,226
TOTAL ASSETS	**256,443,553**	258,725,248
DEFERRED OUTFLOWS OF RESOURCES		
Pension	**2,740,716**	1,993,517
OPEB	**1,553,890**	531,331
Bond refunding	**326,796**	326,796
Total Assets and Deferred Outflows of Resources	**$ 261,064,955**	$ 261,576,892
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 1,063,277**	$ 2,615,972
Accrued interest payable	**1,075,802**	1,012,979
Bond premiums	**3,459,747**	3,478,674
Bonds payable	**4,115,838**	4,015,968
Notes and loans payable	**2,793,308**	3,067,529
Total current liabilities	**12,507,972**	14,191,122
NONCURRENT LIABILITIES		
Bonds payable	**52,526,839**	56,528,706
Notes and loans payable	**28,425,560**	31,164,989
Net pension liability	**7,817,942**	6,286,519
Net OPEB liability	**1,651,744**	956,302
Total noncurrent liabilities	**90,422,085**	94,936,516
TOTAL LIABILITIES	**102,930,057**	109,127,638
DEFERRED INFLOWS OF RESOURCES		
Pension	**189,207**	290,687
OPEB	**1,524,607**	1,565,274
Total Liabilities and Deferred Inflows of Resources	**104,643,871**	110,983,599
NET POSITION		
Net investment in capital assets	**112,878,588**	108,531,203
Restricted	**13,758,482**	14,698,044
Unrestricted	**29,784,014**	27,364,046
Total Net Position	**$ 156,421,084**	$ 150,593,293

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

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2025 and 2024

	2025	2024
Operating revenue:		
Service charges	**$ 17,902,671**	$ 17,509,979
Miscellaneous	**384,518**	457,079
Total operating revenue	**18,287,189**	17,967,058
Operating expenses:		
Direct operating expenses	**11,657,917**	11,704,822
Administrative expenses	**6,824,309**	6,468,698
Total operating expenses	**18,482,226**	18,173,520
Operating loss before depreciation	**(195,037)**	(206,462)
Depreciation	**(8,202,353)**	(7,681,800)
Operating loss	**(8,397,390)**	(7,888,262)
Nonoperating revenue (expenses):		
Interest income	**2,390,037**	2,300,565
Debt service charges	**12,367,320**	12,758,693
House connection charges, net	**(2,320)**	41,390
Interest expense	**(2,258,923)**	(2,073,435)
Other fees	**195,521**	153,965
Total nonoperating revenue, net	**12,691,635**	13,181,178
Income before contributions	**4,294,245**	5,292,916
Capital contributions	**1,533,546**	4,336,705
Change in net position	**5,827,791**	9,629,621
Net position, beginning of year	**150,593,293**	140,963,672
Net Position, End of Year	**$ 156,421,084**	$ 150,593,293

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

ST. MARY’S COUNTY METROPOLITAN COMMISSION

Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Receipts from customers	**$ 22,855,244**	$ 14,788,216
Other receipts	**384,518**	457,079
Payments to suppliers	**(13,941,861)**	(11,473,406)
Payments to employees	**(5,674,035)**	(6,252,847)
Net Cash from Operating Activities	**3,623,866**	(2,480,958)
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	**113,971**	11,195,931
Purchases of capital assets	**(9,577,163)**	(16,670,012)
Principal paid on capital debt	**(7,029,618)**	(7,225,399)
Interest paid on capital debt	**(2,196,100)**	(2,063,602)
Capital contribution	**1,533,546**	4,336,705
Other receipts	**12,519,369**	12,261,517
Net Cash from Capital and Related Financing Activities	**(4,635,995)**	1,835,140
Cash Flows from Investing Activities		
Interest received	**2,390,037**	2,300,565
Net change in cash and cash equivalents	**1,377,908**	1,654,747
Cash and cash equivalents, beginning of year	**51,573,695**	49,918,948
Cash and Cash Equivalents, End of Year	**$ 52,951,603**	$ 51,573,695

	2025	2024
Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities		
Operating loss	**$ (8,397,390)**	$ (7,888,262)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	**8,202,353**	7,681,800
Changes in assets and liabilities:		
Accounts, loans, grants receivable	**4,952,573**	(2,721,763)
Inventory	**245,794**	(253,487)
Prepaid expense	**(141,729)**	221,053
Deferred outflows	**(1,769,758)**	(212,681)
Accounts payable	**(1,552,695)**	826,506
Accrued expenses	**-**	224,658
Net pension liability	**1,531,423**	619,915
Net OPEB liability	**695,442**	(626,997)
Deferred inflows	**(142,147)**	(351,700)
Net Cash from Operating Activities	**$ 3,623,866**	$ (2,480,958)

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

Statements of Fiduciary Net Position
As of June 30, 2025 and 2024

	Pension and OPEB Trust Funds	
	2025	**2024**
ASSETS		
Restricted investments	**$ 11,293,859**	$ 10,132,810
	11,293,859	10,132,810
LIABILITIES AND NET POSITION		
Held in trust for pension and OPEB	**$ 11,293,859**	$ 10,132,810

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

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2025 and 2024

	Pension and OPEB Trust Funds	
	2025	**2024**
ADDITIONS		
Contributions	**$ 599,064**	$ 478,991
Unrealized gains	**1,032,332**	929,526
Total additions	**1,631,396**	1,408,517
DEDUCTIONS		
Benefits	**459,064**	350,991
Administrative expenses	**11,283**	-
TOTAL DEDUCTIONS	**470,347**	350,991
CHANGES IN NET POSITION	**1,161,049**	1,057,526
NET POSITION - BEGINNING OF YEAR	**10,132,810**	9,075,284
NET POSITION - END OF YEAR	**$ 11,293,859**	$ 10,132,810

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The St. Mary’s County Metropolitan Commission (MetCom) is responsible for providing water and wastewater facilities and services within the jurisdiction of St. Mary’s County, Maryland (the County). MetCom’s commissioners are appointed by the County Commissioners of St. Mary’s County. MetCom, a body politic and corporate, organized under section 113 of the code of the County, is a component unit of the County Government.

Fund Financial Statements

MetCom maintains its accounting system as an enterprise fund to report its nonfiduciary funds. An enterprise fund is used to account for operations that are primarily financed by user charges. Separate financial statements are provided for its fiduciary fund.

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. An enterprise fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Government Accounting Standards Board (GASB) Statement No. 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. No major funds by category are summarized into a single column.

Basis of Presentation

The financial statements of MetCom have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units as prescribed by GASB.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Business-type activities are presented using the accrual basis of accounting in 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.

Measurement Focus

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and any highly liquid investments with an initial maturity date of three months or less.

Accounts Receivable

Receivables consist of all revenues earned at year-end and not yet received. Major receivables include inspection fees and water and sewer billings receivable.

Capital Assets

All 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. Depreciation expense is calculated on a straight-line basis over the estimated useful lives of the related assets, as follows:

Asset Class	Estimated Life
Utility plants	18-50 years
Water plant systems	18-50 years
Equipment	3-10 years
Capitalized interest	50 years
Buildings	20-30 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Compensated absences are accrued as incurred and recognized as a current liability in the financial statements. These absences represent vacation leave and sick leave earned, that is more likely than not to be used as time off or settled during or upon separation from employment. The total leave earned but not taken was approximately $788,355 and $815,753, as of June 30, 2025 and 2024, respectively.

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 MetCom 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. 67, *Financial Reporting for Pension Plans*. Expenditures are recognized when are paid or are expected to be paid with current available resources.

Capital Contributions

Capital grants and contributions from federal and state governments are reported as capital contributions in the statements of revenues, expenditures, and changes in net position.

Donated assets consist primarily of capital assets constructed by developers and subsequently donated to MetCom and reported as capital contributions. They are recorded at estimated fair value using developers' estimated cost to construct the assets. The capital assets and related capital contributions are recognized upon completion of construction.

Bond Issue Costs

Bond issue costs include legal fees, advertising, rating fees and other costs incurred when bonds were issued. The costs are expensed in the period that the bonds are issued.

Use of Estimates

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

2. DEPOSITS AND INVESTMENTS

Policy

Maryland law prescribes that local government units such as MetCom must deposit their 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 (FDIC) insurance levels with collateral whose market value is at least equal to the deposits.

State statutes authorize MetCom to invest in obligations of the United States government, federal government agency obligations, and repurchase agreements secured by direct government or agency obligations. All of the funds were invested in the Maryland Local Government Investment Pool (MLGIP), which qualifies under the statutes.

Deposits

MetCom has certificates of deposit that have been issued through the Certificate of Deposit Account Registry Service (CDARS). The CDARS program allows a banking customer to maintain federal depository insurance on balances in excess of the FDIC limit.

The carrying amount of MetCom's deposits was $52,951,603 and $51,573,695, as of June 30, 2025 and 2024, respectively. MetCom had the following deposits and investments as of June 30, 2025 and 2024, which were not subject to fair value disclosure leveling as they were reported at amortized cost:

	2025	**2024**
MLGIP	**$ 5,925,062**	$ 5,628,725
Broker deposits - CDARS	**8,000,000**	12,000,000
ICS	**34,605,527**	29,062,862
Cash	**4,419,514**	4,880,608
Petty cash	**1,500**	1,500
	$ 52,951,603	$ 51,573,695

Of the associated cash bank balances, up to $500,000 was covered by federal depository insurance as of June 30, 2025 and 2024. As of June 30, 2025 and 2024, there were no deposits exposed to custodial credit risk, interest rate risk or foreign currency risk.

Regulatory guidelines require that deposits placed through the CDARS program be considered brokered deposits. The cost and fair value of the CDARS broker deposits as of June 30, 2025 and 2024, was $8,000,000 and $12,000,000, respectively.

2. DEPOSITS AND INVESTMENTS (continued)

Deposits (continued)

A summary of the terms for the deposits and the annual yields are as follows as of June 30, 2025:

Description	Effective Date	Maturity Date	Interest Rate	Principal
CDARS	7/5/2024	7/3/2025	3.10%	$ 1,000,000
CDARS	12/5/2024	12/4/2025	4.00%	1,000,000
CDARS	1/2/2025	1/2/2026	4.00%	1,000,000
CDARS	3/6/2025	3/5/2026	4.15%	1,000,000
CDARS	1/30/2025	1/29/2026	4.02%	1,000,000
CDARS	4/3/2025	4/2/2026	4.09%	1,000,000
CDARS	5/1/2025	4/30/2026	4.12%	1,000,000
CDARS	6/5/2025	6/4/2026	4.15%	1,000,000
ICS	1/11/2019	N/A	4.36%	9,049,813
ICS	1/11/2019	N/A	4.36%	25,555,714
Total				$ 42,605,527

A summary of the terms for the deposits and the annual yields are as follows as of June 30, 2024:

Description	Effective Date	Maturity Date	Interest Rate	Principal
CDARS	7/7/2022	7/6/2023	0.48%	$ 1,000,000
CDARS	9/8/2022	9/7/2023	0.01%	1,000,000
CDARS	10/13/2022	10/12/2023	0.60%	1,000,000
CDARS	11/10/2022	11/9/2023	0.63%	1,000,000
CDARS	12/1/2022	11/30/2023	0.65%	1,000,000
CDARS	1/5/2023	1/4/2024	0.68%	1,000,000
CDARS	3/9/2023	3/4/2024	1.24%	1,000,000
CDARS	8/4/2022	8/3/2023	0.48%	1,000,000
CDARS	2/2/2023	2/1/2024	1.00%	1,000,000
CDARS	4/6/2023	4/4/2024	1.83%	1,000,000
CDARS	5/4/2023	5/2/2024	1.98%	1,000,000
CDARS	6/1/2023	5/30/2024	2.08%	1,000,000
ICS	1/11/2019	N/A	5.09%	8,751,929
ICS	1/11/2019	N/A	5.09%	20,310,933
Total				$ 41,062,862

2. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of $4,669,781 as of June 30, 2025, of which $250,000 was covered by federal depository insurance. The remaining amount of $4,419,781 was fully collateralized by securities pledged and held by financial institution's trust department or agent, not in MetCom's name.

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 MLGIP. Separately issued financial statements may be obtained from the contractor: David Rommel, PNC Bank, One East Pratt Street, 5th Floor West, Baltimore, Maryland 21202. In addition, the State Treasurer has established an advisory board composed MLGIP 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 AAA by Standards and Poor's. As of June 30, 2025 and 2024, 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. MLGIP is managed as a Rule 2a-7 pool. Therefore, MetCom faces no interest rate risk. The cost and fair value of the MLGIP investments as of June 30, 2025 and 2024, was $5,925,062 and $5,628,725, respectively.

In fiscal year 2015, MetCom joined the Maryland Association of Counties (MACo) Pooled OPEB Trust (the Trust). There are 15 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 and foreign bonds, global funds and international equity securities.

As of June 30, 2025, the net position of the Trust was valued at $103.6 million. MetCom's interest was $11.3 million. Contributions to the Trust Fund qualify as "contributions in relation to the actuarially determined contribution" within the meaning of GASB Statement No. 75 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 certified public accounting firm. Separately issued financial statements may be obtained by sending a request to the following address: Board of the MACo Pooled OPEB Trust, 169 Conduit Street, Annapolis, MD 21401.

2. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

MetCom 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 on the following page.

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
Level 2	Inputs to the valuation methodology include: • Quoted prices for similar assets or liabilities in active markets; • Quoted prices for identical or similar assets or liabilities in inactive markets; • Inputs other than quoted prices that are observable for the asset or liability; and • Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All equity and debt securities are classified in Level 1 and are valued using process quoted in active markets for those securities.

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.

MetCom 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.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025
Capital assets being depreciated:				
Utility plants	$ 177,900,204	$ 578,828	$ 110	$ 178,478,922
Water plant systems	87,554,423	8,020,160	-	95,574,583
Equipment	11,430,542	848,792	23,320	12,256,014
Buildings	4,088,933	-	465	4,088,468
Total Capital Assets Being Depreciated	280,974,102	9,447,780	23,895	290,397,987
Capital assets not being depreciated:				
Utility plant construction in process	5,486,582	2,947,572	21,620	8,412,534
Water plant construction in process	11,426,184	4,387,951	7,173,385	8,640,750
Land/land rights	2,850,787	12,760	-	2,863,547
Total Capital Assets	300,737,655	16,796,063	7,218,900	310,314,818
Accumulated depreciation:				
Utility plants	69,305,852	4,478,289	110	73,784,031
Water plant systems	28,421,777	3,098,587	-	31,520,364
Equipment	8,824,463	408,976	23,320	9,210,119
Buildings	3,043,367	216,501	465	3,259,403
Total Accumulated Depreciation	109,595,459	8,202,353	23,895	117,773,917
Net Capital Assets	$ 191,142,196	$ 8,593,710	$ 7,195,005	$ 192,540,901

Depreciation expense of $8,202,353 was charged to the following departments as follows:

Sewer activities	$ 5,629,857
Water activities	2,444,602
Engineering activities	43,190
Administrative	84,704
	$ 8,202,353

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Notes to the Financial Statements
June 30, 2025 and 2024

3. CAPITAL ASSETS (continued)

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

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024
Capital assets being depreciated:				
Utility plants	$ 168,782,220	$ 10,220,759	$ 1,102,775	$ 177,900,204
Water plant systems	75,736,213	11,818,210	-	87,554,423
Equipment	10,772,263	729,164	70,885	11,430,542
Buildings	4,073,744	15,654	465	4,088,933
Total Capital Assets Being Depreciated	259,364,440	22,783,787	1,174,125	280,974,102
Capital assets not being depreciated:				
Utility plant construction in process	8,829,081	4,389,142	7,731,641	5,486,582
Water plant construction in process	13,933,180	8,314,468	10,821,464	11,426,184
Land/land rights	1,940,942	945,761	35,916	2,850,787
Total Capital Assets	284,067,643	36,433,158	19,763,146	300,737,655
Accumulated depreciation:				
Utility plants	66,090,736	4,317,891	1,102,775	69,305,852
Water plant systems	25,667,257	2,754,520	-	28,421,777
Equipment	8,489,609	405,739	70,885	8,824,463
Buildings	2,840,182	203,650	465	3,043,367
Total Accumulated Depreciation	103,087,784	7,681,800	1,174,125	109,595,459
Net Capital Assets	$ 180,979,859	$ 28,751,358	$ 18,589,021	$ 191,142,196

Depreciation expense of $7,681,800 was charged to the following departments as follows:

Sewer activities	$ 5,272,565
Water activities	2,289,458
Engineering activities	40,449
Administrative	79,328
	$ 7,681,800

4. LONG-TERM DEBT

Bonds Payable

Long-term bonds payable as of June 30, 2025 are as follows:

Bond Payable Description	Due	Rate	Principal	Interest
Thirtieth issue	2012-2029	2.96 - 3.4%	$ 393,370	$ 34,628
Fortieth issue	2015-2027	2.08%	1,415,000	44,304
Forty-eighth Issue	2019-2049	3.39%	6,352,000	3,901,072
Forty-ninth Issue	2019-2029	1.82%	130,000	14,294
Fiftieth issue	2020-2030	0.96%	3,039,000	398,564
Fifty-first issue	2021-2034	1.79%	13,500,786	1,011,266
Fifty-second issue	2023-2036	1.79%	11,951,130	1,611,166
Fifty-forth issue	2021-2051	2.67%	8,990,000	4,529,836
Fifty-fifth issue	2025-2054	4.68%	10,871,391	10,443,186
			56,642,677	21,988,316
Less current portion			4,115,838	1,773,208
			$ 52,526,839	$ 20,215,108

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2025 are as follows:

Years Ending June 30,	Principal	Interest	Total
2026	$ 4,115,838	$ 1,773,208	$ 5,889,046
2027	4,248,249	1,643,213	5,891,462
2028	3,633,573	1,531,650	5,165,223
2029	3,737,325	1,431,857	5,169,182
2030	3,712,228	1,328,827	5,041,055
2031-2035	12,651,679	5,426,699	18,078,378
2036-2040	9,361,592	3,914,826	13,276,418
2041-2045	5,442,500	2,855,379	8,297,879
2046-2050	6,215,500	1,617,034	7,832,534
2051-2055	3,524,193	465,623	3,989,816
Total	$ 56,642,677	$ 21,988,316	$ 78,630,993

4. LONG-TERM DEBT (continued)

Bonds Payable (continued)

Long-term bonds payable as of June 30, 2024 are as follows:

Bond Payable Description	Due	Rate	Principal	Interest
Thirtieth issue	2012-2029	2.96 - 3.4%	$ 484,217	$ 51,369
Fortieth issue	2015-2027	2.08%	2,102,000	88,026
Forty-eighth issue	2019-2049	3.39%	6,508,000	4,150,506
Forty-ninth issue	2019-2029	1.82%	159,500	21,045
Fiftieth issue	2020-2030	0.96%	3,576,000	549,118
Fifty-first issue	2021-2034	1.79%	15,035,197	1,267,808
Fifty-second issue	2023-2036	1.79%	12,582,562	1,831,169
Fifty-forth issue	2021-2051	2.67%	9,180,000	4,837,912
Fifty-fifth issue	2025-2054	4.68%	10,917,198	10,443,186
			60,544,674	23,240,139
Less current portion			4,015,968	1,869,563
			$ 56,528,706	$ 21,370,576

The annual requirements to amortize principal and interest payments of all bonds outstanding as of June 30, 2024 are as follows:

Years Ending June 30,	Principal	Interest	Total
2025 (current)	$ 4,015,968	$ 1,869,563	$ 5,885,531
2026	4,133,640	1,742,560	5,876,200
2027	4,258,249	1,634,483	5,892,732
2028	3,643,573	1,522,410	5,165,983
2029	3,747,325	1,422,108	5,169,433
2030-2034	14,859,234	5,734,758	20,593,992
2035-2039	10,015,685	4,111,872	14,127,557
2040-2044	5,324,000	2,977,562	8,301,562
2045-2049	6,497,000	1,744,355	8,241,355
2050-2054	4,050,000	480,468	4,530,468
Total	$ 60,544,674	$ 23,240,139	$ 83,784,813

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%

4. LONG-TERM DEBT (continued)

Bonds Payable (continued)

Thirtieth Issue (continued)

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.

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 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.

Forty-Eighth Issue

On November 21, 2019, MetCom issued $7,152,371 of Infrastructure Financing Bonds, 2019, Series BII, in conjunction with the CDA. As of June 30, 2024 and 2023, the unspent proceeds were $3,651,593 and $6,658,000, respectively.

The bonds mature on April 1, 2049 in 30 annual installments, beginning in 2020 and ending in 2049. The average interest yield on these bonds is 3.39%. Interest was payable on April 1, 2020 and semiannually thereafter on each April 1 and October 1 to maturity. The bonds may be prepaid in whole or in part, at any time after June 1, 2029.

Forty-Ninth Issue

On November 21, 2019, MetCom issued $279,594 of Infrastructure Financing Bonds, 2019, Series BI, in conjunction with the CDA. There were no unspent proceeds as of June 30, 2022.

The bonds mature on April 1, 2029 in 10 annual installments, beginning in 2020 and ending in 2029. The average interest yield on these bonds is 1.82%. Interest was payable on April 1, 2020 and semiannually thereafter on each April 1 and October 1 to maturity.

4. LONG-TERM DEBT (continued)

Bonds Payable (continued)

Fiftieth Issue

On August 11, 2020, MetCom issued Refinancing Bonds Series 2020-A1 in the principal amount of $5,411,345, after a premium discount of $980,662. These bonds were issued with a true interest cost of .96% to refund certain maturities of MetCom's 2010 Series A Bonds, the Twenty-seventh Issue, issued in conjunction with the CDA, with a coupon rate ranging from .75% to 4.31% on the refunded bonds.

These bonds were issued to take advantage of a favorable interest rate environment, and to reduce its total debt service payments in excess of $1,000,000.

Interest is payable on October 1, 2020 and semiannually thereafter on each October 1 and April 1 to maturity.

Fifty-First Issue

On July 1, 2021, MetCom issued an advanced refunding of Issues 2012B, 2013A, and 2014A in the principal amount of $17,026,696 Series 2021B (Taxable). These bonds were issued with a true interest cost of 1.79% to refund. This advance refunding was issued to take advantage of a favorable interest rate environment, and to reduce its total debt service payments in excess of $2,000,000. Principal and interest payments are payable on the first of every month to maturity in 2034.

Fifty-Second Issue

On July 1, 2021, MetCom issued General Obligation Bonds Series 2021A in the principal amount of $13,210,248. These bonds were issued with a true interest cost of 1.79%. The proceeds of the Series 2021A Bond will be used to finance all or a portion of the costs of various routine and non-routine capital upgrades, rehabilitation, improvements or renovations to its various water and wastewater facilities. These bonds were issued from undrawn proceeds of prior CDA issuances 2012B, 2013A, and 2014A, and were issued to take advantage of the favorable interest rate environment. Principal and interest payments are payable on the first of every month to maturity in 2036.

Fifty-Fourth Issue

On December 2, 2021, MetCom issued $10,590,570 of Infrastructure Financing Bonds, Series 2021A-1 and 2021A-2 in conjunction with CDA. As of June 30, 2025, the unspent proceeds were $2,736,651.

The bonds mature on April 1, 2051 in 30 annual installments, beginning in 2022 and ending in 2051. The average interest yield on these bonds is 2.67%. Interest was payable on April 1, 2022 and semiannually thereafter on each April 1 and October 1 to maturity. The bonds may be prepaid in whole or in part, at any time after June 1, 2031.

4. LONG-TERM DEBT (continued)

Bonds Payable (continued)

Fifty-Fifth Issue

On May 16, 2024, MetCom issued $10,917,198 of Infrastructure Financing Bonds, 2024A Series in conjunction with the Community Development Administration. As of June 30, 2025, the unspent proceeds were $4,898,464.

The bonds mature on April 1, 2054 in 30 annual installments, beginning in 2024 and ending in 2054. The average interest yield on these bonds is 4.68%. Interest was payable on October 1, 2024 and semiannually thereafter on each April 1 and October 1 to maturity. The bonds may be prepaid in whole or in part at any time on or after June 1, 2034.

Notes and Loans Payable

Notes and loans payable as of June 30, 2025 are as follows:

Loans Payable Description	Due	Rate	Principal	Interest
MD Water Quality Loan #22	2027	1.10%	$ 44,782	$ 2,335
MD Water Quality Loan #25	2029	1.00%	42,970	3,297
MD Water Quality Loan #26	2030	1.00%	156,679	12,758
MD Water Quality Loan #28	2030	2.20%	135,148	16,604
MD Water Quality Loan #32	2034	1.80%	2,420,473	338,085
MD Water Quality Loan #33	2033	1.70%	180,913	23,251
MD Water Quality Loan #34	2035	2.10%	11,632,639	2,000,902
MD Water Quality Loan #35	2035	2.10%	2,908,160	961,834
MD Water Quality Loan #37	2034	2.00%	1,173,712	164,962
Leonardtown #41	2037	1.80%	972,451	191,330
MD Water Quality Loan #42	2038	1.50%	2,113,277	333,490
MD Water Quality Loan #43	2038	1.50%	1,485,627	387,015
MD Water Quality Loan #44	2039	1.60%	3,463,068	626,283
MD Water Quality Loan #45	2039	1.70%	1,175,481	255,784
MD Water Quality Loan #46	2039	1.70%	871,705	192,366
MD Water Quality Loan #47	2049	1.70%	725,886	292,363
MD Water Quality Loan #53	2042	0.80%	1,715,897	224,447
			31,218,868	6,027,106
Less current portion			2,793,308	938,324
			$ 28,425,560	$ 5,088,782

4. LONG-TERM DEBT (continued)

Notes and Loans Payable (continued)

The annual requirements to amortize principal and interest payments on all notes and loans outstanding as of June 30, 2025 are as follows:

Years Ending June 30,	Principal	Interest	Total
2026	$ 2,793,308	$ 938,324	$ 3,731,632
2027	2,799,306	744,890	3,544,196
2028	2,851,054	689,809	3,540,863
2029	2,931,746	645,873	3,577,619
2030	2,918,232	583,982	3,502,214
2031-2035	13,713,745	2,056,132	15,769,877
2036-2040	3,067,968	356,384	3,424,352
2041-2045	143,509	11,712	155,221
Total	$ 31,218,868	$ 6,027,106	$ 37,245,974

Notes and loans payable as of June 30, 2024 are as follows:

Loans Payable Description	Due	Rate	Principal	Interest
MD Water Quality Loan #18	2025	1.10%	$ 260,895	$ 15,401
MD Water Quality Loan #22	2027	1.10%	107,937	4,670
MD Water Quality Loan #25	2029	1.00%	53,513	4,388
MD Water Quality Loan #26	2030	1.00%	187,090	16,234
MD Water Quality Loan #28	2030	2.20%	160,457	21,645
MD Water Quality Loan #32	2034	1.80%	2,675,737	399,762
MD Water Quality Loan #33	2033	1.70%	201,859	27,825
MD Water Quality Loan #34	2035	2.10%	12,668,409	2,328,486
MD Water Quality Loan #35	2035	2.10%	3,167,102	1,089,891
MD Water Quality Loan #37	2034	2.00%	1,309,768	209,412
Leonardtown #41	2037	1.80%	1,044,479	194,277
MD Water Quality Loan #42	2038	1.50%	2,272,562	376,914
MD Water Quality Loan #43	2038	1.50%	1,603,454	419,137
MD Water Quality Loan #44	2039	1.60%	3,708,421	702,603
MD Water Quality Loan #45	2039	1.70%	1,270,157	287,062
MD Water Quality Loan #46	2039	1.70%	942,921	215,891
MD Water Quality Loan #47	2049	1.70%	769,450	387,305
MD Water Quality Loan #53	2042	0.80%	1,828,307	246,099
			34,232,518	6,947,002
Less current portion			3,067,529	827,249
			$ 31,164,989	$ 6,119,753

4. LONG-TERM DEBT (continued)

Notes and Loans Payable (continued)

The annual requirements to amortize principal and interest payments on all notes and loans outstanding as of June 30, 2024 are as follows:

Years Ending June 30,	Principal	Interest	Total
2025 (current)	$ 3,067,529	$ 827,249	$ 3,894,778
2026	2,748,526	945,547	3,694,073
2027	2,799,306	748,358	3,547,664
2028	2,851,054	696,679	3,547,733
2029	10,735,259	1,900,060	12,635,319
2030-2034	7,468,554	1,175,277	8,643,831
2035-2039	3,963,019	502,236	4,465,255
2040-2044	416,952	127,485	544,437
2045-2049	182,319	24,111	206,430
Total	$ 34,232,518	$ 6,947,002	$ 41,179,520

As of June 30, 2025, MetCom has seventeen loans from the Maryland Water Quality Financing Administration.

- 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.
- 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.
- Loan number thirty-seven in the amount of $2,420,291 is for the Route 235 and Route 712 Interceptor Rehabilitation.

4. LONG-TERM DEBT (continued)

Notes and Loans Payable (continued)

- Loan number forty-one in the amount of $1,705,500 is for MetCom's share of Leonardtown's Maryland Department of the Environment (MDE) loan for the ENR project. Loan number forty-one is a shared project with the Town of Leonardtown for the Leonardtown Wastewater Treatment Plan ENR Upgrade. Of the total proceeds in the amount of $7,500,000, MetCom is contributing 22.74% in debt service.
- Loan number forty-two in the amount of $3,368,474 is for the St. Clement's Shores Water Line Extension.
- Loan number forty-three in the amount of $2,491,768 is for the Piney Point Water.
- Loan number forty-four in the amount of $5,292,504 is for the Great Mills Wastewater Pumping Station.
- Loan number forty-five in the amount of $2,052,427 is for Phase I of the Town Creek Water line replacement project.
- Loan number forty-six in the amount of $1,543,828 is for Phase 4 of the Patuxent Park Water Line Replacement Project.
- Loan number forty-seven in the amount of $1,550,260 is for Phase 4 of the Patuxent Park Sewer Line Replacement Project. Both projects funded by loan forty-six and forty-seven are joint projects with the County.
- Loan number fifty-three in the amount of $2,389,167 is for Phase 2 of the St. Clements Shores Water System Replacement project.

Changes in Long-Term Debt

The changes in long-term debt payable for the year ended June 30, 2025 were as follows:

	June 30, 2024	Additions	Deductions	June 30, 2025	Amounts Due Within One Year
Bonds payable	$ 60,544,674	$ 113,971	$ 4,015,968	$ 56,642,677	$ 4,115,838
Notes and loans payable	34,232,518	-	3,013,650	31,218,868	2,793,308
Total long-term debt	$ 94,777,192	$ 113,971	$ 7,029,618	$ 87,861,545	$ 6,909,146

The changes in long-term debt payable for the year ended June 30, 2024 were as follows:

	June 30, 2023	Additions	Deductions	June 30, 2024	Amounts Due Within One Year
Bonds payable	$ 53,393,312	$ 10,917,198	$ 3,765,836	$ 60,544,674	$ 4,015,968
Notes and loans payable	37,413,348	278,733	3,459,563	34,232,518	3,067,529
Total long-term debt	$ 90,806,660	$ 11,195,931	$ 7,225,399	$ 94,777,192	$ 7,083,497

5. RESTRICTED NET ASSETS

Net assets are restricted for the repayment of the following:

a. Collection of fees for a sinking fund to upgrade the capacity of the main sewage treatment plant at Marley-Taylor WRF are restricted for that purpose. The amount restricted as of June 30, 2025 and 2024, was $689,849 and $689,849, respectively.

b. The Board has restricted net assets per agreement with customers for upgrades and replacements to their water and sewer systems. The amount restricted as of June 30, 2025 and 2024, was $130,204 and $130,204, respectively.

c. The Capital Project Upgrade funds are reserved for the replacement and upgrade of water and sewer facilities. These funds are restricted by law for that purpose. The balance as of June 30, 2025 and 2024, was $3,331,163 and $5,090,778, respectively.

d. The Capital Project New Services funds are reserved for the construction of facilities to serve new customers. These funds are restricted by law for that purpose. The balance as of June 30, 2025 and 2024, was $9,607,266 and $9,607,266, respectively.

6. RETIREMENT AND PENSION PLANS

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.

Maryland State Retirement and Pension System

Summary of Significant Accounting Policies

Pensions. Virtually all employees of the County (other than those covered by the Sheriff's Office Retirement Plan) are members of the Maryland State Retirement and Pension System (the System or MSRPS). The System is considered a single multiple employer cost sharing plan.

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

6. RETIREMENT AND PENSION PLANS (continued)

Maryland State Retirement and Pension System (continued)

General Information About the Pension Plan

Plan Description. Certain employees of the MetCom are provided with pensions through the System—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of the System to the MSRPS Board of Trustees.

Benefits Provided. A member of the System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age.

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

Disability and Death Benefits. Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's average final compensation (AFC). A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Contributions. The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. MetCom's contractually required contribution rate for the System for the years ended June 30, 2025 and 2024, was $841,095 and $778,190, respectively, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

6. RETIREMENT AND PENSION PLANS (continued)

Maryland State Retirement and Pension System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2025 and 2024, MetCom reported a liability of $7,817,942 and $6,286,519, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 and 2023, 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. As of June 30, 2025 and 2024, MetCom's proportion was 0.030% and 0.031%, respectively.

For the year ended June 30, 2025, MetCom recognized pension expense for the System of $1,000,868. As of June 30, 2025, MetCom reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 807,485	$ 189,207
Changes of assumptions	527,472	-
Net difference between projected and actual earnings on pension plan investments	564,664	-
Employer contribution subsequent to measurement date	841,095	-
	$ 2,740,716	$ 189,207

There was $841,095 reported as deferred outflows of resources related to the System resulting from MetCom's contributions subsequent to the measurement date will be recognized as a reduction of the System pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the System will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2026	$ 251,202
2027	796,049
2028	360,129
2029	209,572
2030	93,462
Total	$ 1,710,414

Information included in the MSRPS financial statements. Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at www.sra.state.md.us/Agency/Downloads/ACFR/.

6. RETIREMENT AND PENSION PLANS (continued)

Maryland State Retirement and Pension System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Sensitivity of MetCom's proportionate share of the net pension liability to changes in the discount rate.

	1% Decrease 5.8%	Discount Rate 6.8%	1% Increase 7.8%
Net pension liability	$ 11,362,166	$ 7,817,942	$ 4,863,581

7. OTHER POST-RETIREMENT BENEFITS (OPEB)

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.

MetCom's OPEB plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County Metropolitan Commission as an irrevocable trust. Assets of the Trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The 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 MLGIP and the Maryland Association of Counties (MACo) OPEB Trust. The OPEB Trust does not issue a stand-alone financial report.

As of June 30, 2025 and 2024, membership consisted of:

	2025	**2024**
Retirees and beneficiaries currently receiving benefits	21	19
Active plan members	77	80
Total	98	99

7. OTHER POST-RETIREMENT BENEFITS (OPEB) (continued)

Investments

MetCom's investment authority is established in the Retiree Benefit Trust of St. Mary's County Metropolitan Commission. For the years ended June 30, 2025 and 2024, the annual money weighted rate of return of the OPEB Trust was 11.5% and 11.7%, respectively.

Net OPEB Liability

The components of the net OPEB liability of MetCom as of June 30, were as follows:

	2025	2024
Total OPEB liability	**$ 12,945,603**	$ 11,089,112
Plan fiduciary net position	**(11,293,859)**	(10,132,810)
Net OPEB liability	**$ 1,651,744**	$ 956,302
Plan fiduciary net position as a percentage of the total OPEB liability	**87.24%**	91.38%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024 rolled forward to June 30, 2025 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Projected unit credit
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.50%
Healthcare cost trend rate	The trend for 2025 is 5.2%. The ultimate trend is 3.94%.
Discount rate	7.00%

The long-term nominal expected rate of return on OPEB plan investments of 7.00% was determined using a building block method where return expectations are established for each asset class. The building block approach uses the current underlying fundamentals, not historical returns. Spread and the risk-free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity. These return expectations are weighted based on asset/target amounts.

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2025. The projection of cash flow used to determine the discount rate assumed that the MetCom's contributions will be made at rates equal to current contributions levels.

7. OTHER POST-RETIREMENT BENEFITS (OPEB) (continued)

Actuarial Assumptions (continued)

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	1% Decrease 2.92%	Medical Trend 3.92%	1% Increase 4.92%
Net OPEB liability / (asset)	$ (186,455)	$ 1,651,744	$ 3,981,343

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net OPEB liability / (asset)	$ 3,731,535	$ 1,651,744	$ (7,849)

For the year ended June 30, 2025, MetCom recognized OPEB expense of $231,280. As of June 30, 2025, MetCom reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,340,222	$ 538,244
Changes of assumptions	213,668	777,644
Net difference between projected and actual earnings on OPEB plan investments	-	208,719
	$ 1,553,890	$ 1,524,607

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

Years Ending June 30,	**Amount**
2026	$ 145,034
2027	(203,087)
2028	(153,942)
2029	(59,120)
2030	40,265
Thereafter	260,133
Total	$ 29,283

7. OTHER POST-RETIREMENT BENEFITS (OPEB) (continued)

Changes in the net OPEB liability:

Total OPEB liability:		
Service cost	$	198,737
Interest		820,925
Differences between expected and actual experience		1,055,516
Changes of assumptions		240,377
Benefit payments, including refunds of member contributions		(459,064)
Net change in total OPEB liability		1,856,491
Total OPEB liability – beginning		11,089,112
Total OPEB liability – ending (a)	$	12,945,603
Plan fiduciary net position:		
Contributions – employer	$	599,064
Net investment (loss)		1,032,332
Benefit payments		(459,064)
Administrative expense		(11,283)
Net change in plan fiduciary net position		1,161,049
Plan fiduciary net position – beginning		10,132,810
Plan fiduciary net position – ending (b)	$	11,293,859
MetCom's Net OPEB Liability – Ending (a) – (b)	$	1,651,744
Plan fiduciary net position as a percentage of the total OPEB liability		87.24%

8. RATE SETTING

MetCom is required by law to set rates which are sufficient to cover both operating expenses and debt service. Depreciation of the plant and collection systems is not an allowable cost for purposes of setting rates. A reconciliation of the results of operations for financial reporting and rate-setting purposes is as follows:

		2025		**2024**
Change in net position - per financial statements	**$**	**5,827,791**	$	9,629,621
Add:				
Depreciation - facilities		**8,202,353**		7,681,800
Less:				
Principal payment on capital debt		**7,029,618**		7,225,399
OPEB		**(367,784)**		(307,250)
Pension accrual		**682,744**		(264,213)
Capital contributions		**1,533,546**		4,336,705
Excess (deficiency) of revenue over expenses - rate-setting method	**$**	**5,152,020**	$	6,320,780

9. RISK MANAGEMENT

MetCom is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and related disasters. MetCom is a member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML) and the Maryland Association of Counties. 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. Claims have not exceeded coverage over the last three years.

10. NEW ACCOUNTING PRONOUNCEMENTS

As of June 30, 2025, the Governmental Accounting Standards Board (GASB) has issued Statement No. 101, *Compensated Absences*, Statement No. 102, *Certain Risk Disclosures.* These statements have been implemented and did not have a material effect on MetCom's financial statements.

The GASB has also issued Statement No. 103, *Financial Reporting Model Improvement,* and Statement No. 104, *Disclosure of Certain Capital Assets,* which will require adoption in the future, if applicable. MetCom will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective dates.

REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedule of Proportionate Share of the Net Pension Liability of the Maryland State Retirement and Pension System and Related Ratios
June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the System net pension liability (asset)	0.030%	0.031%	0.028%	0.028%	0.027%	0.023%	0.022%	0.021%	0.022%	0.021%
Proportionate share of the System net pension liability (asset)	$ 7,817,942	$ 6,286,519	$ 5,666,604	$ 4,200,218	$ 5,579,007	$ 4,896,302	$ 4,533,596	$ 4,558,356	$ 5,077,598	$ 4,394,022
Total	$ 7,817,942	$ 6,286,519	$ 5,666,604	$ 4,200,218	$ 5,579,007	$ 4,896,302	$ 4,533,596	$ 4,558,356	$ 5,077,598	$ 4,394,022
Covered-employee payroll	$ 7,279,721	$ 7,003,581	$ 6,613,710	$ 6,193,130	$ 6,283,002	$ 6,167,063	$ 5,578,800	$ 5,033,524	$ 5,251,620	$ 4,914,900
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee	107.39%	89.76%	85.68%	67.82%	88.80%	79.39%	81.26%	90.56%	96.69%	89.40%
Plan fiduciary net position as a percentage of the total pension liability	72.08%	73.81%	76.27%	81.84%	72.34%	72.34%	71.18%	69.38%	65.79%	68.78%

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedule of Contributions and Related Ratios of the Net Pension Liability of the Maryland State Retirement and Pension System June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 841,095	$ 778,190	$ 665,745	$ 646,369	$ 616,923	$ 529,249	$ 487,479	$ 430,869	$ 429,057	$ 419,241
Contributions in relation to the contractually required contribution	(841,095)	(778,190)	(665,745)	(646,369)	(616,923)	(529,249)	(487,479)	(430,869)	(429,057)	(419,241)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 7,279,721	$ 7,003,581	$ 6,613,710	$ 6,193,130	$ 6,283,002	$ 6,167,063	$ 5,578,800	$ 5,033,524	$ 5,251,620	$ 4,914,900
Contributions as a percentage of covered-employee payroll	11.55%	11.11%	9.51%	9.77%	9.96%	8.42%	7.90%	7.72%	8.52%	7.98%

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:									
Service cost	$ 198,737	$ 169,938	$ 249,973	$ 240,359	$ 197,331	$ 198,581	$ 247,056	$ 237,782	$ 229,362
Interest	820,925	697,404	747,284	711,384	683,707	616,914	594,852	553,870	514,257
Differences between expected and actual experience	1,055,516	(85,822)	(707,243)	7,203	731,319	25,515	49,391	12,289	472
Changes of assumptions	240,377	-	(715,293)	-	(154,607)	(391,452)	(326,786)	-	-
Benefit payments, including refunds of member contributions	(459,064)	(350,991)	(318,844)	(313,159)	(245,506)	(254,716)	(222,652)	(162,593)	(151,091)
Net change in total OPEB liability	1,856,491	430,529	(744,123)	645,787	1,212,244	194,842	341,861	641,348	593,000
Total OPEB liability – beginning	11,089,112	10,658,583	11,402,706	10,756,919	9,544,675	9,349,833	9,007,972	8,366,624	7,773,624
Total OPEB liability – ending (a)	$ 12,945,603	$ 11,089,112	$ 10,658,583	$ 11,402,706	$ 10,756,919	$ 9,544,675	$ 9,349,833	$ 9,007,972	$ 8,366,624
Plan fiduciary net position:									
Contributions – employer	$ 599,064	$ 478,991	$ 730,162	$ 559,159	$ 666,371	$ 635,992	$ 728,453	$ 527,000	$ 526,000
Net investment income	1,032,332	929,526	790,610	(1,129,437)	1,638,626	88,640	305,417	268,969	329,007
Benefit payments	(459,064)	(350,991)	(318,844)	(313,159)	(245,506)	(254,716)	(222,652)	(162,593)	(151,091)
Administrative expense	(11,283)	-	-	(25,696)	(39,102)	-	-	-	-
Net change in plan fiduciary net position	1,161,049	1,057,526	1,201,928	(909,133)	2,020,389	469,916	811,218	633,376	703,916
Plan fiduciary net position – beginning	10,132,810	9,075,284	7,873,356	8,782,489	6,762,100	6,292,184	5,480,966	4,847,590	4,143,674
Plan fiduciary net position – ending (b)	$ 11,293,859	$ 10,132,810	$ 9,075,284	$ 7,873,356	$ 8,782,489	$ 6,762,100	$ 6,292,184	$ 5,480,966	$ 4,847,590
County's Net OPEB Liability – Ending (a) – (b)	$ 1,651,744	$ 956,302	$ 1,583,299	$ 3,529,350	$ 1,974,430	$ 2,782,575	$ 3,057,649	$ 3,526,638	$ 3,519,034
Plan fiduciary net position as a percentage of the total OPEB liability	87.24%	91.38%	85.15%	69.05%	81.65%	70.85%	67.30%	60.85%	57.94%
Covered employee payroll	$ 7,279,721	$ 7,003,581	$ 6,613,710	$ 6,193,130	$ 6,283,002	$ 6,167,063	$ 5,578,800	$ 5,033,524	$ 5,251,620
County's net OPEB liability as a percentage of covered employee payroll	22.69%	13.65%	22.61%	53.36%	31.88%	51.63%	58.28%	65.53%	67.75%
Annual money-weighted-rate of return, net of investment expenses	11.50%	14.70%	15.40%	-10.40%	24.23%	1.55%	4.85%	5.55%	7.94%

Notes to schedule:
Information prior to 2017 is not available.

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedule of Contributions - OPEB
June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 349,000	$ 439,000	$ 439,000	$ 456,000	$ 459,000	$ 443,000	$ 545,000	$ 527,000	$ 526,000	$ 507,000
Contributions related to the actuarially determined contribution	(599,064)	(478,991)	(478,991)	(559,159)	(666,371)	(635,992)	(728,085)	(527,000)	(526,000)	(507,000)
Contribution deficiency (excess)	$ (250,064)	$ (39,991)	$ (39,991)	$ (103,159)	$ (207,371)	$ (192,992)	$ (183,085)	$ -	$ -	$ -
Covered employee payroll	$ 7,279,721	$ 7,003,581	$ 6,613,710	$ 6,193,130	$ 6,283,002	$ 6,167,063	$ 5,578,800	$ 5,033,524	$ 5,251,620	$ 4,914,900
Contributions as a percentage of covered employee payroll	-8.23%	-6.84%	-6.84%	9.03%	10.61%	11.80%	13.88%	9.79%	10.13%	9.76%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll
Remaining amortization period	13 years for FY2025
Asset valuation method	Market value of assets
Inflation	2.5%
Payroll growth rate	3%
Investment rate of return	6.50%
Healthcare cost trend rate	The trend for 2025 is 5.2%. The ultimate trend is 3.94%.

OTHER SUPPLEMENTARY INFORMATION

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedule of Departmental Allocable Operating and Nonoperating Revenues and Expenses
Year Ended June 30, 2025

	Sewer	Water	Engineering	Total
Operating revenue:				
Service charges	$ 11,764,020	$ 5,861,031	$ 277,620	$ 17,902,671
Miscellaneous	202,978	157,820	23,720	384,518
Total operating revenue	11,966,998	6,018,851	301,340	18,287,189
Operating expenses:				
Direct operating expenses	7,378,887	3,067,962	1,211,068	11,657,917
Administrative expenses	4,506,775	1,777,731	539,803	6,824,309
Total operating expenses	11,885,662	4,845,693	1,750,871	18,482,226
Operating income before depreciation	81,336	1,173,158	(1,449,531)	(195,037)
Depreciation	(5,629,857)	(2,444,602)	(127,894)	(8,202,353)
Operating loss	(5,548,521)	(1,271,444)	(1,577,425)	(8,397,390)
Allocable nonoperating revenue (expenses):				
Interest income	488,114	448,843	-	936,957
Debt service charges	6,239,837	6,127,483	-	12,367,320
House connection charges, net	-	(2,320)	-	(2,320)
Debt service charges - interest and finance charges	(1,259,223)	(999,700)	-	(2,258,923)
Total allocable nonoperating revenue, net	5,468,728	5,574,306	-	11,043,034
Total allocable net income (loss)	$ (79,793)	$ 4,302,862	$(1,577,425)	2,645,644
Nonallocable revenue:				
Interest income				1,453,080
Other fees				195,521
Total nonallocable revenue				1,648,601
Capital contribution				1,533,546
Change in fund net position				$ 5,827,791

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedule of Departmental Allocable Operating and Nonoperating Revenues and Expenses
Year Ended June 30, 2024

	Sewer	Water	Engineering	Total
Operating revenue:				
Service charges	$ 11,442,688	$ 5,875,441	$ 191,850	$ 17,509,979
Miscellaneous	228,662	208,604	19,813	457,079
Total operating revenue	11,671,350	6,084,045	211,663	17,967,058
Operating expenses:				
Direct operating expenses	7,857,862	2,910,421	936,539	11,704,822
Administrative expenses	4,271,929	1,685,095	511,674	6,468,698
Total operating expenses	12,129,791	4,595,516	1,448,213	18,173,520
Operating income before depreciation	(458,441)	1,488,529	(1,236,550)	(206,462)
Depreciation	(5,272,565)	(2,289,458)	(119,777)	(7,681,800)
Operating loss	(5,731,006)	(800,929)	(1,356,327)	(7,888,262)
Allocable nonoperating revenue (expenses):				
Interest income	479,147	461,051	-	940,198
Debt service charges	6,525,416	6,233,277	-	12,758,693
House connection charges, net	-	41,390	-	41,390
Debt service charges - interest and finance charges	(1,170,216)	(903,219)	-	(2,073,435)
Total allocable nonoperating revenue, net	5,834,347	5,832,499	-	11,666,846
Total allocable net income (loss)	$ 103,341	$ 5,031,570	$(1,356,327)	3,778,584
Nonallocable revenue:				
Interest income				1,360,367
Other fees				153,965
Total nonallocable revenue				1,514,332
Capital contribution				4,336,705
Change in fund net position				$ 9,629,621

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedule of Service Charges and Direct Operating Expenses
Year Ended June 30, 2025

	Sewer	Water	Engineering	Total
Service charges:				
Service charge - metered	$ 5,675,724	$ 2,807,293	$ -	$ 8,483,017
Service charge - nonmetered	5,751,371	3,053,738	-	8,805,109
Septage haul revenue	336,925	-	-	336,925
Review fees	-	-	76,325	76,325
Inspection fees	-	-	197,795	197,795
Residential tap fee sewer	-	-	3,500	3,500
Total service charges	$ 11,764,020	$ 5,861,031	$ 277,620	$ 17,902,671
Direct operating expenses:				
Salaries	$ 3,212,424	$ 1,423,549	$ 1,353,022	$ 5,988,995
Chemicals	1,099,466	184,639	-	1,284,105
Employee physicals/uniforms	39,679	28,720	9,187	77,586
Employee training	26,621	8,000	4,441	39,062
Lab/soil testing	24,695	-	-	24,695
Leonardtown - treatment plant	147,551	-	-	147,551
Maintenance	624,043	437,277	-	1,061,320
Materials and supplies	145,899	143,060	691	289,650
Miscellaneous	24,889	77,588	230,346	332,823
Oil and gas	90,310	6,238	-	96,548
Power	948,641	634,104	9,417	1,592,162
Safety supplies	11,139	8,513	-	19,652
Sludge removal	266,069	-	-	266,069
SSO fines and penalties	498,547	-	-	498,547
Telephone	9,118	7,590	6,581	23,289
Temporary labor	-	-	-	-
Tools purchased	16,939	14,052	-	30,991
Vehicle operating and mileage	192,857	77,625	22,921	293,403
Water testing	-	19,901	-	19,901
Recovery of costs	-	(2,894)	(425,538)	(428,432)
Total direct operating expenses	$ 7,378,887	$ 3,067,962	$ 1,211,068	$ 11,657,917

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedule of Service Charges and Direct Operating Expenses
Year Ended June 30, 2024

	Sewer	Water	Engineering	Total
Service charges:				
Service charge - metered	$ 5,509,347	$ 2,743,405	$ -	$ 8,252,752
Service charge - nonmetered	5,592,421	3,132,036	-	8,724,457
Septage haul revenue	340,920	-	-	340,920
Review fees	-	-	49,035	49,035
Inspection fees	-	-	140,565	140,565
Residential tap fee sewer	-	-	2,250	2,250
Total service charges	$ 11,442,688	$ 5,875,441	$ 191,850	$ 17,509,979
Direct operating expenses:				
Salaries	$ 3,466,054	$ 1,377,732	$ 1,062,256	$ 5,906,042
Chemicals	1,198,521	183,371	-	1,381,892
Employee physicals/uniforms	39,213	17,761	5,949	62,923
Employee training	14,998	3,568	2,608	21,174
Lab/soil testing	15,734	-	-	15,734
Leonardtown - treatment plant	178,276	-	-	178,276
Maintenance	1,011,067	391,408	-	1,402,475
Materials and supplies	161,685	218,966	19,404	400,055
Miscellaneous	15,714	76,516	186,732	278,962
Oil and gas	130,455	4,160	-	134,615
Power	786,307	505,876	7,576	1,299,759
Safety supplies	15,067	6,182	-	21,249
Sludge removal	241,416	-	-	241,416
SSO fines and penalties	250,500	-	-	250,500
Telephone	9,039	7,567	6,047	22,653
Temporary labor	-	-	-	-
Tools purchased	89,581	10,110	-	99,691
Vehicle operating and mileage	234,235	92,578	20,130	346,943
Water testing	-	31,873	-	31,873
Recovery of costs	-	(17,247)	(374,163)	(391,410)
Total direct operating expenses	$ 7,857,862	$ 2,910,421	$ 936,539	$ 11,704,822

ST. MARY'S COUNTY METROPOLITAN COMMISSION

Schedules of Administrative Expenses
Years Ended June 30, 2025 and 2024

	2025	2024
Administrative expenses:		
Accounting	$ 16,231	$ 15,758
Advertising	200	2,529
Commissioners' salaries	14,333	14,500
Computer services	236,970	226,168
Consulting	475	1,680
Contractual employees	-	4,752
Depreciation	73,372	67,384
Dues and subscriptions	10,037	9,807
Electric	11,664	13,736
Employee training	20,289	22,133
Hospitalization and disability	1,387,114	1,342,525
Insurance	412,872	316,294
Legal	135,536	210,465
Mileage and travel	1,158	1,349
Miscellaneous	209,867	101,542
Office and administrative salaries	2,022,507	1,912,385
Office supplies and expenses	100,120	116,904
On-line fees	272,294	297,717
Payroll taxes	602,486	590,777
Postage expense	121,695	107,678
Retirement	1,116,033	1,035,172
Telephone and fax	59,056	57,443
Total administrative expenses	$ 6,824,309	$ 6,468,698
Allocated to services as follows:		
Sewer 66.04% and 64.1%	$ 4,506,775	$ 4,271,929
Water 26.05% and 27.3%	1,777,731	1,685,095
Engineering 7.91% and 8.6%	539,803	511,674
	$ 6,824,309	$ 6,468,698

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
St. Mary's County Metropolitan Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the St. Mary's County Metropolitan Commission (MetCom), a component unit of St. Mary's County, Maryland, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise MetCom's basic financial statements, and have issued our report thereon dated December 4, 2025.

Report on Internal Control over Financial Reporting

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

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

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

10200 Grand Central Avenue • Suite 250 • Owings Mills • Maryland 21117 • P 410.584.0060 • F 410.584.0061

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Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
December 4, 2025

SB & Company, LLC