COMMISSIONERS OF ST. MICHAELS
FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION
JUNE 30, 2020

COMMISSIONERS OF ST. MICHAELS
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Lank, Johnson & Tull, CPAs is a full service Delaware accounting firm specializing in tax planning and audit services.

INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Town of St. Michaels, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Commissioners of St. Michaels (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

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, and each major fund of the Commissioners of St. Michaels, as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, proportionate share of the net pension liability, and required pension contributions 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 required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commissioners of St. Michaels' basic financial statements. The Analysis of Revenues and Expenditures/Expenses - Budget and Actual - All Fund Types (Schedules C and D), and the Statement of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual - Enterprise Fund (Schedule E), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules referred to in the previous paragraph 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, those schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020, on our consideration of the Commissioners of St. Michaels' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commissioners of St. Michaels' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commissioners of St. Michaels' internal control over financial reporting and compliance.

Lank, Johnson & Tull

Seaford, Delaware
October 16, 2020

This section of The Commissioners of St. Michaels' annual financial report presents the discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the Town's financial statements, which follows this section.

BASIC FINANCIAL STATEMENTS

This report provides both long-term and short-term information about the Town's overall financial status. The fund financial statements focus on the individual parts of the Town government, reporting the operations of the Town in more detail than the government-wide statements. Both perspectives (government-wide and individual fund) allow the user to address relevant questions, broaden the basis for comparison (year to year or government to government) and enhance the Town's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the Town as a whole and are designed to provide readers with a broad overview of the Town in a manner similar to a private sector business. The statement of net position includes all of the government's assets and liabilities reported using the full accrual basis of accounting. The statement of activities accounts for all of the current year's revenues and expenses, regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how it has changed. Net position, the difference between the Town's assets, deferred outflows, liabilities and deferred inflows are one way to measure the financial health of the Town. Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Town, one needs to consider other non-financial factors such as changes in the Town's property tax base and condition of the Town's infrastructure.

The government-wide financial statements of the Town are divided into two categories:

Governmental Activities - Most of the Town's basic services are included here, such as police and other public safety services, parks and recreation, public works, planning and zoning, and general administration. Property and state-shared taxes, charges for services, and state grants finance most of these activities.

Business-Type Activities - The Town's water operations are reported here. Fees are charged to water customers to help cover the costs of providing the services.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's most significant funds. The focus is on major funds rather than fund types.

The Town has two types of funds:

Governmental Fund - The General Fund is the Town's only governmental fund, which focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on the governmental fund statements, or schedules immediately following the governmental fund statements, that explain the relationship (or differences) between them.

Proprietary Funds - Services for which the Town charges customers a fee are generally reported in proprietary funds. These funds, like the government-wide statements, provide both long-term and short-term financial information. The Town's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flows. The Town utilizes enterprise funds to account for its water operations.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's combined net position increased by 2% or $0.49 million from 2019 to 2020 (See table below). General and business-type funds remained relatively constant. This is the result of the Town being able to meet operational costs as well as to fund capital improvements with current revenues, prior year reserves, grant contributions, and investment earnings, without incurring any substantial new debt.

Commissioners of St. Michaels
Net Position
(in millions)

	Governmental		Business-Type		Total		Total
	2020	2019	2020	2019	2020	2019	Percentage Change
Current and Other Assets	10.37	10.64	0.31	0.24	10.68	10.88	(2%)
Capital Assets	11.59	10.50	4.34	4.49	15.93	14.99	6%
Deferred Outflows	0.14	0.17	0.02	0.03	0.16	0.20	(20%)
Total Assets and Deferrals	22.10	21.31	4.67	4.76	26.77	26.07	3%
Long-Term Debt	-	-	1.00	1.14	1.00	1.14	(12%)
Other Liabilities	1.34	1.04	0.18	0.15	1.52	1.19	28%
Deferred Inflows	0.09	0.09	0.01	0.01	0.10	0.10	-
Total Liabilities and Deferrals	1.43	1.13	1.19	1.30	2.62	2.43	8%
Net Position							
Capital Assets Net of Debt	11.59	10.50	3.34	3.36	14.93	13.86	8%
Unrestricted	9.07	9.69	0.14	0.10	9.21	9.79	(6%)
Total Net Position	20.66	20.19	3.48	3.46	24.14	23.65	2%

The Town's total revenues (excluding transfers) decreased by 6% to $3.22 million, which is primarily due to a decrease in taxes, building permits, water connections and capital charges, and interest earned on investments (See table below). Revenue from business-type activities decreased by 9% to $.68 million, which is due to the decrease in charges for services and capital grants. General Governmental revenues decreased by 5% to $2.54 million, which is primarily attributable to a decrease in public accommodations taxes, building permits, and interest earned on investments. The total cost of all programs and services decreased by 14% to $2.73 million. The costs of business-type activities decreased by 13% to $.67 million, which was primarily due to a decrease in water tower and arsenic maintenance. The costs of governmental-type activities decreased by 15% to $2.06 million. The governmental expenses in the table below are shown net of fees, charges, and grants.

Commissioners of St. Michaels
Change in Net Assets
(in millions)

	Governmental		Business-Type		Total		Total Percentage
	2020	2019	2020	2019	2020	2019	Change
Program Revenue							
Charges for Services	-	-	0.68	0.70	0.68	0.70	(3%)
Capital Grants	-	-	-	0.04	-	0.04	-
General Revenue							
Taxes	2.39	2.43	-	-	2.39	2.43	(2%)
Investment Income	0.15	0.23	-	0.01	0.15	0.24	(38%)
Total Revenue	2.54	2.66	0.68	0.75	3.22	3.41	(6%)
Program Expenses							
General	0.22	0.43	-	-	0.22	0.43	(49%)
Police	1.18	1.01	-	-	1.18	1.01	17%
Public Works	0.66	0.97	-	-	0.66	0.97	(32%)
Water	-	-	0.67	0.77	0.67	0.77	(13%)
Total Expenses	2.06	2.41	0.67	0.77	2.73	3.18	(14%)
Excess (Deficiency)	0.48	0.25	0.01	(0.02)	0.49	0.23	113%
Transfers In/Out	(0.01)	0.03	0.01	(0.03)	-	-	-
Change in Net Position	0.47	0.28	0.02	(0.05)	0.49	0.23	113%
Net Position - Beginning	20.19	19.91	3.46	3.51	23.65	23.42	1%
Net Position - Ending	20.66	20.19	3.48	3.46	24.14	23.65	2%

GENERAL FUND BUDGETARY HIGHLIGHTS (For purposes of the MD&A presentation, the budgeted amounts refer to general operational expenditures, and capital funds net of prior year funding).

Actual revenues of $3.74 million were over budgeted revenues by $0.04 million. This favorable variance is primarily due to the safe routes to school grant.

Actual expenditures in the amount of $4.20 million came in $0.14 million under budgeted amounts. This favorable variance is due to capital spending and salaries and benefits under budgeted amounts.

WATER FUND BUDGETARY HIGHLIGHTS

Actual revenue of $0.68 million was over budgeted revenues by $0.03 million. This favorable variance is primarily due to additional water service charges. Actual expenditures in the amount of $0.67 came in $0.04 million under budgeted amounts. This favorable variance is due to various line items being under the budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the Town had $15.93 million invested in capital assets, including police equipment, parks and recreation facilities, buildings, land, vehicles, and water system improvements. This amount represents a net increase (additions, deductions, and depreciation) of $0.94 million from the prior year.

Commissioners of St. Michaels
Capital Assets Net of Depreciation
(in millions)

	Governmental		Business-Type		Total	
	2020	2019	2020	2019	2020	2019
Land and Improvements	2.12	2.12	-	-	2.12	2.12
Buildings	0.79	0.78	-	-	0.79	0.78
Equipment	0.15	0.13	-	-	0.15	0.13
Improvements	8.11	7.07	-	-	8.11	7.07
Vehicles	0.42	0.40	-	-	0.42	0.40
Water	-	-	4.34	4.49	4.34	4.49
Total Capital Assets	11.59	10.50	4.34	4.49	15.93	14.99

Note 4 of the Notes to the Basic Financial Statements gives further details of the Town's capital asset activity.

Debt

At year-end, the Town had $1.00 million in bonds and notes outstanding, versus $1.14 million in 2019, a decrease of $0.14 million or 12% under last year.

Commissioners of St. Michaels
Debt
(in millions)

	Governmental		Business-Type		Total	
	2020	2019	2020	2019	2020	2019
USDA - Water Bonds	-	-	0.14	0.21	0.14	0.21
Maryland Department of Environment - Arsenic Removal	-	-	0.69	0.72	0.69	0.72
Maryland Department of Environment - Arsenic Removal II	-	-	0.17	0.21	0.17	0.21
Total Debt	-	-	1.00	1.14	1.00	1.14

Note 6 of the Notes to the Basic Financial Statements gives further details of the Town's debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Due to the COVID 19 Pandemic, the economic climate has changed over the last year. Fixed costs associated with long-term infrastructure projects cannot be reduced. Revenues from investments has decreased significantly from last fiscal year. A tax rate of $.524 cents per $100 of assessment was able to be maintained. The State had begun to restore funding to local governments in the Highway User Revenues, however the Pandemic has put a halt to this effort. These losses required the Commissioners to take the following approach in balancing the budget for the Town. The Commissioners amended the budget in FY2020 to account for unanticipated revenue shortfalls brought on by the COVID 19 Pandemic, as well as other unanticipated expenses and revenues. The Commissioners have:

1. Reviewed and reduced expenditures not essential to the core operations of the Town;
2. Reviewed and considered the services currently provided to citizens;
3. Reduced town debt in each of the past two fiscal years;
4. Utilized funding from the Repairs and Replacement Fund.

In an effort to reduce debt payments owed by the Town, the Commissioners amended the FY2011 budget by paying off the balance of the 2006 Public Improvement Bond early. The Commissioners transferred the funds to pay off the debt from the Electric Utility Proceeds, reducing the fund balance by $4,575,594. This debt retirement combined with spending down unrestricted prior year reserves allowed the Commissioners to reduce the tax rate in the next several budgets for a total reduction of 19 cents per $100 of assessed value. Unrestricted prior year reserves were reaching the minimum level as set by the Town's Fiscal Policy. In FY2017, the Commissioners were in the financial position that a 1 penny tax increase was necessary. In FY2018, the Commissioners set the tax rate at 52.4 cents per $100 of assessment and that rate has held through FY2020.

The Town's real estate tax (FY2020) is maintained at $.524 cents per $100 of the State's assessment of the property values. In the State's initial Constant Yield Tax Rate Certification (Feb., 2019) the Town's assessable base increased from $287,235,653 to $294,934,922, This number, while showing an increase is still down from the FY2009 assessable base of $301,557,489.

Also, since FY2012, both the Public Works and Administrative Departments had been operating with one less employee, for a total decrease since FY2010 of 2 people in each department. In FY2015, the Commissioners added a Communications Manager position to the Administrative Department. In FY2017 and 2018, due to changes in policing, the Commissioners incrementally funded two new police officers, bringing the total to 10 sworn officers. During FY2019, the Commissioners, working with the chief of Police, dropped back to a force of 9 officers, while voting for take home vehicles. The commissioners also voted to join the Law Enforcement Officers Pension System (LEOPS) beginning July 1, 2019.

The Commissioners implemented a new refuse collection policy in FY2011 that includes curbside recycling and takes refuse removal to one day a week. This policy has reduced the amount of refuse being hauled to the landfill by approximately 50% and has freed up the three public works crewmembers one additional day per week.

Legal fees for FY2020 increased due to an ethics claim. The claim was resolved during FY2020, with a net legal expense of $53,670, after a $50,000 reimbursement from the Local Government Insurance Trust. The ethics case, as well as an increase in legal expense related to the pandemic, led to increased legal expenses.

In FY 2017, the Commissioners commissioned a comprehensive Full Reserve Study (the "Reserve Study") that examined the physical assets of the Town government, the repair and replacement schedules for Town property, equipment and infrastructure, the financial mechanisms to adequately fund the depreciation of the Town's physical assets in accordance with generally accepted municipal accounting standards, and potential funding sources to implement the recommendations from the Reserve Study. Following the study, the Commissioners made changes to the Town Charter as follows which enables the goals of the reserve study to be implemented.

After the Town has ceased to own and ceased to have any responsibility for operating the St. Michaels electric distribution system (the "System"), after the Town has received all payments due to it relating to the lease and/or sale of the System, and after the Town has made all payments due from it relating to the System, then the balance of all such revenues, and the balance of the Town's sinking fund relating to the System, after payment of all expenses of the Town relating to the termination of the lease of the System to Delmarva Power & Light Company and the sale of the System to Choptank Electric Cooperative, Inc., shall be transferred to the Town's general fund. The funds thus transferred to the Town's general fund shall be segregated and such funds, together with all earnings thereon, shall be used solely for such Town capital improvements, repairs and maintenance as deemed appropriate by the Town Commissioners from time to time. § C-62.1 Balance of revenues from lease and sale of St. Michaels electric distribution system.

The Town Commissioners shall segregate Town monies into separate funds to help ensure the Town's long-term financial stability. Upon the Town Clerk's recommendation, the Town Commissioners shall establish by resolution the balances maintained in such funds and the methods for maintenance. The following funds shall be established and maintained as the Town Commissioners deem appropriate from time to time:

A. *General Operating Fund. A fund used to account for all activity, assets and liabilities of the Town except those assigned for other purposes in another specific fund. This fund is the primary operating fund that contains uncommitted resources that may be used for the Town's general purposes.*

B. *Repair and Replacement Fund. A fund used to cover anticipated expenses for the repair and replacement of Town facilities, equipment, and infrastructure, otherwise known as reserve elements, as identified in a formal reserve study, which may be updated from time to time at the Town Commissioners' discretion and may be further defined and described by resolution. This fund's purpose is to maintain adequate reserves for the repair, maintenance and replacement of Town assets over time.*

C. *Capital Fund. A fund used for capital projects and improvements, including the acquisition of property and assets not accounted for in the Repair and Replacement Fund.*

D. *Contingency Fund. A fund used to manage uncertain or unexpected emergencies, events, and risks.*

E. *Water System Enterprise Fund. A fund used to manage the Town's water system finances. This fund may be used for all activity related to the Town's water system, including capital expenditures. § C-62.2 Town funds.*

These funds have been created and the Town's budget reflects the changes. The Reserve Study has become a valuable tool in budgeting for the Town. The Reserve Study should be updated in FY2021.

There are also several impending multi-year impacts to the Town's finances related to the Water Department. The St. Michaels well and distribution system serves not only the Town of St. Michaels, but also the unincorporated county communities of Rio Vista and Bentley Hay. In the next decade, it is projected that the system may need:

- a new well to provide adequate future water service and backup of current water supplies;
- a new water storage tower;
- inspection and updating of the distribution lines;
- inspection and updating of the current water storage towers;
- replacement of water meters system wide as meters installed in the 1980's age out.

In addition to the above costs, the maintenance of the arsenic removal plants will remain an expensive cost. The corrective actions taken to maintain compliance with the federal arsenic removal standards are more expensive as the plants are now more labor intensive, and there are more chemical costs. The Town has applied for and has received assistance from the Maryland Department of the Environment for help in dealing with the difficult arsenic removal system issue. The grant is in the amount of $1,357,000, a Revolving Loan Fund loan in the amount of $860,727, with loan forgiveness in the amount of $143,000. The Town also received a grant in the amount of $300,000 from the DHCD to help offset the new debt service and help minimize water rate increases.

Water rates were increased by 20% in Fiscal Year 2014 in order to pay for necessary maintenance to the water towers. Water rates will need to be studied in the coming year to be sure that the system continues to pay for itself. Water revenues increased this year. It is assumed that many people with second homes in St. Michaels came here to try to escape the Pandemic, with a resulting increase in water usage.

A Community Development Block Grant made by the Town in 1985 to Associated Investors, a Maryland General Partnership, came due to the Town in August of 2010. Associated Investors has sold the property to Osprey Development Company, at which time the loan was paid off and re-loaned to the purchaser. The new purchaser has demolished the building and constructed 40 workforce housing units. The units enjoy a nearly 100% occupancy. As long as the property remains as such, the loan will not have to be repaid.

A broad scale revitalization effort began in 2001 with the designation of the area as a Designated Neighborhood in the State of Maryland's Neighborhood Business Development Program. As detailed in the Community Legacy Plan of 2008, the renovation of Muskrat Park, the construction of the St. Michaels Nature Trail and the long-range plans for the improvement of the Fremont Street Corridor all further the Commissioners' efforts to revitalize the commercial core of the Town and to enhance the quality of life for the Town's residents and visitors alike. The multi-year, 5.5 million-dollar, street rehabilitation project is complete. Twenty-five of the Town's streets were rehabilitated. The project also included the installation of a bump out and screening of the old Acme parking lot as well as installation of brick sidewalk on Fremont from Railroad to Carpenter Alley. The Town became a Sustainable Community with the Maryland Office of Planning in FY2014.

During FY2019, the Town partnered with Talbot County in their Rural Development Grant Loan project to allow for many more streets to be rehabilitated during the County's sewer rehabilitation project. During FY2020, the Town paid $222,000 towards the rehabilitation of Grace and Thompson Streets. The Town saved over $215,000 for this project. This partnership will continue into FY2021, with a large saving to the town for street rehabilitation.

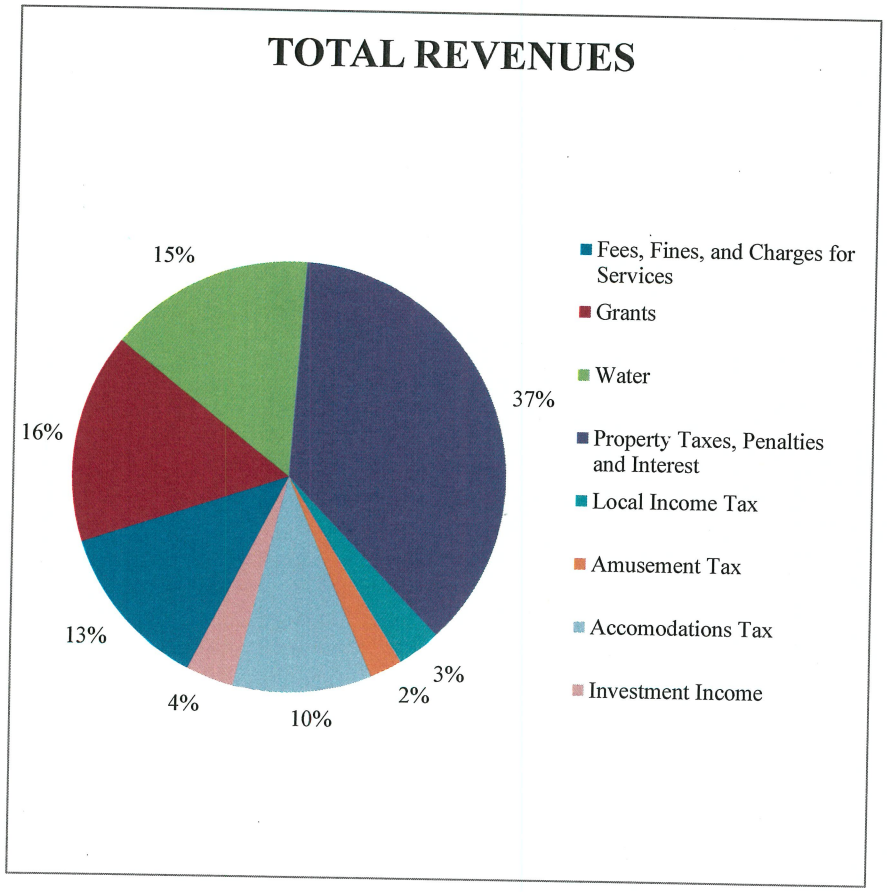
During FY2018, the Commissioners purchased 800 S. Talbot Street, and demolished the building in preparation for a possible municipal use. In FY2018, the Commissioners hired an architect to design a new Town Office. The Commissioners also voted not to build a new police station at this time, but to continue to make necessary improvements to the current station. During FY2019, the Commissioners voted to construct the Town Office at 124 S. Fremont Street. Through FY2020 the Commissioners worked with an architect to get the new town office to final design, and ready for bid. As the bid documents were completed close to the July 2020 election, the project was not put out for bid pending the election results.

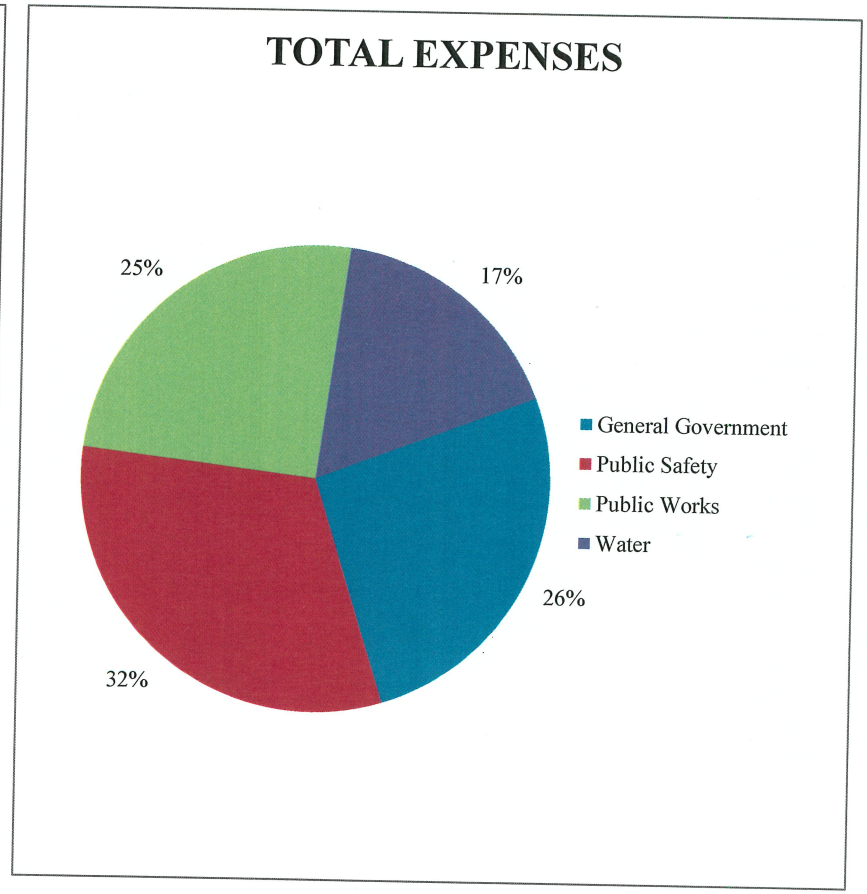
Capital projects included in the Town's FY2020 budget included one new police vehicle, new computers for police vehicles, body cameras, the Town's share of Grace and Thompson Street rehabilitation, architect fees for the new town office, brick sidewalks on Talbot street, a curb sprayer and a pole barn at the public works yard. Funded from the Repair and Replacement Fund in FY2020 were new shop doors at the public works facility, replacement site elements in town parks, a replacement truck in Public Works, engineering fees for W. Harbor Road, Dodson Avenue and Conner Street, and additional funding for the Boy Scout Cabin rehabilitation.

FINANCIAL CONTACT

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town's management at P.O. Box 206, St. Michaels, Maryland 21663-0206.

COMMISSIONERS OF ST. MICHAELS
MANAGEMENT'S DISCUSSION AND ANALYSIS
TOTAL REVENUES AND EXPENSES
GOVERNMENT-WIDE
JUNE 30, 2020





COMMISSIONERS OF ST. MICHAELS
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2020

EXHIBIT A

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	$ 495,092	$ -	$ 495,092
Accounts Receivable	493,501	188,050	681,551
Investments	9,250,408	252,277	9,502,685
Interfund Balances	128,465	(128,465)	-
Capital Assets:			
Land	2,197,709	-	2,197,709
Buildings	1,332,794	-	1,332,794
Equipment	629,251	949,246	1,578,497
Improvements	10,465,024	5,359,744	15,824,768
Vehicles	873,486	78,206	951,692
Accumulated Depreciation	(3,904,268)	(2,048,721)	(5,952,989)
Total Assets	21,961,462	4,650,337	26,611,799
Deferred Outflow of Resources	140,484	21,556	162,040
Total Assets and Deferred Outflows	22,101,946	4,671,893	26,773,839
LIABILITIES			
Accounts Payable	251,951	22,818	274,769
Non-Current Liabilities:			
Compensated Absences	217,378	22,334	239,712
Net Pension Liability	866,115	136,902	1,003,017
Due within one year	-	140,642	140,642
Due in more than one year	-	859,626	859,626
Total Liabilities	1,335,444	1,182,322	2,517,766
Deferred Inflow of Resources	98,056	14,071	112,127
Total Liabilities and Deferred Inflows	1,433,500	1,196,393	2,629,893
NET POSITION			
Net Investment in Capital Assets	11,593,996	3,338,207	14,932,203
Unrestricted	9,074,450	137,293	9,211,743
Total Net Position	$ 20,668,446	$ 3,475,500	$ 24,143,946

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EXHIBIT B

COMMISSIONERS OF ST. MICHAELS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Program Activities	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$ 1,032,072	$ 542,758	$ 273,981	$ -	$ (215,333)	$ -	$ (215,333)
Police	1,260,124	3,120	77,166	-	(1,179,838)	-	(1,179,838)
Public Works	1,000,920	-	-	341,212	(659,708)	-	(659,708)
Total Governmental Activities	3,293,116	545,878	351,147	341,212	(2,054,879)	-	(2,054,879)
Business-Type Activities:							
Water	675,287	675,761	-	-	-	474	474
Total Government	$ 3,968,403	$ 1,221,639	$ 351,147	$ 341,212	(2,054,879)	474	(2,054,405)
General Revenues:							
Property Taxes, Penalties, and Interest					1,613,634	-	1,613,634
Local Income Tax					145,083	-	145,083
Amusement Tax					105,796	-	105,796
Highway Use Tax					72,264	-	72,264
Accomodations Tax					457,387	-	457,387
Investment Income					154,070	3,305	157,375
Transfer In/(Out)					(13,084)	13,084	-
Total General Revenues					2,535,150	16,389	2,551,539
Change in Net Position					480,271	16,863	497,134
Net Position - Beginning					20,188,175	3,458,637	23,646,812
Net Position - Ending					$ 20,668,446	$ 3,475,500	$ 24,143,946

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EXHIBIT C

COMMISSIONERS OF ST. MICHAELS
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2020

ASSETS	General Fund
Cash	$ 495,092
Accounts Receivable	493,501
Investments	9,250,408
Total Assets	$ 10,239,001

LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	$ 251,951
Fund Balance:	
Committed	7,277,407
Unassigned	2,709,643
Total Fund Balance	9,987,050
Total Liabilities and Fund Balance	$ 10,239,001

Amounts Reported For Governmental Activities in The Statement of Net Position Are Different Because:

Total Fund Balance	$ 9,987,050
Interfund Balance - Due to General Fund from Enterprise Fund	128,465
Capital assets and related accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the governmental fund's balance sheet	11,593,996
The deferred outflow of resources is not a current financial resource and therefore is not reported in the governmental fund's balance sheet	140,484
The net pension liability is not due and payable in the current period and therefore is not reported in the governmental fund's balance sheet	(866,115)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental fund's balance sheet	(217,378)
The deferred inflow of resources is not a use of current financial resources and therefore is not reported in the governmental fund's balance sheet	(98,056)
Net Position of Governmental Activities	$ 20,668,446

EXHIBIT D

COMMISSIONERS OF ST. MICHAELS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

		General Fund
Revenues:		
Taxes	$	2,249,081
Revenue from Other Agencies		833,248
Licenses and Permits		47,856
Rental/Franchise Revenue		309,116
Fines		81,478
Service Charges		37,323
Investment Income		154,070
Miscellaneous		79,646
Total Revenues		3,791,818
Expenditures:		
Current:		
General Government		926,356
Police		1,101,773
Public Works		637,709
Capital Outlay		1,537,102
Total Expenditures		4,202,940
Excess of Revenues over/(under) Expenditures		(411,122)
Other Financing Sources/(Uses):		
Interfund Loan Repayment		17,371
Operating Transfers		(13,084)
Total Other Financing Sources/(Uses):		4,287
Net Change in Fund Balance		(406,835)
Fund Balance - Beginning		10,393,885
Fund Balance - Ending	$	9,987,050

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EXHIBIT E

COMMISSIONERS OF ST. MICHAELS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net Change in Fund Balance - Total Governmental Fund	$	(406,835)
Amounts reported for governmental activities in the statement of activities are different because:		
Pension plan adjustments related to GASB 68 affect the amount of pension expense reflected in the financial statements		(164,412)
Parking space proceeds were previously reported as revenue in government-wide statements		(5,347)
Loan repayment on Interfund loan is not a source of revenue		(17,371)
Governmental funds report capital outlay and construction in progress as expenditures. However, in the government-wide statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets in the current period.		1,537,102
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. This is the change in the compensated absences for the year.		(16,850)
Depreciation expense on capital assets is reported in the government-wide statement of activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental fund.		(446,016)
Change in Net Position of Governmental Activities	$	480,271

EXHIBIT F

COMMISSIONERS OF ST. MICHAELS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			
	Original	Final	Actual Amounts	Favorable (Unfavorable) Variance
Revenues:				
Taxes	$ 2,318,873	$ 2,257,145	$ 2,249,081	$ (8,064)
Revenue from Other Agencies	155,002	814,665	833,248	18,583
Licenses and Permits	44,400	44,400	47,856	3,456
Rental/Franchise Revenue	301,884	301,884	309,116	7,232
Fines	54,600	85,600	81,478	(4,122)
Service Charges	1,700	1,700	37,323	35,623
Investment Income	216,591	173,636	154,070	(19,566)
Miscellaneous	500	65,500	79,646	14,146
Total Revenues	3,093,550	3,744,530	3,791,818	47,288
Expenditures:				
Current:				
General Government	873,593	1,016,193	926,356	89,837
Police	1,225,460	1,142,495	1,101,773	40,722
Public Works	645,630	668,630	637,709	30,921
Capital Outlay	442,946	1,511,761	1,537,102	(25,341)
Debt Service	50,000	-	-	-
Total Expenditures	3,237,629	4,339,079	4,202,940	136,139
Excess (Deficiency) of Revenues over Expenditures	(144,079)	(594,549)	(411,122)	183,427
Other Financing Sources/(Uses):				
Prior Year Reserves	302,006	794,549	-	794,549
Operating Transfers	(13,084)	(13,084)	(13,084)	-
Interfund Loan Repayment	16,690	16,690	17,371	681
Total Other Financing Sources/(Uses)	305,612	798,155	4,287	795,230
Net Change in Fund Balance	161,533	203,606	(406,835)	978,657
Fund Balances - Beginning	10,393,885	10,393,885	10,393,885	-
Fund Balances - Ending	$ 10,555,418	$ 10,597,491	$ 9,987,050	$ 978,657

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

COMMISSIONERS OF ST. MICHAELS
STATEMENT OF NET POSITION - ENTERPRISE FUND
JUNE 30, 2020

EXHIBIT G

ASSETS	Water Fund
Current Assets:	
Accounts Receivable	$ 188,050
Investments	252,277
Total Current Assets	440,327
Capital Assets:	
Equipment	949,246
Improvements	5,359,744
Vehicles	78,206
Accumulated Depreciation	(2,048,721)
Total Capital Assets	4,338,475
Total Assets	4,778,802
Deferred Outflow of Resources	21,556
Total Assets and Deferred Outflows	$ 4,800,358
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 22,818
Current Portion of Long-Term Debt	140,642
Total Current Liabilities	163,460
Non-Current Liabilities:	
Compensated Absences	22,334
Net Pension Liability	136,902
Interfund Balances	128,465
Long-Term Debt - Net of Current Portion	859,626
Total Non-Current Liabilities	1,147,327
Total Liabilities	1,310,787
Deferred Inflow of Resources	14,071
Total Liabilitiess and Deferred Inflows	1,324,858
NET POSITION	
Invested in Capital Assets, Net of Related Debt	3,338,207
Unrestricted	137,293
Total Net Position	3,475,500
Total Liabilities and Net Position	$ 4,800,358

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EXHIBIT H

COMMISSIONERS OF ST. MICHAELS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Water Fund
Operating Revenues:	
Charges for Services	$ 660,991
Connection Charges	7,400
Capital Charges	4,400
Miscellaneous	2,970
Total Operating Revenues	675,761
Operating Expenses:	
Salaries	237,756
Overtime	4,553
Administrative Salary Charge	52,468
Liability and Property Insurance	5,671
Office Supplies	3,860
Computer and Telemetry Software	8,786
Electric - Wells and Towers	28,512
Water Testing	5,264
Travel and Training	300
Dues and Subscriptions	337
Telephone	2,612
Vehicle Expense	1,548
Materials and Supplies	54,317
Maintenance on Arsenic System	14,875
Maintenance on Generator #2	3,729
Server Time - Mission Units	2,374
Miscellaneous	972
6" Gate Valve - S. End of Town	17,805
Water Tower Maintenance Contract	52,186
Arsenic Removal Administrative Fee	3,134
Debt Service - Water Bonds (FHA)	9,525
Debt Service - Arsenic DOE	3,879
Water Tower Interfund Loan	2,758
Depreciation	158,066
Total Operating Expenses	675,287
Operating Income (Loss)	474
Non-Operating Revenues:	
Investment Income	3,305
Income/(Loss) Before Transfers	3,779
Transfers	13,084
Change in Net Position	16,863
Net Position - Beginning	3,458,637
Net Position - Ending	$ 3,475,500

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EXHIBIT I

COMMISSIONERS OF ST. MICHAELS
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2020

		Water Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	$	643,354
Connection Charges		7,400
Capital Charges		4,400
Miscellaneous Charges		2,970
Cash Payments for Interest		(19,296)
Cash Payments to Employees for Services		(267,639)
Cash Payments to Suppliers for Goods and Services		(197,960)
Net Cash Flows from Operating Activities		173,229
Cash Flows from Non-Capital Financing Activities:		
Cash from/(to) Maryland Local Government Investment Pool		(32,000)
Interfund Repayments		(17,371)
Transfers - General Fund		13,084
Net Cash Flows from Non-Capital Financing Activities		(36,287)
Cash Flows from Capital and Related Financing Activities:		
Retirement of Debt		(136,942)
Net Increase in Cash		-
Cash - Beginning		-
Cash - Ending	$	-
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating Income (Loss)	$	474
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation		158,066
Change in Accounts Receivable		(17,637)
Change in Deferred Outflows		5,104
Change in Compensated Absences		2,136
Change in Net Pension Liability		19,071
Change in Deferred Inflows		827
Change in Accounts Payable		5,188
Net Cash Flows from Operating Activities	$	173,229

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. General Statement

The Commissioners of St. Michaels (also known as the Town of St. Michaels), (the "Town"), is located on the Eastern Shore of Maryland and has a population of approximately 1,000 people. Some of the major services provided by the Town include water, parks and recreation, planning and zoning, improvements, and public safety.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

The more significant accounting policies of the Town are described below.

B. Financial Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity is set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 61.

Based on these criteria, the Town has no component units.

C. Basis of Presentation

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

Government-Wide Financial Statements:

The statement of net position and the statement of activities report information on all of the activities of the Town. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements would normally be presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Basis of Presentation (Continued)

a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The Town has presented the following major funds:

General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Water Fund

The Water Fund is used to account for the provision of water services to the residents of the Town. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs for water debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary, to ensure integrity of the fund.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers Governmental Revenue as available if it is collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

The revenues susceptible to accrual are licenses, charges for services, and intergovernmental revenues. All other Governmental Fund revenues are recognized when received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Budgetary Control

The Town Manager submits an annual budget to the Commissioners in accordance with the Town Charter. In June, the Commissioners adopt the annual fiscal year appropriated budget for Town funds. These include General, Police, Public Works, Water, and Capital. Once approved, the Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the Commissioners. Within these control levels, management may transfer appropriations with Commissioners' approval.

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund is presented using the same basis of accounting for both budgetary purposes and actual results.

F. Cash and Investments

The Town follows the practice of segregating cash as to fund purpose or type.

The types of investments allowed are governed by Maryland Statute. The Town considers all cash or investments with an initial maturity of three months or less to be cash. All deposits with financial institutions must be insured or collateralized by the pledging financial institution trust department.

Investments include repurchase agreements under PNC Investments' Local Government Investment Pool. Fair value is the same as par value: $1 a share.

G. Accounts Receivable

Management of the Town considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period the receivable is deemed uncollectible.

H. Property Taxes

Property taxes are billed each July 1 for the fiscal year. Full payment is due by December 31. January 1 is the delinquent date and the levy date is June 1. Liens are placed on properties on June 15.

I. Transactions Between Funds

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of the funds, or as loans, as appropriate.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance, and capital items costing up to $5,000, are recorded as expenses. Renewals and betterments costing more than $5,000 are capitalized.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Classification	Life
Buildings	20 - 50 Years
Equipment	5 - 20 Years
Vehicles	5 - 10 Years
Streets	30 Years
Water Department Assets	3 - 40 Years

In accordance with Accounting Standards Codification (ASC), No. 360, "Accounting for the Impairment or Disposal of Long-Lived Assets," management reviews property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment losses have been recognized during the year presented.

K. Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town currently has no non-spendable fund balance.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town currently has no restricted fund balance.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Commissioners. These amounts cannot be used for any other purpose unless the Commissioners remove or change the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners or through the Commissioners delegating this responsibility to the Town Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town currently has no assigned fund balance.

- Unassigned: This classification includes the residual fund balance for the General Fund and the amount established for Minimum Funding, if any. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

N. Compensated Absences

Employees are granted vacation and compensatory time in varying amounts. Vacation leave is only accrued as earned on the basis of services already performed by the employee and that it is probable to be paid in a future period. An employee is allowed to carry a maximum of 60 days of vacation time from one year to the next. Any amounts over 60 days will be forfeited, unless written permission is given by the Town Manager. Compensatory time is limited to 480 hours for police and 240 hours for office staff. An employee that exceeds this amount during a given year will be required to take overtime pay for all hours exceeding the limits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

O. Subsequent Events

Events and transactions subsequent to year-end have been evaluated for potential recognition in the financial statements or disclosure in the notes to the financial statements. All events and transactions have been evaluated through October 16, 2020, the date the report was available for issuance.

As a result of the spread of COVID-19 (Coronavirus), economic uncertainties have arisen which are likely to negatively impact the Town's revenue. Other financial impact could occur, though such potential impact is unknown at this time.

NOTE 2 - CASH AND INVESTMENTS:

The following is a detail of cash and investments:

Cash on Hand		$ 75
PNC Bank (Balances per bank):		
General Fund Checking	$ 532,696	
General Fund Payroll	31,847	
Parking Lot	143,450	
Muskrat Park	7,778	
Classic Motor Museum	50	
Murray Shoreline Erosion Protection	50	
SMPD-SMYLE	25,115	
Health Reimbursement	6,392	
Total PNC Bank		747,378
Maryland Local Government Investment Pool (MLGIP)		9,502,685
TOTAL CASH AND INVESTMENTS		$ 10,250,138

The balance of cash is categorized as follows:	
Amount insured by the FDIC, or collateralized with securities	$ 747,378
Uninsured and Uncollateralized	75
TOTAL CASH	$ 747,453

Investments owned by the various funds of the Town are as follows:

Description	Interest Rates	Par Value	Cost	Market Value	Recognized Gain (Loss)
GENERAL FUND					
MLGIP					
Unrestricted	Various	$ 2,155,399	$ 2,155,399	$ 2,155,399	$ -
Committed	Various	7,095,009	7,095,009	7,095,009	-
ENTERPRISE FUND					
MLGIP					
Unrestricted	Various	252,277	252,277	252,277	-
TOTAL ALL FUNDS		$ 9,502,685	$ 9,502,685	$ 9,502,685	$ -

NOTE 2 - CASH AND INVESTMENTS (CONTINUED):

The Maryland Local Government Investment Pool (MLGIP) provides all local government units of the State an investment vehicle for the short-term investment of funds. The State Legislature created the Maryland Local Government Investment Pool with the passage of Article 95 22G, of the Annotated Code of Maryland, and more recently defined by Title 17, Subtitle 3 of the Local Government Article of the Maryland Annotated Code. The Pool's purpose is to assist the public finance officer by providing an investment medium in which the participants may invest their idle balances. A pooled fund strategy is utilized creating a money market fund that provides professional money management, a well diversified portfolio and reduced cost. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The MLGIP, under the administrative control of the State Treasurer, is managed by PNC Capital Advisers, LLC and custodied by PNC Bank, N.A. A MLGIP Advisory Committee of current participants reviews, on a semi-annual basis, the activities of the Fund. The MLGIP annual report is available at www.mlgip.com.

Investments - The Pool may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established by Section 6-222 of the State Finance and Procurement Article. This includes: an obligation for which the United States has pledged its faith and credit for the payment of principal and interest; an obligation that a federal agency or federal instrumentality has issued; a repurchase agreement collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities; bankers acceptances guaranteed by a financial institution with a short-term debt rating in the highest letter rating by at least one nationally recognized statistical rating organization (NRSRO) as designated by either the United States Securities and Exchange Commission (SEC) or the State Treasurer; Commercial Paper that has received the highest letter rating by at least one NRSRO as designated by the SEC; and money market mutual funds that are registered with the SEC under the Investment Company Act of 1940, as amended, and are operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. No direct investment may have a maturity date of more than 13 months after its acquisition. However, floating rate notes are permitted with a minimum semi-annual reset and two year final maturity.

Repurchase Agreements - The Pool may agree to purchase portfolio securities from financial institutions, such as banks and broker-dealers, subject to the seller's agreement to repurchase them at an agreed upon date and price. The seller will be required on a daily basis, to maintain collateral in the form of an obligation of the United States, its agencies or instrumentalities on behalf of the Pool equal to 102% of market value of securities subject to resale. The agreement is conditioned upon the collateral being deposited under the Federal Reserve book-entry system. Such agreements, which are fully collateralized at year-end, are stated separately in the Pool's schedule of investments. In the event of a bankruptcy or default of certain sellers or repurchase agreements, the Pool could experience costs and delays in liquidating the underlying security, which is held as collateral, and the Pool might incur a loss if the value of the collateral held declines during this period.

NOTE 3 - RECEIVABLES:

The following is a list, by the type of charge, of outstanding receivables:

Tower Rents	$	31,442
Water Charges		188,050
Public Accommodations Tax		40,440
Admissions and Amusements		1,198
Brick Sidewalks		17,005
State Highway Administration		255,751
DHCD		33,497
Department of Natural Resources		90,000
Red Speed Camera		4,600
Other Miscellaneous Receivables		19,568
TOTAL	$	681,551

NOTE 4 - CAPITAL ASSETS:

The following is a summary of Capital Asset changes for the current year:

ASSETS

	Balance Beginning of Year	Acquisitions	Retirements	Balance End of Year
Land and Improvements	$ 2,197,709	$ -	$ -	$ 2,197,709
Buildings	1,297,537	35,257	-	1,332,794
Equipment	567,489	61,762	-	629,251
Improvements	9,139,930	1,325,094	-	10,465,024
Vehicles	758,497	114,989	-	873,486
Water Assets	6,387,196	-	-	6,387,196
TOTALS	$ 20,348,358	$ 1,537,102	$ -	$ 21,885,460

ACCUMULATED DEPRECIATION

	Balance Beginning of Year	Depreciation	Retirements	Balance End of Year
Land Improvements	$ 76,014	$ 3,041	$ -	$ 79,055
Buildings	516,236	31,010	-	547,246
Equipment	439,575	37,488	-	477,063
Improvements	2,072,960	279,333	-	2,352,293
Vehicles	353,467	95,144	-	448,611
Water Assets	1,890,655	158,066	-	2,048,721
TOTALS	$ 5,348,907	$ 604,082	$ -	$ 5,952,989
NET CAPITAL ASSETS				$ 15,932,471

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

Governmental Activities:	
General Government	$ 31,403
Police	78,536
Public Works	336,077
Water Fund	158,066
Total Depreciation Expense	$ 604,082

NOTE 5 - INTERFUND BALANCES:

Balances due to/from other funds at June 30, 2020, consist of the following:

	Balance July 1	Additions	Retirements	Balance June 30
Due to General Fund from Enterprise Fund	$ 145,836	$ -	$ (17,371)	$ 128,465

The balance due to the general fund is to be repaid in semi-annual installments of $10,064, including interest of 2% through April 1, 2027.

NOTE 6 - DEBT:

Debt consists of the following:

Bonds payable to USDA-Rural Development in the amount of $1,287,000. Paid in semi-annual installments of $37,525, including interest of 5% through September 2022 (Water System Upgrade).	$ 141,169
Note payable to Maryland Department of Environment (MDE). Payable in semi-annual installments of interest and annual principal payments. Total payments of $43,907 including interest of .4% and an administrative fee of 5% of debt service payments. Total loan amount was $1,179,000. Due date February 1, 2037 (Arsenic Removal).	685,915
Note payable to Maryland Department of Environment (MDE). Payable in semi-annual installments of interest and annual principal payments. Total payments of $36,593 including interest of .7% and an administrative fee of 5% of debt service payments. Total loan amount will be $301,840. Due date February 1, 2036 (Arsenic Removal II)	173,184
TOTAL DEBT	1,000,268
Less: Current Portion	(140,642)
TOTAL LONG-TERM DEBT	$ 859,626

Maturities of principal and interest over the next five years and five-year increments thereafter, are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	$ -	$ -	$ 140,642	$ 12,111
2022	-	-	144,514	7,883
2023	-	-	72,574	4,406
2024	-	-	72,964	3,644
2025	-	-	73,356	3,047
2026 - 2030	-	-	208,134	12,227
2031 - 2035	-	-	204,951	4,129
2036 - 2040	-	-	83,133	499
TOTALS	$ -	$ -	$ 1,000,268	$ 47,946

NOTE 6 - DEBT (CONTINUED):

Below is the summary of the changes in Debt:

	Balance July 1	Additions	Retirements	Balance June 30
USDA	$ 206,693	$ -	$ (65,524)	$ 141,169
MDE - Arsenic Removal	724,831	-	(38,917)	685,914
MDE - Arsenic Removal II	205,686	-	(32,501)	173,185
TOTALS	$ 1,137,210	$ -	$ (136,942)	$ 1,000,268

NOTE 7 - COMMITTED FUND BALANCE:

Committed Fund Balance is available for the following purposes:

	General	Enterprise
Capital Projects	$ 670,600	$ -
Parking Lot	143,450	-
Muskrat Park	7,778	-
SMPD SMYLE	24,865	-
Contingency	418,746	-
Repair and Replacement	6,005,663	-
Health Reimbursement	6,305	-
Water Improvements	-	252,277
TOTALS	$ 7,277,407	$ 252,277

NOTE 8 - LEASE AGREEMENTS:

The Town has entered into lease agreements expiring at various times with Long and Foster for use of the old Town office building, and various cell phone providers for the use of the Town's water tower for wireless antennas and transmission lines. Total lease payments billed for the year ended June 30, 2020, were $247,738.

Future lease payments to be received are:

Year Ending June 30	
2021	$ 264,173
2022	274,796
2023	282,581
2024	293,985
2025	305,886
Total Minimum Lease Payments to be Received	$ 1,421,421

NOTE 9 - PENSION AND RETIREMENT PLAN:

Organization - Employees of the Town are covered by the Maryland State Retirement and Pension System (MSRPS), which is a cost-sharing multiple-employer public employee retirement system. The plan is administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the MSRPS is vested in a 15-member Board of Trustees. The MSRPS was established by the State Personnel and Pensions Article of the Annotated Code of Maryland.

The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

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

Summary of Significant Plan Provisions - All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who became a member of the pension system on or after July 1, 2011, pension allowances are computed using both the highest five consecutive year's AFC and the actual number of years of accumulated creditable service. Various retirement options are available which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

All compensation earned by a member of the Plan is subject to employer pension contributions at an actuarially determined rate. The rate is established by the Board of Pension Trustees on the basis of the most recent actuarial valuation and is adjusted on July 1st of each year. Employer contributions for June 30, 2019, were at a rate of 9.37% of earnings.

In addition, the benefit attributable to service on or after July 1, 2011, will be subject to different cost-of-living adjustments (COLA) that are 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.

A brief summary of the retirement eligibility requirements and the benefits available in effect during fiscal year 2019 are as follows:

Service Retirement Allowances – Full-service pension allowance equals 1.2% of Average Final Compensation (AFC) for the three highest consecutive years as an employee for each year of creditable service accrued prior to July 1, 1998, plus 1.8% of the AFC for the three highest consecutive years as an employee for each year of creditable service accrued on or after July 1, 1998. Members are eligible for full-service pension allowances upon accumulating 30 years of eligibility service regardless of age. Absent 30 years of eligibility service, members must meet one of the following conditions to be eligible for full-service pension allowances; age 62 with 5 years of eligibility service, age 63 with 4 years of eligibility service, age 64 with 3 years of eligibility service, or age 65 or older and 2 years of eligibility service. Members may be eligible for reduced vested pension allowances upon attaining age 55 with 15 years of eligibility. The plan provides for disability and survivor benefits.

NOTE 9 - PENSION AND RETIREMENT PLAN (CONTINUED):

Vested Allowances - Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011, and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011, and who terminates employment before attaining retirement age, but after accumulating 10 years of eligibility service, is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

Actuarial Assumptions - The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2018 actuarial valuation, 2.60% general, 3.10% wage In the 2019 actuarial valuation, 2.65% general, 3.15% wage
Salary Increases	In the 2018 actuarial valuation, 3.20% to 9.10% In the 2019 actuarial valuation, 3.10% to 11.6%
Investment Rate of Return	In the 2018 actuarial valuation, 7.45% In the 2019 actuarial valuation, 7.40%
Discount Rate	7.40% in 2019; 7.45% in 2018
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

Investments - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(ies). For each major asset class that is included in the System's target asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	6.3%
Private Equity	13%	7.5%
Rate Sensitive	19%	1.3%
Credit Opportunity	9%	3.9%
Real Assets	14%	4.5%
Absolute Return	8%	3.0%
TOTAL	100%	

NOTE 9 - PENSION AND RETIREMENT PLAN (CONTINUED):

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 6.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - A single discount rate of 7.40% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability - Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.40%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease to 6.40%	Discount Rate 7.40%	1% Increase to 8.40%
$ 1,451,776	$ 1,003,017	$ 629,269

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined.

The Town reported the following related to pensions:

Employer's proportionate percentage of the collective net pension liability		0.0048630%
Employer's proportionate share of the collective net pension liability	$	1,003,017
Pension expense recognized by the employer	$	99,860
Deferred outflows of resources, June 30, 2019	$	200,705
Year end June 30, 2019, contributions		(99,860)
Amortization of items allowed by GASB 68		(38,756)
Year end June 30, 2020, contributions		99,951
Deferred outflows of resources, June 30, 2020	$	162,040
Deferred inflows of resources, June 30, 2019	$	(105,858)
Difference between expected and actual experience		37,378
Changes in Assumption		(27,297)
Amortization of items allowed by GASB 68		(16,350)
Deferred inflows of resources, June 30, 2020	$	(112,127)
Net pension liability June 30, 2020	$	858,539
Change in net pension liability factored for contributions		144,478
Net pension liability June 30, 2020	$	1,003,017

NOTE 9 - PENSION AND RETIREMENT PLAN (CONTINUED):

The $99,951 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. The deferred outflows and the inflows related to non-investment activity are being amortized over the remaining service life ranging from 5.68 to 5.87 years. The net difference in investment earnings are being amortized over a closed five-year period for each of the years presented.

	Deferred Outflows		Deferred Inflows		
June 30,	Net Difference in Investment Earnings	Change in Assumptions	Actual and Expected Experience	Change in Assumptions	Net Difference in Investment Earnings
2021	$ 31,238	$ 10,751	$ (21,810)	$ (5,831)	$ (10,956)
2022	5,155	2,021	(17,953)	(5,831)	(10,957)
2023	5,155	1,818	(13,903)	(5,831)	(2,162)
2024	5,156	795	(5,620)	(5,831)	-
2025	-	-	(1,469)	(3,973)	-
TOTAL	$ 46,704	$ 15,385	$ (60,755)	$ (27,297)	$ (24,075)

For the year ended June 30, 2020, the Town's total payroll for all employees was $1,414,430. Total covered payroll was $1,065,580. Covered payroll refers to all compensation paid by the Town to active employees covered by the Pension System. A deduction is made from each employee's compensation equal to 7% of base pay. There are 5 inactive employees who are either receiving benefits or who are entitled to benefit payments, and 22 active, covered employees.

NOTE 10 - RISK AND INSURANCE COVERAGE:

The Town has exposure to various kinds of risk. As a vehicle to reduce this exposure the Town has purchased insurance policies from commercial insurance agents and entered into agreements with the Local Government Insurance Trust and Chesapeake Employers' Insurance.

The insurance policies from commercial agents cover bonding for employees and The Commissioners.

The Local Government Insurance Trust covers general liability, public officials' legal liability for errors and omissions, police legal liability for wrongful acts and automobile liability and damage claims. Chesapeake Employers' Insurance covers workman's compensation claims.

The Local Government Insurance Trust and Chesapeake Employers' Insurance are risk pools to which the Town pays a premium for selected types and amounts of insurance coverage. These two pools provide policies with retrospectively rated premiums. Premiums are accrued (paid) based on the ultimate cost of the experience to date of a group of entities.

NOTE 11 - CONTINGENCY FUND:

The Commissioners established the Contingency Fund (a stabilization fund) pursuant to Resolution 2017-07 by depositing $400,000 in the MLGIP. At year end the balance in the fund was $418,746. This fund will be used for emergency or unexpected needs which may not be covered by other available funds, insurance proceeds or grants from other governmental agencies. Expenditures from this fund may only be done when approved by a super majority of the Commissioners. If expenditures from this fund cause the balance to drop below the initial opening balance as designated by the Commissioners, funds shall be appropriated at 20% per year for five years until the funds are replenished to the original balance.

COMMISSIONERS OF ST. MICHAELS

SUPPLEMENTAL INFORMATION

JUNE 30, 2020

SCHEDULE A

COMMISSIONERS OF ST. MICHAELS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
(UNAUDITED)

	2020	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	0.0048630%	0.0040919%	0.0040708%	0.0044579%	0.0046616%	0.0041763%
Town's Proportionate Share of the Net Pension Liability	$ 1,003,017	$ 858,539	$ 880,265	$ 1,051,810	$ 968,761	$ 741,158
Town's Covered-Employee Payroll	$ 1,065,580	$ 953,212	$ 1,014,141	$ 1,018,119	$ 1,009,800	$ 973,227
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	94.13%	90.07%	86.80%	103.31%	95.94%	76.15%
Plan Fiduciary Net Postion as a Percentage of the Total Pension Liability	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

COMMISSIONERS OF ST. MICHAELS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE TOWN'S PENSION CONTRIBUTIONS
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
(UNAUDITED)

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 99,860	$ 81,595	$ 82,855	$ 86,845	$ 98,254	$ 97,323
Contributions in Relation to the Contractually Required Contribution	(99,860)	(81,595)	(82,855)	(86,845)	(98,254)	(97,323)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Town's Covered-Employee Payroll	$ 1,065,580	$ 953,212	$ 1,014,141	$ 1,018,119	$ 1,009,800	$ 973,227
Contributions as a Percentage of Covered-Employee Payroll	9.37%	8.56%	8.17%	8.53%	9.73%	10.00%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

COMMISSIONERS OF ST. MICHAELS
SUPPLEMENTAL INFORMATION
ANALYSIS OF REVENUES - BUDGET AND ACTUAL - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	2020				
	Budgeted Amounts				
	Original	Final	Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/19
TAXES - LOCAL:					
Real and Personal Property:					
Real Estate Taxes	$ 1,545,459	$ 1,564,617	$ 1,564,617	$ -	$ 1,497,142
Personal Property and Corporation	1,123	1,123	1,123	-	1,123
Utilities	53,000	53,000	55,651	2,651	52,353
Total Real and Personal Property	1,599,582	1,618,740	1,621,391	2,651	1,550,618
Admissions and Amusements	100,000	100,000	105,796	5,796	108,863
Public Accomodations	550,000	480,000	457,387	(22,613)	594,975
Taxes - State Shared:					
Highway Use	75,291	64,405	72,264	7,859	60,706
Total Taxes	2,324,873	2,263,145	2,256,838	(6,307)	2,315,162
Less: Discounts and Allowances	(6,000)	(6,000)	(7,757)	(1,757)	568
NET TAXES	2,318,873	2,257,145	2,249,081	(8,064)	2,315,730
REVENUE FROM OTHER AGENCIES:					
State Government:					
Police Protection State	37,002	37,002	35,793	(1,209)	37,082
Critical Area Grant	4,500	4,500	4,500	-	4,800
Income Tax	95,000	100,000	145,083	45,083	113,642
Payment in Lieu of Taxes	-	-	13,000	13,000	-
State Fire, Rescue, and Ambulance Fund	6,000	6,000	3,238	(2,762)	8,767
Safe Routes to School	-	240,484	240,484	-	380
LGIT Body Camera	-	5,000	5,000	-	-
Back Creek Dock Grant	-	354,179	336,712	(17,467)	-
MDE Grant	-	-	-	-	42,748
DHCD/SMCC Grant	-	55,000	33,497	(21,503)	-
GOCCP Grant	-	-	3,441	3,441	-
County Government:					
Crossing Guard	12,500	12,500	12,500	-	12,500
TOTAL REVENUE FROM OTHER AGENCIES	155,002	814,665	833,248	18,583	219,919
LICENSES AND PERMITS:					
Traders Licenses	9,000	9,000	6,707	(2,293)	8,209
Animal Licenses	100	100	25	(75)	-
Building Permits	30,000	30,000	34,829	4,829	64,989
HDC Permits	2,900	2,900	2,945	45	3,460
Board of Appeals	1,200	1,200	600	(600)	1,650
Land Use Management Fees	-	-	700	700	5,200
Other Licenses and Permits	1,200	1,200	2,050	850	2,032
TOTAL LICENSES AND PERMITS	44,400	44,400	47,856	3,456	85,540

COMMISSIONERS OF ST. MICHAELS
SUPPLEMENTAL INFORMATION
ANALYSIS OF REVENUE - BUDGET AND ACTUAL - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	2020				
	Budgeted Amounts				
	Original	Final	Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/19
RENTAL/FRANCHISE REVENUE:					
Cable TV	$ 14,400	$ 14,400	$ 29,577	$ 15,177	$ 26,120
Boat Slip Rentals	28,000	28,000	27,220	(780)	24,540
Building Rent	44,841	44,841	43,654	(1,187)	42,798
109 S. Talbot Tax, Ins, Util. Reim.	4,400	4,400	4,581	181	4,467
Tower Rent	210,243	210,243	204,084	(6,159)	195,106
TOTAL RENTAL/FRANCHISE REVENUE	301,884	301,884	309,116	7,232	293,031
WATER CHARGES:					
Water Service Charges	620,000	620,000	660,991	40,991	635,482
Water Connections	15,000	15,000	7,400	(7,600)	30,800
Water Capital Charges	10,000	10,000	4,400	(5,600)	18,700
Miscellaneous Water Revenue	-	-	2,970	2,970	12,595
TOTAL WATER CHARGES	645,000	645,000	675,761	30,761	697,577
FINES:					
Parking and Civil Violations	4,000	4,000	3,120	(880)	3,145
Planning and Zoning Fines and Violations	600	600	65	(535)	-
Speed Cameras	50,000	81,000	78,293	(2,707)	-
TOTAL FINES	54,600	85,600	81,478	(4,122)	3,145
SERVICE CHARGES:					
Copy Machine	100	100	-	(100)	191
Parking Spaces	-	-	5,347	5,347	1,528
Sidewalks	-	-	30,691	30,691	-
Health Officer Charges	500	500	175	(325)	-
Kayak Rack Rentals	1,100	1,100	1,110	10	1,120
TOTAL SERVICE CHARGES	1,700	1,700	37,323	35,623	2,839
MISCELLANEOUS REVENUE:					
Interest	223,477	180,522	157,375	(23,147)	237,713
Other Miscellaneous Revenue	500	500	3,342	2,842	8,996
Reimbursed Expenses	-	50,000	59,110	9,110	36,854
Prior Year Reserves	361,418	853,961	-	(853,961)	-
SMPD/SMYLE Donations	-	15,000	17,194	2,194	26,576
TOTAL MISCELLANEOUS REVENUE	585,395	1,099,983	237,021	(862,962)	310,139
TOTAL REVENUE	$ 4,106,854	$ 5,250,377	$ 4,470,884	$ (779,493)	$ 3,927,920

COMMISSIONERS OF ST. MICHAELS
SUPPLEMENTAL INFORMATION
ANALYSIS OF EXPENDITURES/EXPENSES - BUDGET AND ACTUAL
ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	2020				
	Budgeted Amounts				
	Original	Final	Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/19
GOVERNMENTAL FUNDS					
GENERAL GOVERNMENT:					
Legislative:					
Commissioner's Salaries and Benefits	$ 11,360	$ 11,360	$ 11,252	$ 108	$ 11,262
Other Operating Expenses	20,700	7,100	6,849	251	20,315
Executive:					
Salaries and Benefits	222,541	222,541	223,604	(1,063)	187,275
Overtime	2,000	2,000	972	1,028	1,151
Tourism Board	168,075	168,075	112,881	55,194	146,863
Legal	25,000	110,000	103,670	6,330	19,518
Audit	16,000	16,000	15,500	500	15,500
Engineering	12,000	12,000	8,998	3,002	4,170
Liability and Property Insurance	12,000	12,000	11,153	847	10,443
Office Supplies and Expenses	23,900	25,900	30,085	(4,185)	25,768
Codification - Maintenance	6,000	6,000	2,937	3,063	2,808
Janitorial	3,500	3,500	3,400	100	3,250
Travel and Training	3,000	700	1,408	(708)	2,082
Notices and Ads	3,300	3,300	3,833	(533)	3,222
Dues and Subscriptions	4,700	4,700	5,355	(655)	4,648
Telephone	2,700	2,700	3,230	(530)	4,035
Miscellanous	1,200	1,200	2,364	(1,164)	1,579
Election	1,500	1,500	2,010	(510)	-
Volunteer Acknowledgement	300	300	-	300	-
Website Development	6,700	6,700	1,950	4,750	3,290
Document Retention	2,600	2,600	2,490	110	2,404
Reserve Study	-	-	-	-	1,595
Capital Outlay - Town Office	-	110,000	106,779	3,221	35,617
Capital Outlay - Computer	-	-	-	-	2,390
Total Legislative and Executive	549,076	730,176	660,720	69,456	509,185
Planning and Zoning:					
Salaries and Benefits	136,641	136,641	127,160	9,481	110,011
Overtime	2,000	2,000	891	1,109	453
Administrative Salary Charge	52,468	52,468	52,468	-	56,526
Legal	15,000	3,500	5,056	(1,556)	17,893
Consulting - Zoning Ordinance Revision	20,000	28,000	29,608	(1,608)	57,782
Advertising	3,000	3,000	2,490	510	2,680
Inspections	10,000	10,000	8,474	1,526	11,043
Office Expenses	2,300	2,300	2,663	(363)	3,568
Reimbursables	-	-	2,370	(2,370)	21,576
Reimbursables - COVID	-	20,000	24,368	(4,368)	-
Reimbursables - DHCD SMCC	-	55,000	33,759	21,241	-
Capital Outlay - Waterman's Dock	-	354,179	356,122	(1,943)	3,230
Capital Outlay - Safe Routes to School	-	240,484	250,999	(10,515)	-
Capital Outlay - Desk	-	-	-	-	1,275
Capital Outlay - Computer	-	-	-	-	1,195
Total Planning and Zoning	241,409	907,572	896,428	11,144	287,232
Donations to Outside Agencies:					
Fire Department	64,108	64,108	64,108	-	56,102
Talbot County Arts Council	1,000	1,000	1,000	-	1,000
Stories of the Chesapeake	1,000	1,000	1,000	-	-
St. Mary's Square Museum	3,000	3,000	3,000	-	3,000
Talbot County Library	5,000	5,000	5,000	-	5,000
St. Michaels Community Center	3,000	3,000	3,000	-	3,000
SMASH	5,000	5,000	5,000	-	-
Neighborhood Service Center	1,000	1,000	1,000	-	5,000
Total Donations to Outside Agencies	83,108	83,108	83,108	-	73,102
TOTAL GENERAL GOVERNMENT	873,593	1,720,856	1,640,256	80,600	869,519
POLICE:					
Sworn Salaries and Benefits	991,333	826,977	763,030	63,947	712,111
Sworn Overtime	31,000	50,000	51,888	(1,888)	67,122
Other Salaries	56,109	80,000	82,000	(2,000)	99,812
Other Overtime	1,500	1,500	944	556	1,713

COMMISSIONERS OF ST. MICHAELS
SUPPLEMENTAL INFORMATION
ANALYSIS OF EXPENDITURES/EXPENSES - BUDGET AND ACTUAL
ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	2020				
	Budgeted Amounts				
	Original	Final	Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/19
POLICE (CONTINUED):					
Administrative Salary Charges	$ 52,468	$ 52,468	$ 52,468	$ -	$ 56,526
Consulting and Audit	1,600	1,600	-	1,600	-
Legal	1,000	1,000	1,025	(25)	535
Liability and Property Insurance	9,500	9,500	10,735	(1,235)	9,849
Office Expenses	6,000	6,000	6,991	(991)	7,758
Janitorial	6,500	6,500	5,850	650	5,311
Travel and Training	2,000	15,000	12,910	2,090	3,432
Dues and Subscriptions	700	700	1,379	(679)	736
Telephone	17,000	17,000	18,214	(1,214)	15,828
Miscellaneous	-	-	1,434	(1,434)	1,065
Advertising (Personnel)	500	500	193	307	565
Vehicle Expense	19,000	28,000	32,537	(4,537)	23,757
Equipment and Supplies	8,000	8,000	11,344	(3,344)	4,816
Security System	5,000	5,000	1,639	3,361	-
Body Camera Maintenance	-	-	10,374	(10,374)	-
Communications (Radio)	-	-	1,166	(1,166)	-
Uniforms	5,000	5,000	7,318	(2,318)	2,944
Personnel Testing	750	750	3,131	(2,381)	609
SMYLE Expenses	1,000	17,500	18,246	(746)	17,191
Utilities	7,000	7,000	6,957	43	7,038
Generator Maintenance	2,500	2,500	-	2,500	-
Capital Outlay - Vehicle	40,000	46,000	50,989	(4,989)	77,498
Capital Outlay - Phone System Update	-	-	-	-	6,594
Capital Outlay - E-Tix Communication System	6,000	6,000	2,450	3,550	3,675
Capital Outlay - Vehicle Computers	10,000	14,000	15,994	(1,994)	10,804
Capital Outlay - Body Cameras	26,000	26,000	21,642	4,358	-
Capital Outlay - Medical Equipment	-	-	-	-	7,054
Capital Outlay - Security Cameras	-	-	6,874	(6,874)	-
Capital Outlay - Computer	-	-	4,562	(4,562)	1,195
TOTAL POLICE	1,307,460	1,234,495	1,204,284	30,211	1,145,538
PUBLIC WORKS:					
Maintenance and Grounds:					
Salaries and Benefits	213,887	213,887	216,744	(2,857)	198,630
Overtime	10,000	10,000	4,549	5,451	5,688
Administrative Salary Charge	52,468	52,468	52,468	-	56,527
Audit	1,300	1,300	-	1,300	-
Liability and Property Insurance	5,700	5,700	6,220	(520)	6,636
Tree Planting and Maintenance	20,000	20,000	16,298	3,702	29,284
Telephone	1,500	1,500	1,162	338	1,172
Maintenance and Supplies	3,800	3,800	3,782	18	7,339
Miscellaneous	500	500	-	500	6
Personnel Testing	200	200	-	200	-
Uniforms	7,000	7,000	26	6,974	971
Mosquito Control	2,000	2,000	2,019	(19)	1,644
Health Officer	300	300	-	300	-
Capital Outlay - Pickup	70,747	70,747	64,000	6,747	-
Capital Outlay - Site Elements Benches and Trash Cans	20,000	20,000	15,328	4,672	-
Capital Outlay - Street Sweeper	-	-	-	-	224,950
Capital Outlay - Shop Doors	12,199	12,199	8,936	3,263	-
Total Maintenance and Grounds	421,601	421,601	391,532	30,069	532,847
Sanitation and Waste:					
Vehicle Expense	14,000	25,000	15,447	9,553	17,527
Maintenance and Supplies	2,500	2,500	-	2,500	88
Landfill Fees	50,000	50,000	46,053	3,947	39,968
Recycling	65,000	65,000	62,267	2,733	62,267
Total Sanitation and Waste Removal	131,500	142,500	123,767	18,733	119,850
Streets and Sidewalks:					
Electric - Street Lights	52,000	52,000	47,661	4,339	44,598
Vehicle Expense	12,000	15,500	16,797	(1,297)	15,536
Parking Lots Repair and Maintenance	1,000	1,000	553	447	20
Snow and Ice Removal	600	600	-	600	260
Storm Drain Repair and Maintenance	4,000	7,500	7,648	(148)	24,263
Supplies	7,000	12,000	10,635	1,365	7,851
Sidewalk Repair	3,000	3,000	9,635	(6,635)	13,044
Alley Maintenance	3,000	3,000	4,224	(1,224)	-
Signs	5,000	5,000	6,150	(1,150)	7,575
Capital Outlay - Grace Street and Thompson	-	222,000	222,450	(450)	3,030

COMMISSIONERS OF ST. MICHAELS
SUPPLEMENTAL INFORMATION
ANALYSIS OF EXPENDITURES/EXPENSES - BUDGET AND ACTUAL
ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	2020				
	Budgeted Amounts				
	Original	Final	Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/19
Streets and Sidewalks (CONTINUED):					
Capital Outlay - Phase VII N Harbor and Dodson Conner	$ -	$ 28,275	$ 52,592	$ (24,317)	$ 19,321
Capital Outlay - Pole Barn	-	33,577	35,258	(1,681)	10,804
Capital Outlay - Seymour Avenue	-	-	-	-	17,687
Capital Outlay - Curb Sprayer	8,000	8,000	6,950	1,050	-
Capital Outlay - Brick Sidewalks	250,000	270,300	270,310	(10)	-
Total Streets and Sidwalks	345,600	661,752	690,863	(29,111)	163,989
Municipal Buildings:					
Utilities	20,000	20,000	17,895	2,105	15,877
Maintenance and Supplies	22,000	22,000	18,132	3,868	16,373
Real Estate Taxes	13,000	13,000	12,943	57	12,673
Capital Outlay - HVAC	-	-	-	-	32,090
Capital Outlay - Boy Scout Cabin	-	50,000	44,867	5,133	23,891
Total Municipal Buildings	55,000	105,000	93,837	11,163	100,904
Parks and Recreation:					
Vehicle Maintenance	5,450	5,450	2,693	2,757	3,935
Maintenance and Supplies	16,000	16,000	24,745	(8,745)	23,374
Harbor Maintenance	1,425	1,425	1,838	(413)	4,063
Bay Hundred Pool	4,000	4,000	4,000	-	4,000
Park Enhancement Fund	4,500	4,500	4,500	-	4,039
Horticulturist Contract	20,000	20,000	20,625	(625)	20,109
Nature Trail Maintenance	1,500	1,500	-	1,500	-
Capital Outlay - Tree Gates and Trees	-	-	-	-	19,197
Total Parks and Recreation	52,875	52,875	58,401	(5,526)	78,717
TOTAL PUBLIC WORKS	1,006,576	1,383,728	1,358,400	25,328	996,307
DEBT SERVICE:					
Construction Loan	50,000	-	-	-	-
TOTAL GOVERNMENTAL EXPENDITURES	3,237,629	4,339,079	4,202,940	136,139	3,011,364
ENTERPRISE FUND					
WATER FUND:					
Salaries and Benefits	213,887	213,887	237,756	(23,869)	193,903
Overtime	10,000	10,000	4,553	5,447	5,692
Administrative Salary Charge	52,468	52,468	52,468	-	56,527
Legal Consulting, and Audit	1,500	1,500	-	1,500	-
Liability and Property Insurance	5,200	5,200	5,671	(471)	5,134
Office Supplies	2,000	2,000	3,860	(1,860)	4,344
Computer and Telemetry Software	12,000	12,000	8,786	3,214	8,076
Postage	1,500	1,500	-	1,500	-
Electric - Wells and Towers	23,500	23,500	28,512	(5,012)	26,943
Water Testing	7,500	7,500	5,264	2,236	4,575
Travel and Training	2,700	2,700	300	2,400	1,938
Dues and Subscriptions	500	500	337	163	400
Telephone	2,400	2,400	2,612	(212)	2,184
Vehicle Expense	2,000	2,000	1,548	452	4,176
Materials and Supplies	50,000	50,000	54,317	(4,317)	39,193
Maintenance on Arsenic System	50,000	50,000	14,875	35,125	94,790
Maintenance on Generator #2	6,000	6,000	3,729	2,271	4,947
Server Time - Mission Units	2,500	2,500	2,374	126	2,374
Miscellaneous	750	750	972	(222)	1,047
4" Water Line Long Lane	35,000	27,072	17,805	9,267	-
Water Tower Maintenance Contract	63,740	63,740	52,186	11,554	132,699
Debt Service - New Water Tower	46,910	46,910	-	46,910	-
Debt Service - Water Bonds (FHA)	63,136	63,136	9,525	53,611	12,683
Debt Service - Arsenic DOE	43,907	43,907	7,013	36,894	7,467
Water Tower Interfund Loan	20,128	20,128	2,758	17,370	3,101
Depreciation	-	-	158,066	(158,066)	157,848
TOTAL WATER FUND	719,226	711,298	675,287	36,011	770,041
TOTAL EXPENDITURES/EXPENSES	$ 3,956,855	$ 5,050,377	$ 4,878,227	$ 172,150	$ 3,781,405

COMMISSIONERS OF ST. MICHAELS

SCHEDULE E

SUPPLEMENTAL INFORMATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

BUDGET AND ACTUAL

ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/19
Operating Revenues:				
Charges for Services	$ 620,000	$ 660,991	$ 40,991	$ 635,482
Connection Charges	15,000	7,400	(7,600)	30,800
Capital Charges	10,000	4,400	(5,600)	18,700
Miscellaneous	-	2,970	2,970	12,595
Total Operating Revenues	645,000	675,761	30,761	697,577
Operating Expenses:				
Salaries and Benefits	213,887	237,756	(23,869)	193,903
Overtime	10,000	4,553	5,447	5,692
Administrative Salary Charge	52,468	52,468	-	56,527
Legal Consulting, and Audit	1,500	-	1,500	-
Liability and Property Insurance	5,200	5,671	(471)	5,134
Office Supplies	2,000	3,860	(1,860)	4,344
Computer and Telemetry Software	12,000	8,786	3,214	8,076
Postage	1,500	-	1,500	-
Electric - Wells and Towers	23,500	28,512	(5,012)	26,943
Water Testing	7,500	5,264	2,236	4,575
Travel and Training	2,700	300	2,400	1,938
Dues and Subscriptions	500	337	163	400
Telephone	2,400	2,612	(212)	2,184
Vehicle Expense	2,000	1,548	452	4,176
Materials and Supplies	50,000	54,317	(4,317)	39,193
Maintenance on Arsenic System	50,000	14,875	35,125	94,790
Maintenance of Generator #2	6,000	3,729	2,271	4,947
Server Time - Mission Units	2,500	2,374	126	2,374
Miscellaneous	750	972	(222)	1,047
6" Gate Valve - S. End of Town	27,072	17,805	9,267	-
Water Tower Maintenance Contract	63,740	52,186	11,554	132,699
Arsenic Removal Administrative Fee	-	3,134	(3,134)	3,727
Debt Service - New Water Tower	46,910	-	46,910	-
Debt Service - Water Bonds (FHA)	63,136	9,525	53,611	12,683
Debt Service - Arsenic DOE	43,907	3,879	40,028	3,740
Water Tower Interfund Loan	20,128	2,758	17,370	3,101
Depreciation	-	158,066	(158,066)	157,848
Total Operating Expenses	711,298	675,287	36,011	770,041
Operating Income/(Loss)	(66,298)	474	66,772	(72,464)
Non-Operating Revenue:				
Investments	3,600	3,305	(295)	7,268
Grant Revenue	-	-	-	42,748
Total Non-Operating Revenue	3,600	3,305	(295)	50,016
Income/(Loss) Before Other Sources/(Uses)	(62,698)	3,779	66,477	(22,448)
Other Financing Souces/(Uses)				
Prior Year Reserves	59,412	-	(59,412)	-
Transfers	13,084	13,084	-	(35,990)
Total Other Financing Sources/(Uses)	72,496	13,084	(59,412)	(35,990)
Change in Net Position	9,798	16,863	7,065	(58,438)
Net Position - Beginning	3,458,637	3,458,637	-	3,517,075
Net Position - Ending	$ 3,468,435	$ 3,475,500	$ 7,065	$ 3,458,637

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners
Town of St. Michaels, Maryland

We have audited, in accordance with the 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 governmental activities, the business-type activities and each major fund of the Commissioners of St. Michaels, as of and for the year ended June 30, 2020, and related notes to the financial statements, which collectively comprise the Commissioners of St. Michaels' basic financial statements, and have issued our report thereon dated October 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commissioners of St. Michaels' 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 the Commissioners of St. Michaels' internal control. Accordingly, we do not express an opinion on the effectiveness of the Commissioners of St. Michaels' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commissioners of St. Michaels' 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.

Lank, Johnson & Tull

Seaford, Delaware
October 16, 2020