

Basic Financial Statements

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Statement of Net Position
June 30, 2017

	Primary Government		Total	Component Units		
	Governmental Activities	Business-type Activities		Board of Education	Carroll Community College	Library
ASSETS						
Equity in pooled cash and investments	\$ 134,795,058	\$ 21,255,912	\$ 156,050,970	\$ -	\$ -	\$ -
Cash and cash equivalents	356,293	66,758	423,051	15,843,870	1,373,104	5,586,450
Restricted cash and cash equivalents	-	-	-	-	29,987	8,381,944
Investments	-	-	-	10,000,000	-	-
Taxes and receivables, net	20,200,147	3,930,290	24,130,437	297,852	68,974	4,907,505
Due from component units	626,513	2,320	628,833	-	-	-
Due from primary government	-	-	-	34,655,913	5,120	-
Due from other governments	31,349,080	-	31,349,080	5,889,006	-	-
Due from fiduciary funds	385,463	-	385,463	-	-	-
Internal balances	2,326,226	(2,326,226)	-	-	-	-
Inventories	1,765,143	475,548	2,240,691	685,917	3,343	-
Prepaid expenses	488,096	11,833	499,929	488,633	133,637	-
Investments - restricted	28,219,985	-	28,219,985	-	-	-
Capital assets not being depreciated:						
Land	35,889,680	9,038,262	44,927,942	14,142,128	-	7,091,170
Construction in progress	10,184,255	12,386,984	22,571,239	3,504,475	-	1,381,135
Art and doll collection	-	-	-	-	-	-
Capital assets net of accumulated depreciation:						
Buildings and contents	138,428,637	14,474,948	152,903,585	370,862,815	3,468,186	-
Improvements other than buildings	49,650,766	5,942,747	55,593,513	-	-	-
Auto, machinery and equipment	14,124,375	19,614,952	33,739,327	7,889,837	-	24,963
Infrastructure	143,971,004	71,620,098	215,591,102	-	-	-
Capital assets, net of depreciation	392,248,717	133,077,991	525,326,708	396,399,255	3,468,186	8,497,268
Total assets	612,760,721	156,494,426	769,255,147	464,260,446	5,082,351	27,373,167
Deferred Outflows of Resources						
Debt refunding	8,896,780	664	8,897,444	-	-	-
Pensions	5,426,452	-	5,426,452	5,531,557	248,263	-
Total deferred outflows of resources	14,323,232	664	14,323,896	5,531,557	248,263	-
Total assets and deferred outflows	627,083,953	156,495,090	783,579,043	469,792,003	5,330,614	27,373,167
LIABILITIES						
Accounts payable	5,269,449	3,123,353	8,392,802	5,480,321	225,511	2,300
Retainage and guarantees due contractors	1,110,066	-	1,110,066	-	-	-
Due to component units	34,702,647	-	34,702,647	-	-	-
Due to primary government	-	-	-	13,867	1,611	612,910
Due to other governments	-	-	-	2,186,000	127,639	-
Unearned revenue	3,619,101	39,667	3,658,768	711,137	-	-
Accrued interest payable	2,089,241	100,518	2,189,759	48,288	-	8,381,944
Accrued expenses	2,380,200	176,213	2,556,413	33,896,316	-	1,142,937
Long-term liabilities	-	-	-	-	281,397	8,138
Due within one year	32,360,689	2,353,061	34,713,750	3,330,441	-	3,764,567
Due in more than one year	351,999,361	23,811,905	375,811,266	141,623,139	1,226,901	2,000,000
Total liabilities	433,530,754	29,604,717	463,135,471	187,289,509	1,863,059	15,912,796
Deferred Inflows of Resources						
Debt refunding	-	104,907	104,907	-	-	-
Pensions	4,201,239	-	4,201,239	1,324,501	16,899	-
Total deferred inflows of resources	4,201,239	104,907	4,306,146	1,324,501	16,899	-
NET POSITION						
Net investment in capital assets	219,328,550	120,456,503	339,785,053	394,147,631	2,221,908	7,884,358
Restricted for:						
Capital projects	5,708,337	22,964,201	28,672,538	-	43,523	-
Special revenue funds	1,861,685	-	1,861,685	-	-	-
Grants	-	-	-	122,838	-	-
Food services	-	-	-	335,607	-	-
Educational purposes	-	-	-	-	-	-
Unrestricted (deficit)	(37,546,612)	(16,635,238)	(54,181,850)	(113,428,083)	(61,053)	3,576,013
Total net position	\$ 189,351,960	\$ 126,785,466	\$ 316,137,426	\$ 281,177,993	\$ 3,450,656	\$ 11,460,371

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position											
	Program Revenues					Component Units						
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total	Board of Education	Carroll Community College	Library	Industrial Development Authority	
Primary government:												
General government	\$ 42,244,881	\$ 11,742,589	\$ 2,011,137	\$ -	\$ (28,491,155)	\$ -	\$ (28,491,155)	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	51,691,641	1,918,271	2,341,328	-	(47,432,042)	-	(47,432,042)	-	-	-	-	-
Public works	33,927,901	1,306,602	4,713,775	2,016,419	(25,891,105)	-	(25,891,105)	-	-	-	-	-
Health	4,654,075	3,284	109,000	-	(4,541,791)	-	(4,541,791)	-	-	-	-	-
Human services	14,679,925	84,722	9,723,293	81,000	(4,790,910)	-	(4,790,910)	-	-	-	-	-
Education	201,927,058	-	-	-	(201,927,058)	-	(201,927,058)	-	-	-	-	-
Culture and recreation	6,298,819	2,072,530	16,828	732,384	(3,477,077)	-	(3,477,077)	-	-	-	-	-
Libraries	14,808,509	-	-	-	(14,808,509)	-	(14,808,509)	-	-	-	-	-
Conservation of natural resources	10,167,939	128,111	96,738	3,175,790	(6,767,300)	-	(6,767,300)	-	-	-	-	-
Economic development	3,851,580	-	1,108,455	-	(2,743,125)	-	(2,743,125)	-	-	-	-	-
Judicial	8,455,090	-	895,981	-	(7,559,109)	-	(7,559,109)	-	-	-	-	-
Interest on long-term debt	10,996,087	-	-	-	(10,996,087)	-	(10,996,087)	-	-	-	-	-
Total governmental activities	403,703,505	17,256,109	21,016,535	6,005,593	(359,425,268)	-	(359,425,268)	-	-	-	-	-
Business-type activities:												
Bureau of Utilities	11,588,148	10,578,433	-	1,780,284	-	770,569	770,569	-	-	-	-	-
Solid Waste	8,784,687	7,056,454	-	2,303	-	(1,725,930)	(1,725,930)	-	-	-	-	-
Airport	861,147	792,059	-	189,422	-	120,334	120,334	-	-	-	-	-
Septage	594,277	913,330	-	-	-	319,053	319,053	-	-	-	-	-
Firearms	128,986	157,720	-	-	-	28,734	28,734	-	-	-	-	-
Fiber Network	1,321,618	212,142	-	-	-	(1,109,476)	(1,109,476)	-	-	-	-	-
Total business-type activities	23,278,863	19,710,138	-	1,972,009	-	(1,596,716)	(1,596,716)	-	-	-	-	-
Total primary government	\$ 426,982,368	\$ 36,966,247	\$ 21,016,535	\$ 7,977,602	\$ (359,425,268)	\$ (1,596,716)	\$ (361,021,984)	-	-	-	-	-
Component units:												
Board of Education	\$ 386,857,350	\$ 4,140,446	\$ 51,260,925	\$ 8,049,319	-	-	-	(323,406,660)	-	-	-	-
Carroll Community College	38,822,458	10,171,230	5,367,776	-	-	-	-	(23,283,452)	-	-	-	-
Library	17,220,508	223,050	2,096,688	8,839	-	-	-	-	(14,891,931)	-	-	-
Industrial Development Authority	908,017	224,932	-	1,418,605	-	-	-	-	-	-	-	735,520
Total component units	\$ 443,808,333	\$ 14,759,658	\$ 58,725,389	\$ 9,476,763	-	-	-	(323,406,660)	(23,283,452)	(14,891,931)	-	735,520
General revenues:												
Property taxes					201,438,220	-	201,438,220	-	-	-	-	-
Income tax					149,896,467	-	149,896,467	-	-	-	-	-
Recordation tax					14,241,331	-	14,241,331	-	-	-	-	-
Admission and amusement tax					351,742	-	351,742	-	-	-	-	-
Agricultural transfer tax					179,416	-	179,416	-	-	-	-	-
Hotel rental tax					324,144	-	324,144	-	-	-	-	-
Local appropriations					-	-	-	183,671,424	10,019,006	14,249,443	-	-
State aide					-	-	-	119,476,810	8,020,376	-	-	-
Grants and contributions not restricted to specific programs					-	-	-	(315,889)	4,460,015	-	-	-
Gain (Loss) on sale of capital asset					(968,894)	-	(968,894)	47,237	2,425	-	-	-
Investment earnings and miscellaneous, unrestricted					(2,619,490)	-	(2,619,490)	(1,332,328)	5,114,717	1,390,697	491,079	102,863
Transfers					9,442,491	-	9,442,491	-	-	-	-	-
Transfer of asset from component unit					372,285,427	-	372,285,427	(9,442,491)	-	-	-	-
Total general revenues and transfers					12,860,159	706,577	12,860,159	298,504,571	23,892,519	14,740,522	102,863	838,383
Change in net position					176,491,801	126,078,889	302,570,690	(24,902,089)	609,067	(151,409)	3,602,065	10,621,988
Net position - beginning of year, as restated					\$ 189,251,960	\$ 126,785,466	\$ 316,137,426	\$ 281,177,993	\$ (3,771,958)	\$ 3,450,656	\$ 11,460,371	\$ -
Net position - ending					\$ 365,743,761	\$ 252,864,355	\$ 622,708,116	\$ 256,275,904	\$ 2,617,063	\$ 3,299,247	\$ 14,862,436	\$ 11,471,969

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Capital Projects	Non-Major Funds	Governmental Funds	Total Governmental Funds
ASSETS					
Equity in pooled cash and investments	\$ 81,074,503	\$ 32,990,155	\$ -	3,037,812	\$ 117,102,470
Cash and Cash equivalents	356,293	-	-	-	356,293
Taxes and receivables, net	17,858,873	97,281	-	2,228,479	20,184,633
Due from component units	626,513	-	-	-	626,513
Due from other governments	28,879,852	2,469,228	-	-	31,349,080
Due from other governmental funds	7,147,766	-	-	300,166	7,447,932
Due from fiduciary funds	448,728	-	-	-	448,728
Due from proprietary funds	2,326,226	-	-	-	2,326,226
Inventories	1,765,143	-	-	-	1,765,143
Prepaid costs	52,000	-	-	436,096	488,096
Investments - restricted	28,219,985	-	-	-	28,219,985
Total assets	<u>\$ 168,755,882</u>	<u>\$ 35,556,664</u>	<u>\$ -</u>	<u>6,002,553</u>	<u>\$ 210,315,099</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,645,993	\$ 1,320,835	\$ -	895,123	\$ 4,861,951
Retainage and guarantees due contractors	1,110,066	-	-	-	1,110,066
Due to component units	33,309,363	1,351,782	-	41,502	34,702,647
Due to other governmental funds	300,166	6,799,470	-	348,296	7,447,932
Due to internal service fund	-	-	-	2,966	2,966
Accrued expenditures	2,228,136	-	-	152,064	2,380,200
Unearned revenue	77,449	2,472,605	-	1,057,168	3,607,222
Total liabilities	<u>39,671,173</u>	<u>11,944,692</u>	<u>-</u>	<u>2,497,119</u>	<u>54,112,984</u>
Deferred inflows of resources:					
Unavailable revenue	15,564,416	-	-	-	15,564,416
Total deferred inflows of resources	<u>15,564,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,564,416</u>
Fund Balances:					
Nonspendable	27,548,663	-	-	436,096	27,984,759
Restricted	29,656,499	5,708,337	-	1,737,516	37,102,352
Committed	21,402,103	-	-	109,396	21,511,499
Assigned	20,383,343	17,903,635	-	1,222,426	39,509,404
Unassigned	14,529,685	-	-	-	14,529,685
Total fund balances	<u>113,520,293</u>	<u>23,611,972</u>	<u>-</u>	<u>3,505,434</u>	<u>140,637,699</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 168,755,882</u>	<u>\$ 35,556,664</u>	<u>\$ -</u>	<u>6,002,553</u>	<u>\$ 210,315,099</u>

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balance	140,637,699
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	392,248,717
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.	15,564,416
Adjustment for net pension liabilities	(12,957,784)
Net other postemployment benefit obligation, which is included in the governmental activities in the statement of net position.	(38,246,693)
Deferred outflows related to pensions that are applicable to future periods and, therefore, are not presented in the funds.	5,426,452
Deferred inflows related to pensions that are applicable to future periods and, therefore, are not presented in the funds.	(4,201,239)
Internal service funds are used by management to charge the costs of health, liability and Local Government Insurance Trust insurances to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	12,689,670
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds, notes payable, compensated absences, etc.	\$ (319,720,037)
Accrued interest payable	(2,089,241)
Net position of governmental activities	<u>\$ 189,351,960</u>

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
-local property	\$ 198,685,867	\$ 806,500	\$ 1,945,853	\$ 201,438,220
-local other	155,282,950	10,935,516	324,144	166,542,610
Licenses and permits	3,246,094	-	-	3,246,094
Intergovernmental revenues	3,210,574	5,468,423	14,973,737	23,652,734
Charges for services	3,993,056	-	448,780	4,441,836
Fines and forfeits	71,866	-	-	71,866
Interest and gain on investments	796,251	(1,355,828)	5,762	(553,815)
Miscellaneous revenues	8,448,670	423,108	-	8,871,778
Total revenues	<u>373,735,328</u>	<u>16,277,719</u>	<u>17,698,276</u>	<u>407,711,323</u>
EXPENDITURES				
Current:				
General government	36,361,269	-	-	36,361,269
Public safety	46,807,421	-	1,095,285	47,902,706
Public works	16,022,251	-	3,090,335	19,112,586
Health	4,640,830	-	4,228	4,645,058
Human services	4,818,024	-	9,889,352	14,707,376
Education	198,300,740	-	-	198,300,740
Library	14,249,443	-	-	14,249,443
Culture and recreation	4,118,902	-	418,128	4,537,030
Conservation of natural resources	1,049,610	-	1,234,088	2,283,698
Economic development	2,541,045	-	1,087,378	3,628,423
Judicial	7,693,495	-	900,435	8,593,930
Capital outlay:				
General government	-	2,273,282	-	2,273,282
Public safety	-	163,222	-	163,222
Public works	-	12,083,133	-	12,083,133
Human services	-	61,708	-	61,708
Education	-	3,247,641	-	3,247,641
Library	-	381,086	-	381,086
Culture and recreation	-	1,643,466	-	1,643,466
Conservation of natural resources	-	10,568,185	-	10,568,185
Debt service:				
Principal	28,620,058	-	518,514	29,138,572
Interest	12,814,116	-	393,478	13,207,594
Total expenditures	<u>378,037,204</u>	<u>30,421,723</u>	<u>18,631,221</u>	<u>427,090,148</u>
Excess (deficiency of revenues over (under) expenditures	<u>(4,301,876)</u>	<u>(14,144,004)</u>	<u>(932,945)</u>	<u>(19,378,825)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,864,524	2,990,856	1,820,914	16,676,294
Transfers out	(7,614,074)	(11,588,410)	(289,414)	(19,491,898)
Payment to escrow agent	(6,524,948)	-	-	(6,524,948)
Redemption	6,138,284	-	-	6,138,284
Bonds issued	303,200	13,696,800	-	14,000,000
Bonds premium	400,000	902,370	-	1,302,370
Issuance of debt - GO debt	1,303,000	-	-	1,303,000
Total other financing sources (uses)	<u>5,869,986</u>	<u>6,001,616</u>	<u>1,531,500</u>	<u>13,403,102</u>
Net change in fund balances	1,568,110	(8,142,388)	598,555	(5,975,723)
Fund balance - beginning	111,836,434	31,754,360	2,906,879	146,497,673
Increase in reserve for inventory	115,749	-	-	115,749
Fund balance - ending	<u>\$ 113,520,293</u>	<u>\$ 23,611,972</u>	<u>\$ 3,505,434</u>	<u>\$ 140,637,699</u>

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (5,975,723)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation, net of asset disposals, and transfers exceeded capital outlays in the current period.	5,837,756
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(221,823)
Adjustment to the net pension liabilities.	2,157,335
Adjustment to the Other Postemployment Benefit (OPEB) annual OPEB cost for the net OPEB obligation.	(1,401,365)
The issuance of long-term debt (i.e. bonds, notes, installment purchase agreements) proceeds provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	13,638,555
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(58,276)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	1,765,029
Net change in deferred outflows related to pension expense reported in the Statement of Activities.	(333,739)
Net change in deferred inflows related to pension expense reported in the Statement of Activities.	(2,547,590)
Change in net position - governmental activities	\$ 12,860,159

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budgetary (NON-GAAP) Basis vs. Actual
For the Year Ended June 30, 2017

Exhibit F

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS)				
Revenues				
Taxes:				
-local property	\$ 199,573,377	\$ 199,573,377	\$ 199,092,098	\$ (481,279)
-local other	155,393,255	155,393,255	156,165,610	772,355
Licenses and permits	3,158,790	3,158,790	3,246,094	87,304
Intergovernmental revenues	1,380,350	1,380,350	2,327,913	947,563
Charges for services	4,064,766	4,064,766	3,993,056	(71,710)
Fines and forfeits	83,000	83,000	71,866	(11,134)
Interest and gain on investments	2,184,020	2,184,020	796,251	(1,387,769)
Miscellaneous revenues	1,466,420	1,466,420	8,448,670	6,982,250
Total revenues	<u>367,303,978</u>	<u>367,303,978</u>	<u>374,141,558</u>	<u>6,837,580</u>
Other financing resources				
Appropriated fund balance	9,198,782	9,198,782	-	(9,198,782)
Transfers in	11,904,240	11,904,240	11,864,524	(39,716)
Redemptions - GO bonds	-	-	6,138,285	6,138,285
Bonds issued	-	-	303,200	303,200
Bonds premium	-	-	400,000	400,000
Issuance of debt - GO debt	-	-	1,303,000	1,303,000
Total other financing resources	<u>21,103,022</u>	<u>21,103,022</u>	<u>20,009,009</u>	<u>(1,094,013)</u>
Total Resources (Inflows)	<u>388,407,000</u>	<u>388,407,000</u>	<u>394,150,567</u>	<u>5,743,567</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Expenditures				
Current:				
General government	58,858,120	42,483,228	36,753,837	5,729,391
Public safety	39,937,580	47,186,132	46,736,833	449,299
Public works	12,793,380	17,224,482	15,835,324	1,389,158
Health	4,640,830	4,640,830	4,640,830	-
Human services	4,457,690	4,870,950	4,831,731	39,219
Education	191,151,480	191,151,480	198,300,740	(7,149,260)
Library	9,815,120	12,153,785	14,249,443	(2,095,658)
Culture and recreation	3,438,530	4,207,053	4,128,555	78,498
Conservation of natural resources	964,250	1,073,155	1,049,611	23,544
Economic development	2,934,390	3,140,902	2,539,649	601,253
Judicial	6,308,900	7,810,998	7,693,132	117,866
Reserve for contingencies	4,219,850	2,745,216	-	2,745,216
Debt service:				
Debt service - County	29,167,910	29,167,910	29,042,136	125,774
Debt service - Board of Education	12,037,000	12,392,038	12,392,038	-
Total expenditures	<u>380,725,030</u>	<u>380,248,159</u>	<u>378,193,859</u>	<u>2,054,300</u>
Other financing uses				
Transfers out	7,681,970	8,158,841	7,614,074	544,767
Payment to escrow agent	-	-	6,524,948	(6,524,948)
Total other financing uses	<u>7,681,970</u>	<u>8,158,841</u>	<u>14,139,022</u>	<u>(5,980,181)</u>
Total charges to appropriations (outflows)	<u>388,407,000</u>	<u>388,407,000</u>	<u>392,332,881</u>	<u>(3,925,881)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,817,686</u>	<u>\$ 1,817,686</u>
Fund balance - beginning, as restated			<u>115,173,312</u>	
Fund balance - ending			<u>\$ 116,990,998</u>	

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities-Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Bureau of Utilities	Solid Waste	Airport	Fiber Network	Non-Major Enterprise Funds		
ASSETS							
Current assets:							
Equity in pooled cash and investments	\$ 8,949,206	\$ 9,840,765	\$ -	\$ -	\$ 2,465,941	\$ 21,255,912	\$ 17,692,588
Cash and cash equivalents	363	64,172	50	-	2,173	66,758	-
Receivables, net	2,963,068	632,208	213,076	32,054	92,204	3,932,610	15,514
Due from other funds	-	-	-	-	-	-	2,966
Due from general fund	-	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-
Inventories	461,830	-	13,717	-	-	475,547	-
Prepaid expenses	-	-	-	11,833	-	11,833	-
Total current assets	<u>12,374,467</u>	<u>10,537,145</u>	<u>226,843</u>	<u>43,887</u>	<u>2,560,318</u>	<u>25,742,660</u>	<u>17,711,068</u>
Noncurrent assets:							
Capital assets:							
Land	252,341	2,083,618	6,702,298	5	-	9,038,262	-
Buildings	17,676,654	1,752,296	4,569,596	-	274,051	24,272,597	-
Improvements other than buildings	1,940,496	6,319,553	1,785,748	1,139,212	408,405	11,593,414	-
Auto, machinery and equipment	3,003,792	4,369,029	901,948	21,455,399	234,091	29,964,259	-
Infrastructure	103,170,779	-	-	-	-	103,170,779	-
Construction in progress	11,970,552	-	-	-	416,432	12,386,984	-
Less accumulated depreciation	<u>(43,131,182)</u>	<u>(6,164,523)</u>	<u>(3,140,309)</u>	<u>(4,409,548)</u>	<u>(502,741)</u>	<u>(57,348,303)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>94,883,432</u>	<u>8,359,973</u>	<u>10,819,281</u>	<u>18,185,068</u>	<u>830,238</u>	<u>133,077,992</u>	<u>-</u>
Total assets	<u>107,257,899</u>	<u>18,897,118</u>	<u>11,046,124</u>	<u>18,228,955</u>	<u>3,390,556</u>	<u>158,820,652</u>	<u>17,711,068</u>
Deferred Outflows of Resources							
Debt refunding	-	-	-	-	664	664	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>664</u>	<u>664</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 107,257,899</u>	<u>\$ 18,897,118</u>	<u>\$ 11,046,124</u>	<u>\$ 18,228,955</u>	<u>\$ 3,391,220</u>	<u>\$ 158,821,316</u>	<u>\$ 17,711,068</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 2,335,385	\$ 613,979	\$ 71,090	\$ 25,539	\$ 77,360	\$ 3,123,353	\$ 470,762
Accrued interest payable	84,183	9,114	6,761	-	460	100,518	-
Unearned revenue	6,073	-	33,594	-	-	39,667	11,879
Accrued expenses	79,744	43,389	6,892	43,333	2,855	176,213	-
Due to other funds	-	-	78,709	2,247,517	-	2,326,226	-
Long-term liabilities due within one year:							
General obligation bonds payable	1,389,067	311,483	219,934	-	9,971	1,930,455	-
Unpaid claims	-	-	-	-	-	-	2,826,770
Loans payable	30,925	-	-	-	-	30,925	-
Landfill closure, postclosure remediation	-	239,740	-	-	-	239,740	-
Compensated absences	84,134	65,522	2,285	-	-	151,941	-
Total long-term due within one year	<u>1,504,126</u>	<u>616,745</u>	<u>222,219</u>	<u>-</u>	<u>9,971</u>	<u>2,353,061</u>	<u>2,826,770</u>
Total current liabilities	<u>4,009,511</u>	<u>1,283,227</u>	<u>419,265</u>	<u>2,316,389</u>	<u>90,646</u>	<u>8,119,038</u>	<u>3,309,411</u>
Noncurrent liabilities:							
General obligation bonds payable	9,890,520	759,080	618,856	-	52,420	11,320,876	-
Unpaid claims	-	-	-	-	-	-	1,711,987
Loans payable	97,682	-	-	-	-	97,682	-
Landfill closure, postclosure remediation	-	12,127,069	-	-	-	12,127,069	-
Compensated absences	178,813	85,980	1,485	-	-	266,278	-
Total noncurrent liabilities	<u>10,167,015</u>	<u>12,972,129</u>	<u>620,341</u>	<u>-</u>	<u>52,420</u>	<u>23,811,905</u>	<u>1,711,987</u>
Total liabilities	<u>14,176,526</u>	<u>14,255,356</u>	<u>1,039,606</u>	<u>2,316,389</u>	<u>143,066</u>	<u>31,930,943</u>	<u>5,021,398</u>
Deferred Inflows of Resources							
Debt refunding	54,866	45,979	4,062	-	-	104,907	-
Total deferred inflows of resources	<u>54,866</u>	<u>45,979</u>	<u>4,062</u>	<u>-</u>	<u>-</u>	<u>104,907</u>	<u>-</u>
NET POSITION							
Net investment in capital assets	83,656,310	7,864,947	9,982,336	18,402,118	767,847	120,673,558	-
Restricted for:							
Capital projects	16,021,139	4,347,065	1,983,525	12,904	599,568	22,964,201	-
Unrestricted (deficit)	<u>(6,650,942)</u>	<u>(7,616,229)</u>	<u>(1,963,405)</u>	<u>(2,502,456)</u>	<u>1,880,739</u>	<u>(16,852,293)</u>	<u>12,689,670</u>
Total net position	<u>\$ 93,026,507</u>	<u>\$ 4,595,783</u>	<u>\$ 10,002,456</u>	<u>\$ 15,912,566</u>	<u>\$ 3,248,154</u>	<u>\$ 126,785,466</u>	<u>\$ 12,689,670</u>

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities-Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Bureau of Utilities	Solid Waste	Airport	Fiber Network	Non-Major Enterprise Funds		
Operating revenues:							
Charges for services	\$ 10,578,433	\$ 7,056,454	\$ 792,059	\$ 212,142	\$ 1,071,050	\$ 19,710,138	\$ 18,620,568
Total operating revenues	10,578,433	7,056,454	792,059	212,142	1,071,050	19,710,138	18,620,568
Operating expenses:							
Personal services	2,628,389	1,484,759	248,404	-	80,712	4,442,264	-
Contractual services	4,392,048	6,463,526	348,961	309,926	290,519	11,804,980	-
Materials and supplies	1,628,370	168,101	44,831	-	68,394	1,909,696	-
Rents and utilities	579,075	47,801	22,124	39,983	90,859	779,842	-
Landfill closure and post-closure	-	-	-	-	-	-	-
Insurance claims	-	-	-	-	-	-	17,338,289
Miscellaneous	63,901	14,971	20,544	7,667	145,221	252,304	-
Depreciation	2,296,365	605,529	176,283	964,042	47,558	4,089,777	-
Total operating expenses	11,588,148	8,784,687	861,147	1,321,618	723,263	23,278,863	17,338,289
Operating income (loss)	(1,009,715)	(1,728,233)	(69,088)	(1,109,476)	347,787	(3,568,725)	1,282,279
Nonoperating revenues (expenses):							
Penalties and interest	141,440	41,895	-	-	7,817	191,152	55,380
Medicare Part D	-	-	-	-	-	-	231,256
Bond interest subsidy	18,210	-	-	-	-	18,210	-
Interest and fiscal charges	(483,441)	(46,408)	(39,899)	-	(3,048)	(572,796)	-
Gain (loss) on disposal of capital assets	11,558	22,500	13,179	-	-	47,237	-
Total nonoperating revenues (expenses)	(312,233)	17,987	(26,720)	-	4,769	(316,197)	286,636
Income (loss) before contributions and transfers	(1,321,948)	(1,710,246)	(95,808)	(1,109,476)	352,556	(3,884,922)	1,568,915
Capital contributions (Area Connection Charges & Grants)	300,231	2,303	189,422	-	-	491,956	-
Capital contributions (Maintenance Fee)	1,480,053	-	-	-	-	1,480,053	-
Transfers in	204,490	2,415,000	-	-	-	2,619,490	196,114
Change in net position	662,826	707,057	93,614	(1,109,476)	352,556	706,577	1,765,029
Total net position - beginning of year	92,363,681	3,888,726	9,908,842	17,022,042	2,895,598	126,078,889	10,924,641
Total net position - end of year	\$ 93,026,507	\$ 4,595,783	\$ 10,002,456	\$ 15,912,566	\$ 3,248,154	\$ 126,785,466	12,689,670

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	<u>Business-type Activities-Enterprise Funds</u>					<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Bureau of Utilities</u>	<u>Solid Waste</u>	<u>Airport</u>	<u>Fiber Network</u>	<u>Non-Major Enterprise Funds</u>		
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 10,561,816	\$ 7,183,428	\$ 724,884	\$ 195,431	\$ 1,107,578	\$ 19,773,137	\$ 18,620,568
Receipts from other funds	-	12,431	60,745	150,639	-	223,815	(2,966)
Payments to suppliers	(2,587,130)	(7,580,701)	(446,351)	(302,763)	(700,151)	(11,617,096)	(16,772,134)
Payments to employees	(6,416,815)	(1,481,688)	(255,173)	-	(80,865)	(8,234,541)	-
Net cash provided (used) by operating activities	<u>1,557,871</u>	<u>(1,866,530)</u>	<u>84,105</u>	<u>43,307</u>	<u>326,562</u>	<u>145,315</u>	<u>1,845,468</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	204,490	2,415,000	-	-	-	2,619,490	196,114
Net cash provided by noncapital financing activities	<u>204,490</u>	<u>2,415,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,619,490</u>	<u>196,114</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(5,219,546)	(714,731)	(6,221)	(43,307)	(42,606)	(6,026,411)	-
Principal paid on capital debt	(1,463,839)	(349,700)	(237,906)	-	(12,180)	(2,063,625)	-
Interest paid on capital debt	(524,971)	(57,239)	(42,729)	-	(3,517)	(628,456)	-
Proceeds of the disposition of capital asset	11,558	22,500	13,179	-	-	47,237	-
Capital contributions (Area Connection Charges & Grants)	1,780,284	2,303	189,422	-	-	1,972,009	-
Medicare Part D	-	-	-	-	-	-	-
Bond interest subsidy	18,210	-	-	-	-	18,210	-
Net cash provided (used) by capital and related financing activities	<u>(5,398,304)</u>	<u>(1,096,867)</u>	<u>(84,255)</u>	<u>(43,307)</u>	<u>(58,303)</u>	<u>(6,681,036)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest on investments and cash	141,440	41,895	-	-	8,328	191,663	55,381
Net cash provided by investing activities	<u>141,440</u>	<u>41,895</u>	<u>-</u>	<u>-</u>	<u>8,328</u>	<u>191,663</u>	<u>55,381</u>
Net (decrease) increase	(3,494,503)	(506,502)	(150)	-	276,587	(3,724,568)	2,096,963
Equity and pooled cash and investments at beginning of year	12,444,072	10,411,439	200	-	2,191,527	25,047,238	15,364,369
Equity and pooled cash and investments at end of year	<u>\$ 8,949,569</u>	<u>\$ 9,904,937</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 2,468,114</u>	<u>\$ 21,322,670</u>	<u>\$ 17,461,332</u>
Reconciliation of Operating Income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	<u>\$ (1,009,715)</u>	<u>\$ (1,728,233)</u>	<u>\$ (69,088)</u>	<u>\$ (1,109,476)</u>	<u>\$ 347,787</u>	<u>\$ (3,568,725)</u>	<u>\$ 1,282,279</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	2,296,365	605,529	176,283	964,042	47,558	4,089,777	-
Effect of changes in operating assets and liabilities:							
Due to/from other funds	-	12,431	60,745	150,639	-	223,815	(2,966)
Due to/from component units	-	3,000	-	-	-	3,000	-
Accounts receivable	(16,735)	128,992	(68,125)	(16,711)	36,528	63,949	(15,409)
Prepaid expense	-	-	13,900	4,167	-	18,067	-
Inventory	75,047	-	1,201	-	-	76,248	-
Compensated absences payable	30,168	(1,099)	(7,259)	-	-	21,810	-
Accounts payable and accrued expenses	182,623	(536,771)	(24,502)	50,646	(105,311)	(433,315)	(69,617)
Unearned revenue	118	(5,019)	950	-	-	(3,951)	8,916
Claims liability	-	-	-	-	-	-	642,265
Landfill closure, postclosure, remediation costs	-	(345,360)	-	-	-	(345,360)	-
Total adjustments	<u>2,567,586</u>	<u>(138,297)</u>	<u>153,193</u>	<u>1,152,783</u>	<u>(21,225)</u>	<u>3,714,040</u>	<u>563,189</u>
Net cash provided (used) by operating activities	<u>\$ 1,557,871</u>	<u>\$ (1,866,530)</u>	<u>\$ 84,105</u>	<u>\$ 43,307</u>	<u>\$ 326,562</u>	<u>\$ 145,315</u>	<u>\$ 1,845,468</u>

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Statement of Fiduciary Net Position
Trust and Agency Funds
June 30, 2017

	Trust Funds	Agency Funds
ASSETS		
Equity in pooled cash and investments	\$ -	\$ 582,762
Receivables-notes	24,212	113,463
Accrued Interest	2,386	-
Investments at fair value:		
Short - term investments	590,979	-
Bond funds	26,510,428	-
Equity funds	73,645,720	-
Marketable securities	77,490,897	-
Total investments	<u>178,238,024</u>	<u>-</u>
Total assets	<u>178,264,622</u>	<u>\$ 696,225</u>
LIABILITIES		
Accounts payable	24,853	91,078
Due to primary government	385,463	63,265
Deposits	-	541,882
Total liabilities	<u>410,316</u>	<u>\$ 696,225</u>
FIDUCIARY NET POSITION		
Fiduciary net position restricted for pension, OPEB, and other purposes	<u>\$ 177,854,306</u>	

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Statement of Change in Fiduciary Net Position
Trust Funds
For the Year Ended June 30, 2017

	Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 13,638,340
Plan members	2,982,389
Total contributions	16,620,729
Investment earnings:	
Interest and dividends	39,692
Net increase in the fair value of investments	17,155,137
Total investment earnings	17,194,829
Less investment expense	(86,883)
Net investment earnings	17,107,946
Total additions	33,728,675
DEDUCTIONS	
Benefits and refunds paid to plan members and beneficiaries	7,505,670
Administrative expenses	61,688
Total deductions	7,567,358
Net increase in fiduciary net position	26,161,317
Fiduciary net position-beginning	151,692,989
Fiduciary net position-ending	\$ 177,854,306

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies

A. Description of Government-wide financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

Carroll County was created pursuant to an act of the General Assembly of the State of Maryland on January 19, 1837. Both executive and legislative functions of the County are vested in the elected five-member Board of County Commissioners of Carroll County. Each commissioner represents a district in the County.

The basic financial statements include Carroll County, Maryland as the primary government, and its significant component units, entities for which the County is considered to be financially accountable.

Discretely presented component units

The financial data of the County's component units are discretely presented in a column separate from the financial data of the primary government. They are reported in a separate column to emphasize that they are legally separate from the County. The following are the County's component units that are included in the reporting:

The Board of Education of Carroll County as currently constituted was established under Title 3, Subtitle 103, Education, of the Annotated Code of Maryland. The Board is a five-member elected body responsible for the operation of Carroll County Public Schools. The Board of Education of Carroll County is a component unit of Carroll County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the Board of Education. The Board does not report any component units itself. The Board of Education's financial statements were audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The independent auditor concluded that the Board of Education's financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information as of and for the year ended June 30, 2017. At year-end any unspent appropriation up to 5 percent of the current year operating budget are retained by the Board of Education as a component of their fund balance. Any excess above the 5 percent is returned to the County.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

B. Reporting entity- continued

The Carroll County Library Board of Trustees is established under Title 23, Subtitle 401, Education, of the Annotated Code of Maryland. The Board of Trustees is a seven-member body and is responsible for the operation of Carroll County Public Library “the Library”. The members are appointed by the County Commissioners from nominees submitted by the Library Board of Trustees. The Library is a component unit of Carroll County Government by virtue of the Library’s fiscal dependency on the County. The County levies taxes and is the primary source of the Library Board of Trustees’ budget. The Library’s financial statements were audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The independent auditor concluded that the Library’s financial statements present fairly, in all material respects, the financial position of the governmental activities, and each major fund as of and for the year ended June 30, 2017. At year-end any unspent appropriation up to 5 percent of the current year operating budget are retained by the Library as a component of their fund balance. Any excess above the 5 percent is returned to the County.

Carroll Community College “the College” is considered a “body politic” under Maryland state law as an instrumentality of the State of Maryland “the State”. The seven-member Board of Trustees of Carroll Community College governs the College. The Board of Trustees are appointed for six-year terms by the Governor of the State with the advice and consent of the State Senate. The College is a component unit of Carroll County Government by virtue of the County’s responsibility for levying taxes and its power to appropriate funds to establish and operate a community college as referenced in The Annotated Code of Maryland Education Article §16-304. The College serves the constituents of the County. At year-end any unspent appropriation up to 10 percent of the current year operating budget are retained by the College as a component of their net position. Any excess above the 10 percent is returned to the County.

Carroll Community College Foundation, a component unit of Carroll Community College, is a separate legal entity. It has a separate Board of Directors that works closely with the College. The College President, Vice-President of Administration and a College Trustee are ex-officio members of the Foundation Board. Although the College does not control the timing or amount of receipts from the Foundation, all of the resources, or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is discretely presented in the College’s financial statements.

Carroll Community College’s financial statements including the Carroll Community College Foundation, were audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The independent auditor concluded that Carroll Community College’s financial statements present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit as of and for the year ended June 30, 2017.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued
B. Reporting entity- continued

The Industrial Development Authority “IDA” of Carroll County was established pursuant to Sections 266A-1 through 266A-3 of Article 41 of the Annotated Code of Maryland, and Resolution 25-80 adopted by the Board of County Commissioners of Carroll County on October 16, 1980. The IDA provides economic development services to commercial enterprises in the County. The County Commissioners appoint a voting majority of the Authority, which is also fiscally dependent on the County. The IDA’s financial statements were audited by CohnReznick LLP, a firm of licensed certified public accountants. The independent auditor concluded that The IDA’s financial statements present fairly, in all material respects, the financial position of the business-type activities as of and for the year ended June 30, 2017.

Complete financial statements of the individual component units can be obtained from their respective administrative offices listed below:

Board of Education of Carroll County
55 North Court Street
Westminster, Maryland 21157

Carroll Community College
1601 Washington Road
Westminster, Maryland 21157

Industrial Development Authority
225 N. Center Street
Westminster, Maryland 21157

Carroll County Public Library
1100 Green Valley Road
New Windsor, Maryland 21776

The above are the only entities that qualify as component units based on the criteria set forth in GASB Statement No. 39 and GASB Statement No. 61, amendments of GASB Statement 14.

C. Basis of presentation- government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has four discretely presented component units. They are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

C. Basis of presentation- continued

government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation- fund financial statements

The fund financial statements provide information about the County's funds, and its fiduciary funds. Separate statements for each fund category- governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The government reports the following major governmental funds:

The *general fund* is the primary operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

The *capital projects fund* is used to account for financial resources related to the acquisition or construction of capital assets of the County (other than those financed by proprietary fund types).

The government reports the following major proprietary funds:

Enterprise Funds:

The *Carroll County Bureau of Utilities* provides public water and sewer services in certain areas of the County. This fund accounts for the operations, construction or acquisition of capital assets, and related debt service costs. All assets, except those available to fund current liabilities, are considered restricted for use only in this fund.

The *Carroll County Solid Waste Fund* provides solid waste disposal facilities for residential and commercial use. This fund accounts for the operations, construction or acquisition of capital assets, and related debt service costs. All assets, except those available to fund current liabilities, are considered restricted for use only in this fund.

The *Carroll County Regional Airport* accounts for the corporate hangar facilities and Airport operations, construction or acquisition of capital assets, and related debt service costs.

The *Carroll County Fiber Network* accounts for the operation and infrastructure development of the inter-county broadband fiber network.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

D. Basis of presentation- fund financial statements - continued

Additionally, the government reports the following additional non-major proprietary funds:

The *Carroll County Septage Treatment Facility* provides septage waste disposal services. This fund accounts for the operations, construction or acquisition of capital assets, and related debt service costs. All assets, except those available to fund current liabilities, are considered restricted for use only in this fund.

The *Carroll County Firearms Facility* is located at the Northern Landfill. The Hap Baker Firearms Facility accounts for the operations, construction or acquisition of capital assets, and related debt service costs. All assets, except those available to fund current liabilities, are considered restricted for use only in this fund.

The *Internal Service Fund* is used to account for certain risk financing activities. The Internal Service Fund accounts for risk management activities for workers' compensation, general liability, environmental, vehicle and property insurance and County employee health benefits costs.

The government reports the following Non-Major Special Revenue Funds:

The *Grant Fund* primarily accounts for revenues that are formally restricted by law for a particular purpose or have specific requirements associated with eligible program costs.

The *Hotel Rental Tax Fund* is restricted by law to provide funding for tourism and promotion of the County. The Hotel Rental Tax is a five percent tax applied to the hotel room rate and paid by the hotel guest.

The *Watershed Protection and Restoration Fund* is committed by County Resolution to provide funding for operating expenses related to the County's National Pollutant Discharge Elimination System permit and Watershed Restoration efforts. Property tax revenue is dedicated to the fund on an annual basis.

The County reports the following Fiduciary Funds:

Trust Funds:

Pension Trust Funds are used to account for the activities of the County's single-employer public employee retirement plans. These include the General Employee's Plan and the Certified Law Officers Plan. The plans account for member contributions, County contributions and the earnings and profits from investments. They also account for the disbursements made for employee retirements, withdrawals, disability and death benefits as well as administrative expenses. The Volunteer Firemen's Length of Service Award Program "LOSAP" accounts for the benefit program for the volunteer fire personnel serving the various independent volunteer fire companies in the County. The LOSAP Fund is treated as a trust fund but, is not a legally established trust.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

D. Basis of presentation- fund financial statements – continued

The *Other Post Employment Benefit “OPEB” Trust* accounts for retiree contributions and County contributions to provide health benefits for the County’s eligible retirees. The plan also accounts for the earnings from investments as well as the disbursements made for medical premiums, the payments of medical claims, and administrative expenses.

The *Agency Fund* is used to account for assets that the County holds on behalf of others as their agent. The Agency Funds are custodial in nature (assets equal liabilities). The Carroll County Development Corporation “CCDC” Fund accounts for the transactions for economic development receivables collected by the County on behalf of a local nonprofit corporation. The Carroll Cable Regulatory Commission administers the cable franchise agreement for the County and eight towns.

All governmental and business-type activities of the County follow GASB Statement 62, Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants “AICPA” pronouncements which incorporates into GASB authoritative literature certain accounting and financial reporting guidance previously included in FASB, AICPA, and Accounting Principles Board Opinions “APB”, guidance issued before November 30, 1989.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

E. Measurement focus and basis of accounting– continued

The government-wide financial statements, the proprietary fund financial statements, and the fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds do not have a measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except grants and similar items which are considered available if collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when received.

F. Budgetary information

1. Budgetary basis of accounting

The annual budgets for the General Fund, Special Revenue Funds and the Capital Projects Fund are adopted on a basis consistent with generally accepted accounting principles “GAAP” except that encumbrances are treated as expenditures and real property taxes are budgeted as estimated revenues when levied. All budgetary comparisons presented in this report are on this non-GAAP budgetary basis.

The appropriated budget in the General Fund is prepared by fund, function, and department. The government’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Project length budgets along with the current year’s portion of each project are budgeted in the Capital Projects Fund. The appropriated budgets are prepared by individual grants for Special Revenue Funds. The legal level of budgetary control is at the project level for the Capital Projects fund and at the program level for the Grant Fund, Hotel Rental Tax Fund, and Watershed Protection and Restoration Fund.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

F. Budgetary information-continued

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. *Excess of expenditures over appropriations*

For the year ended June 30, 2017, expenditures exceeded appropriations by \$7,149,260 in Education and \$2,095,658 in Library due primarily to the recording of in-kind services provided to the Board of Education, Community College, and Library. These in-kind services are not in the budget for Education and Library.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and Cash Equivalents

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

Deposits and Investments

The County operates a cash and investment pool for all funds of the Primary Government. Each fund has been allocated its respective share of pooled cash and investments as reflected in the fund financial statements as "equity in pooled cash and investments." In addition to participating in the County's cash and investment pool, each fund may maintain separate cash and investments that are specific to the individual fund. Investments are reported at fair value in accordance with applicable GASB standards.

Based on an average daily balance of each fund's equity in pooled cash and investments, investment income earned on the cash and investment pool is distributed monthly to the General, Enterprise, Special Revenue, and Fiduciary funds. Investment income earned on individual funds' separate cash and investments is recorded directly in the corresponding fund.

State statutes authorize the County to invest in obligations of the United States Government, Federal government agency obligations, secured time deposits in Maryland banks, bankers' acceptances, the Maryland Local Government Investment Pool, repurchase agreements secured by direct government or agency obligations and mutual funds limited to a portfolio of direct obligations of the United States government and repurchase agreements fully collateralized by the United States government obligations. Statutes have clarified that obligations of federal instrumentalities are authorized investments.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance- continued

In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's "SEC" Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at amortized cost. The pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

The County has an independent third party as custodian for securities collateralizing repurchase agreements and all other investments and certificates of deposits. The County has an agreement with the custodian used for the overnight repurchase agreement whereby the County's authorization is needed to release any collateral being held in their name. The financial condition of this other custodian was monitored by the County throughout the year to mitigate the risk. Investments of the County are recorded at fair value, which is based on quoted market prices provided by Carroll County's Custodian, except for the investments in the Maryland Local Government Investment Pool "MLGIP", and Money Market funds. MLGIP investments are recorded at amortized cost. Investments in Money Market funds are valued at the closing net asset value per share on the day of valuation. Changes in fair value are reported as increases or decreases in investment income in the operating statements of the appropriate fund.

The County has in effect a master repurchase agreement, which adheres to the prototype master repurchase agreement produced by the Public Securities Association.

State statutes require uninsured deposits to be fully collateralized.

The County is a participant in the Maryland Local Government Investment Pool "MLGIP", which provides all local government units of the state a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP within the articles of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single financial institution, PNC Institutional Investments. The pool has a AAAM rating from Standard and Poor's and maintains a \$1.00 per share value. An MLGIP Advisory Committee of current participants was formed to review, on a semi-annual basis, the activities of the Fund and to provide suggestions to enhance the pool. The fair value of the pool is the same as the value of the pool shares.

The MLGIP issues a publicly available financial report that includes financial statements and required supplementary information for the MLGIP. This report can be obtained by writing: PNC Bank Institutional Investments; Maryland Local Government Investment Pool; 1 East Pratt Street 5th Floor West; Baltimore, Maryland 21201; or by calling 410-237-5629.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance-continued

Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are classified as nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and prepaid items

Inventories shown in the general and enterprise funds of the primary government consist of expendable supplies held for consumption and are valued at cost. The inventory in the General Fund of the primary government is reflected in the financial statements by the purchase method. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. An amount equal to the carrying value of inventory is reported in the nonspendable fund balance category in the general fund.

The inventory of expendable supplies and food held for consumption of the Board of Education is reflected in the financial statements by the consumption method and is valued at the lower of cost (first in, first out) or market. Under this method, the expenditure is recognized when inventory is used. In the fund financial statements, these inventories are offset by a fund balance reserve which indicates that they do not constitute available expendable resources, even though they are a component of assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The general fund reports fund balance for prepaid items under the nonspendable fund balance category. The general fund uses consumption method.

Restricted assets

Certain assets of the governmental activities are classified as restricted assets on the balance sheet. Included as restricted assets are investments in U.S. Treasury Bonds and Strips held to maturity for the principal payment on the installment purchase of agricultural land easements. Deposits with Farmers and Merchants Bank is pledged collateral for the low interest energy efficient loan program.

Capital assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance- continued

with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized on donated assets. Assets donated from component units are recorded at the carrying value of the asset at the time of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, equipment, and infrastructure of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Assets</u>	
Buildings	50 years
Building improvements	10 years
Water and sewer systems	50-75 years
Vehicles	5-10 years
Machinery and equipment	5-10 years
Roads	50-75 years
Bridges	30-50 years
Fiber optic system	25-50 years

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. One such item is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The County also recognizes deferred outflows of resources for differences between projected and actual earnings on pension plan investments, changes in actuarial assumptions, and contributions made subsequent to the measurement date. These amounts are being amortized over a one-five year period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County recognizes deferred inflows of resources on the Statement of Net Position for differences between expected and actual experience and the differences between projected and actual earnings on plan investments of the MSRA plans. These amounts are being amortized over a 5-10 year period. In addition, this includes the deferred loss on debt when refunded. The deferred loss is amortized over the life of the bonds.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance- continued

The government has one such item, which arises only under a modified accrual basis of accounting that qualifies for reporting in the deferred outflow or inflow of resources. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet for taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position

Government-wide:

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets, represents all capital assets, including infrastructure reduced by accumulated depreciation and the outstanding debt directly attributable to the acquisition, construction or improvement of these assets. Restricted component of net position represents external restrictions by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Unrestricted component of net position of the County, is not restricted for any project or purpose.

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

The County issues debt to finance the construction of school facilities for the Board of Education component unit because the Board of Education does not have borrowing or taxing authority. The County reports this debt, whereas the Board of Education reports the related capital assets. The County also issues debt to finance the construction of facilities and various equipment purchases for the County's Volunteer Fire Companies because the Fire Companies do not have taxing authority. The sources of repayment of the debt are secured notes receivable due from the Volunteer Fire Companies.

Maryland State Retirement Pension "MSRP" - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MSRP and additions to/deduction from the fiduciary net position have been determined on the same basis as they are reported by MSRP. 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.

Carroll County Employee Pension, Carroll County Certified Law Officers Pension, and Volunteer Firemen's Length of Service Award Program - For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to each of the County Pension Plans and pension expense, information about the fiduciary net position of these Pension Plans and additions to/deductions from each of the fiduciary net positions have been determined on the same basis as they are reported by each Plan. For this purpose, benefit payments (including refunds of employee

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance- continued

contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In July 2004, the County issued taxable general obligation bonds to pay the entirety of the County's unfunded accrued liability to the Employees' Retirement System of the State of Maryland. These bonds were refunded in December 2013. The County realized savings on a present value basis rather than paying the liability under the amortization plan offered by the Employees' Retirement System. This debt is not related to any capital assets.

Business-Type:

In prior years, the Solid Waste Fund issued debt to finance the construction of closing of several County landfills. The costs were not capitalized as assets. Of the total outstanding debt of \$1,070,563 in the solid waste fund, \$575,538 is associated with landfills closing costs.

The Bureau of Utilities fund collects certain fees that are subject to restrictions imposed by law. As of June 30, 2017, fees collected through water/sewer user rates, area connection charges and maintenance fees totaling \$16,021,139 have been restricted for future capital projects. The Solid Waste, Airport, Fiber Network and Septage funds have restricted component of net position for capital projects in the amounts of \$4,347,065, \$1,983,525, \$12,904 and \$599,568, respectively. These amounts totaling \$22,964,201 are restricted in the business-type activities of the Statement of Net Position.

Fund Equity

In the fund financial statements, governmental funds report limitations of fund balance for amounts that are nonspendable and are not available for appropriation or are legally restricted by outside parties or creditors for use for a specific purpose. Commitments of fund balance represent limitations placed on spending that are imposed by and may be removed by the adoption of County Ordinance by the Board of County Commissioners. Assignments of fund balance reflect tentative plans by Board that may be subject to change. The Board of County Commissioners delegates authority to the Comptroller and the Director of Management and Budget to establish assignments of fund balance. Residual net resources are reported as unassigned fund balance and are the excess of nonspendable, restricted, committed and assigned fund balance. The County considers restricted, committed, assigned or unassigned fund balance amounts to have been spent when an expenditure is incurred for the purposes for which the fund balance classifications could be used. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. The general fund is the only fund that reports a positive unassigned fund balance.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance- continued

Stabilization Arrangement

The Board of County Commissioners adopted ordinance number 2013-07 to establish the Stabilization Arrangement which must total a minimum of five percent of the following fiscal year adopted general fund budget. Requests for appropriations from the Stabilization Arrangement shall occur only after exhausting current year's budgetary flexibility and spending of the current year's appropriated contingency. The funds can be spent if one of the following events occurs:

1.) A sudden and unexpected decline in total general fund revenues that exceed one percent of the original projected revenues, **AND** actual revenues for two of the following major revenue sources are projected in the current year to fall below the actual amount from the prior year: property taxes, income tax, recordation tax, state shared taxes, investment interest.

OR

2.) One of the following events occurs that creates a significant financial difficulty for the County and are in excess of the current year's appropriated contingency: a.) Declaration of a State of Emergency by the Governor of Maryland; b.) Unanticipated expenditures as a result of legislative changes from State/Federal governments in the current fiscal year; c.) Acts of Terrorism declared by the Governor of Maryland or the President of the United States; or d.) Acts of nature, which are infrequent in occurrence and unusual in nature.

H. Estimated Liability for Claims in Process

The liability for claims in process in the Internal Service Fund includes estimates for personal injury, worker's compensation, property damage and medical claims as of June 30, 2017. The liability is based on estimates made on an individual claim basis plus an actuarial estimate of the liability for claims incurred but not reported.

I. Estimates

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

J. Revenues and expenditures/expenses

1.) Program Revenues

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

2.) Proprietary Funds, Operating & Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Bureau of Utilities, Solid Waste, Fiber Network, Septage Treatment, the Firearms Facility and the Airport are charges to customers for sales and services. The Bureau of Utilities also recognizes as operating revenue the portion of hookup fees and lateral fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as nonoperating revenues and expenses.

3.) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and the Capital Projects Fund. Encumbrances outstanding at year-end are reported as assigned fund balances in the governmental funds balance sheet, since they do not constitute expenditures or liabilities.

4.) Property Taxes

Full year taxes and first semi-annual installments are billed and due on July 1st and may be paid without interest on or before September 30th. For fiscal year 2017, the following discounts were allowed: 1 percent on full year tax payments made on or before July 31st and 0.5 percent on full year tax payments made on or before August 31st. Semi-annual tax payments are not eligible for the discount. Second semi-annual installments are due on December 1st and may be paid without interest on or before December 31st. A service charge is payable with the second installment unless both installments are paid by September 30th. Delinquent accounts are issued final bills and legal notices on April 1st. Following the required advertisements and notices, the appointed tax collector conducts a Tax Sale on the last business day of the fiscal year.

Real and personal property taxes are levied at rates enacted by the County Commissioners in the annual budget process on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies- continued
J. Revenues and expenditures/expenses- continued

The real property tax rate during the year ended June 30, 2017 was \$1.018 per \$100 of assessed value and the personal property rate was \$2.515 per \$100. Real property taxes for the County, State and Towns are billed to property owners and collected by the County.

5.) Other Taxes & Fees

Impact fees are included in the capital projects fund to provide funding to capital projects for schools and parks that are eligible to receive impact fee funding. In order for a project to be eligible it must be created to alleviate pressures related to growth as described in the impact fee ordinance. Impact Fees are collected at the time a permit is issued for the construction of a new residential dwelling.

Like impact fees Agricultural Transfer Tax is included in the capital projects fund and is restricted by law to provide funding for the Agricultural Land Preservation Program. Agricultural Transfer Tax is collected on the sale of agricultural property that is changing use from agriculture to another classification.

6.) Compensated Absences

Employees of the County earn vacation, compensatory and sick leave in varying amounts. Upon separation, employees are reimbursed for accumulated unused vacation and compensatory leave.

County employees who are participants in the State retirement program are given credited service days toward their retirement benefits for accumulated sick leave. County employees who are not in the State retirement program may be eligible to claim a portion of their unused sick days upon retirement.

Accrued unused vacations, compensatory, and sick leave, along with the employer paid portion of taxes and benefits, are reported as expenses and/or liability of the activity and function that will pay it. A liability for these amounts is reported in the funds only if they have matured, for example, as a result of employee resignations and retirements. Earned but unused vacation and compensatory leave of proprietary funds are recorded as an expense and liability of those funds.

7.) Component Units

Board of Education employees hired prior to July 1, 1997 meeting specified service requirements are eligible to accumulate sick time and upon retirement, are entitled to payment for unused sick time at 50% of their accrued sick leave balance at their previous three year average daily rate. The remaining employees, hired prior to July 1, 1997, may accumulate unused sick time and will be paid for a maximum of 250 days or their accumulated balance at June 30, 2003, whichever is greater. Employees hired July 31, 1997 and later are eligible to accumulate unlimited sick time, but are not entitled to payment for unused sick time upon retirement. There is a maximum accrual of 30 paid vacation days for those employees eligible to earn and accumulate vacation time. Library and Community College employees are permitted to accumulate vacation time and carry it over to future periods. Upon separation, employees are reimbursed for accumulated vacation. Employees are not reimbursed for accumulated unused sick leave.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued

J. Revenues and expenditures/expenses- continued

8.) Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in General Government. It is the County's internal policy that refunding bond premiums and discounts are allocated to the general fund. Premiums related to new bond issues are allocated to the capital fund. Discounts are recorded as general fund expenditures. Issuance costs are allocated to the general fund.

9.) Arbitrage Payable

Arbitrage rebate requirements under Internal Revenue Code Section 1.148-3 apply to general obligation bond issuances of 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, and 2003, respectively.

The law requires the computation and payment of arbitrage profits on unspent proceeds of a bond issue if the current investment of these funds yields a higher rate of return than the original bond issue. The County calculates arbitrage internally every six months. As of June 30, 2017, there is no arbitrage liability due to the Internal Revenue Service.

K. New Accounting Pronouncements

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*

This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB 68. The County has implemented the effects of this Statement for reporting period ending June 30, 2017 with no affect.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued
K. New Accounting Pronouncements- continued

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

The objective of this Statement is to improve the usefulness of information about Postemployment Benefits Other than Pensions included in general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The County has implemented the effects of this Statement for reporting period ending June 30, 2017.

Statement No. 77, *Tax Abatement Disclosures*

This Statement requires governments that enter into tax abatement agreements to disclose a brief description of the agreement, the amount of taxes being abated and commitments made by government other than abated taxes that are part of the tax abatement agreement. The County has implemented the effects of this Statement for reporting period ending June 30, 2017, with no effect.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68. The County has implemented the effects of this Statement for reporting period ending June 30, 2017, with no effect.

Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB No. 14*

This Statement will improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. The Statement was not applicable to the County and therefore was implemented for reporting period ending June 30, 2017 with no effect.

Statement No. 81, *Irrevocable Split-Interest Agreements*

This Statement will improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement was not applicable to the County and therefore was implemented for reporting period ending June 30, 2017 with no effect.

Statement No. 82, *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No.73*

This Statement will provide guidance for applying fair value to investments and disclosures related to all fair value measurements. The County has implemented the effects of this Statement for reporting period ending June 30, 2017.

Future Accounting Pronouncements

GASB has issued the following Statements which will become effective in future years as shown below. Management is currently evaluating the effect of the implementation of these Standards.

Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other Than Pensions*

The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This Statement will become effective for fiscal years beginning after June 15, 2017.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of significant accounting policies-continued
K. New Accounting Pronouncements- continued

Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement will become effective for fiscal years beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will become effective for fiscal years beginning after December 15, 2018.

Statement No. 85, *Omnibus 2017*

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement will become effective for fiscal years beginning after June 15, 2017.

Statement No. 86, *Certain Debt Extinguishment Issues*

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purposes of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is deceased in substance. This Statement will become effective for fiscal years beginning after June 15, 2017.

Statement No. 87, *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. his Statement will become effective for fiscal years beginning after December 15, 2019.

L. Prior Period Adjustment
Component Units

Board of Education's net position of statement of activities were restated because accumulated depreciation on capital assets, specifically school buildings was not correctly calculated and recorded for financial statement purposes. An adjusting journal entry totaling \$4,861,330 was recorded to increase beginning net position. Therefore, the total net position of the Statement of activities was previously reported as \$301,218,752, and was restated with a net increase of \$4,861,330 to a restated amount of \$306,080,082.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 2 – Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, compensated absences, and pension liabilities are not due and payable in the current period and therefore are not reported in the funds.”

The details of bonds payable and compensated absences difference are as follows:

Bonds Payable	\$262,840,938
General Obligation Debt-Installment Purchases	32,827,508
Purchase Agreements Payable	5,334,709
Compensated Absences	6,199,670
Premium on Bonds	<u>21,413,992</u>
Total long-term debt and compensated absences	<u>328,616,817</u>
Deferred Charges	<u>(8,896,780)</u>
Total Long Term Liabilities & Deferred Charges	<u>\$319,720,037</u>

The details of net pension liabilities differences are as follows:

Net Employee Pension Liability	\$ 8,501,249
Net Certified Law Officer Pension Liability	2,596,538
Net LOSAP Pension Liability	1,343,404
Net MSRA Pension Liability:	
CC Officials State of MD	\$279,129
Soil Conservation	<u>237,464</u>
	<u>516,593</u>
	<u>\$12,957,784</u>

Another element of that reconciliation states “Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable in the funds.”

Property Taxes- unavailable	\$ 779,333
Income Taxes- unavailable	<u>14,785,083</u>
	<u>\$15,564,416</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

B. Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between the *net change in fund balances – total governmental funds* and *change in net position - governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Purchase of capital assets		\$ 10,881,443
Donated assets		2,832,224
Depreciation		(17,201,690)
Disposal of assets		(116,657)
Transferred from Component unit:		
Land	910,175	
Building & Improvements	20,802,164	
Accumulated depreciation	<u>(12,269,848)</u>	
Net book value		<u>9,442,491</u>
		<u>\$ 5,837,811</u>

Another element of that reconciliation states “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The detail of this \$(221,823) difference represents the net change of \$375,349 Property Taxes-unavailable plus \$(597,172) in Income Taxes-unavailable in the fund statements.

Another element of that reconciliation states “The issuance of long-term debt (i.e., bonds, notes, installment purchase agreements) proceeds provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Debt Issued or Incurred:

Issuance of new installment purchase agreements		\$ (1,303,000)
Issuance of new general obligation bonds		(20,516,961)
Principal payments on general obligation bonds		35,332,127
Principal payments on purchase agreements		331,392
Net change in amortization of		
deferred loss on refunding bonds		(1,114,139)
Net change in amortization of bond premium		636,722
Net change in accrued interest expense		<u>272,414</u>
		<u>\$ 13,638,555</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 2 – Reconciliation of Government-wide and Fund Financial Statements-continued

B. Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities - continued

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of some expense differences are as follows:

Increase in Compensated Absences Accrual	\$ (174,025)
Difference between accrual method used in Government wide Statements and the Purchase Method of inventory used in the Fund Statements	<u>115,749</u>
	<u>\$ (58,276)</u>

The details of adjustment to the net pension liabilities are as follows:

County Employee Pension Liability	\$ 2,075,707
Certified Law Officer Pension Liability	68,656
LOSAP Pension Liability	73,916
MSRA Pension Liability:	
CC Officials	\$(77,310)
Soil Conservation	<u>16,366</u>
	<u>(60,944)</u>
	<u>\$2,157,335</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 – Equity in Pooled Cash and Investments, Cash Equivalents and Investments

PRIMARY GOVERNMENT

Custodial Credit Risk Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. At year-end, the collected bank balance was \$18,931,965. The Federal Depository Insurance Corporation “FDIC” insured \$250,000 and the balance of \$18,681,965 was collateralized with investments held in the County’s name at the Federal Reserve Bank. At June 30, 2017, the County’s deposits were not exposed to custodial credit risk.

The following table reconciles the County’s deposits and investments to the government-wide statement of net position and the statement of fiduciary net position at June 30, 2017.

	Primary Government		
	Primary		
	<u>Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Equity in Pooled Cash & Investments	\$ 156,050,970	\$ 582,762	\$ 156,633,732
Cash and Cash Equivalents	423,051	-	423,051
Restricted Assets-Investments	28,219,985	178,238,024	206,458,009
Total Cash and Investments	<u>\$ 184,694,006</u>	<u>\$ 178,820,786</u>	<u>\$ 363,514,792</u>
Bank balances and cash on hand			\$ 18,931,965
Investments			344,582,827
Total Balances at June 30, 2017			<u>\$ 363,514,792</u>

COMPONENT UNITS

The following table reconciles the Component Unit’s deposits and investments to the government-wide statement of net position at June 30, 2017:

	Carroll					Industrial Development Authority
	Board of Education	Carroll Community College	Carroll Community College Foundation	Total Carroll Community College	Library	
Cash and Cash Equivalents	\$ 15,843,870	\$ 7,307,887	\$ 292,118	\$ 7,600,005	\$ 1,373,104	\$ 5,586,450
Restricted Cash and Cash Equivalents	-	-	-	-	29,987	8,381,944
Investments	10,000,000	-	9,765,304	9,765,304	-	-
Total Cash and Investments	<u>\$ 25,843,870</u>	<u>\$ 7,307,887</u>	<u>\$ 10,057,422</u>	<u>\$ 17,365,309</u>	<u>\$ 1,403,091</u>	<u>\$ 13,968,394</u>
Bank balances and cash on hand	\$ 15,843,870	1,343,945	\$ 1,029,291	\$ 2,373,236	\$ 1,403,091	\$ 13,968,394
Investments	10,000,000	5,963,942	9,028,131	14,992,073	-	-
Total Balances at June 30, 2017	<u>\$ 25,843,870</u>	<u>\$ 7,307,887</u>	<u>\$ 10,057,422</u>	<u>\$ 17,365,309</u>	<u>\$ 1,403,091</u>	<u>\$ 13,968,394</u>

All of the collected bank balance was insured by the FDIC and/or collateralized by securities held by the component unit or its agent, in the component unit’s name.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 – Equity in Pooled Cash and Investments, Cash Equivalents and Investments-continued

PRIMARY GOVERNMENT

Investment Risk

Interest Rate Risk: The County plans its investments to match cash flow requirements. In accordance with the investment policy, the County does not invest in securities maturing more than two years from the date of purchase and only 30 percent of the lowest investment balance can be invested between one and two years (as of June 30, 2017 the 30 percent was \$47,000,000). The only exception is the purchase of U.S Treasury bonds and U.S. Treasury strips for the Agricultural Land Preservation Program. These securities have no coupon and have long-term maturity lengths; therefore, they are very interest rate sensitive. If market rates were to rise, the market value of these securities would decline further than a similar coupon-paying Treasury security. Conversely, if market interest rates were to fall, the market value of these securities would rise further than a similar coupon-paying Treasury security. The County plans to hold these securities to their maturity to pay off the related debt when due.

Credit Risk: State law limits investments in bankers' acceptances and commercial paper to the highest letter and numerical rating by at least one nationally recognized statistical rating organization. As of June 30, 2017, the County did not invest in any of these types of investments.

Concentration of Credit Risk: The County places no limit on the amount the County may invest in any one issuer. Under state law, the County cannot invest more than 10 percent of its portfolio in commercial paper.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, or not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent, but not in the government's name. County and State statutes require that securities underlying all certificate of deposits, repurchase agreements and reverse repurchase agreements have a market value of at least 102 percent of the cost plus accrued interest of the investment. County policies require that a third party custodian hold investment securities and the collateral underlying all investments, in the government's name. As of June 30, 2017, the County's investments were not exposed to custodial credit risk.

The following table displays the fair value measurements within the fair value hierarchy by investment type established by generally accepted accounting principles. Investments for the primary government and fiduciary funds have the following recurring fair value measurements as of June 30, 2017.

The three levels of the fair value hierarchy under the accounting guidance are listed below:

Level 1

Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the County can access at the measurement date.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 – Equity in Pooled Cash and Investments, Cash Equivalents and Investments-continued

Level 2

Inputs other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly.

Level 3

Inputs that are unobservable and significant to the fair value measurement for an asset or liability.

Primary Government:	Fair Value/ Amortized Costs	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value level</u>				
<u>Debt Securities</u>				
Federal agencies (2)	\$ 64,777,050	\$ -	\$ 64,777,050	\$ -
U.S. government securities (1)	26,788,985	-	26,788,985	-
Total debt securities	<u>91,566,035</u>	<u>-</u>	<u>91,566,035</u>	<u>-</u>
<u>Equity Securities</u>				
Money rate savings account	10,002,239	10,002,239	-	-
Total Equity Securities	<u>10,002,239</u>	<u>10,002,239</u>	<u>-</u>	<u>-</u>
Total Primary Government Investments	<u>101,568,274</u>	<u>10,002,239</u>	<u>91,566,035</u>	<u>-</u>
Other Post Employment Benefits (OPEB) and Pension Funds:				
<u>Investments by fair value level</u>				
<u>Debt Securities</u>				
Corporate Bonds	26,510,428	26,510,428	-	-
Total debt securities	<u>26,510,428</u>	<u>26,510,428</u>	<u>-</u>	<u>-</u>
<u>Equity Securities</u>				
Equities (3)	73,645,720	73,645,720	-	-
Short-term investments (3)	590,979	590,979	-	-
Marketable securities	77,490,897	77,490,897	-	-
Total Equity Securities	<u>151,727,596</u>	<u>151,727,596</u>	<u>-</u>	<u>-</u>
Total OPEB and Pension Funds	<u>178,238,024</u>	<u>178,238,024</u>	<u>-</u>	<u>-</u>
Total Investments at fair value	<u>\$ 279,806,298</u>	<u>\$ 188,240,263</u>	<u>\$ 91,566,035</u>	<u>\$ -</u>
Investments at amortized costs				
MLGIP	64,776,529			
Total Investments	<u>\$ 344,582,827</u>			

- (1) These investments are backed by full faith & credit of the U.S. Government
- (2) These agencies mature in fiscal year 2018/2019 but are callable monthly, quarterly, semi-annually until maturity.
- (3) These investments are unrated.

The following is a description of the valuation methodologies the County used to measure investments at fair value and determine which level the investment belongs in for the fair value hierarchy.

Equity Securities are valued at the last sales price or if no sale price is available and the market is active then the last transaction price before year-end is used. These securities are in level 1 of the fair value hierarchy.

Debt Securities are valued at the most recent price of the equivalent quoted yield. Debt securities are in level 2 of the fair value hierarchy.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 – Equity in Pooled Cash and Investments, Cash Equivalents and Investments-continued

Fiduciary Funds

Investment Risk

Fiduciary funds for Carroll County are the Carroll County Employee Pension Plan, the Carroll County Certified Law Officer Pension, LOSAP, & OPEB “the Trust Funds”. The Trust Funds operate under one investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment program that achieves a reasonable long-term total return consistent with the level of risk assumed. Investments for the Trust Funds are reported at fair value.

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

Established by generally accepted accounting principles, the accounting guidance provides direction for measuring fair value. A fair value hierarchy is used to measure fair value of the investments. There are three levels in the fair value hierarchy. With Level 1 being the highest priority to unadjusted quoted prices in the markets for identical assets and Level 3 being the lowest priority.

Component Units

At year-end, the carrying value of the Board of Education’s combined deposits was \$16,124,906 and cash on hand was \$3,513. The bank balance of deposits was \$17,226,135. The bank balance was covered either by federal depository insurance or collateral held by the financial institution’s trust department in the Board’s name. Statutes authorize secured time deposits in Maryland banks. Statutes require uninsured deposits to be fully collateralized. Therefore, under the reporting requirements of Governmental Accounting Standards Board Statement No. 40, the Board’s deposits are not subject to custodial or credit risk at year-end. Because of the short-term maturity and type of investments, there is limited interest rate risk.

As of June 30, 2017, the cash on hand for petty cash and change in funds for Carroll Community College was \$3,300.

At June 30, 2017, the College’s cash and cash equivalents balance by type were as follows:

Cash on hand	\$ 3,300
Cash in bank	1,340,645
Bank money market	1,034,221
Maryland Local Government Investment Pool	<u>4,929,721</u>
	<u>\$7,307,887</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 – Equity in Pooled Cash and Investments, Cash Equivalents and Investments-continued

As of June 30, 2017, the carrying amount of the Library's deposits was \$1,403,091 and the bank balance was \$1,586,348. There is no custodial credit risk for either of these investments as the amounts are fully collateralized.

Restricted cash consists of amounts previously contributed to the Library. The funds were established in 1996 by the Board of Trustees of the Library for the purpose of establishing a fund that enables the Library both to continue and to expand programs that are or will be authorized in accordance with its mission. The funds are segregated from operating funds.

As of June 30, 2017, the Industrial Development Authority bank balance was \$13,968,394. All deposits were covered by Federal Depository Insurance and/or collateral held in the Authority's name by the financial institution.

Note 4 – Budgets and Budgetary Accounting

In April, the budget officer presents recommendations to the County Commissioners for review in a public session at which time estimates of revenues and budget requests are assembled for preparation of a proposed budget.

In May, a public hearing is scheduled on the budget. Taxpayers may comment on the operating and capital budgets and presentation of a proposed tax rate.

Following the hearing, a public meeting is held with the County Commissioners for reviewing the comments made at the hearing. The proposed budget is adopted at this time.

In June, certifications of the adoption are made to the Director of Management and Budget who is charged with implementing those phases of operation which will ensure that the approved budgets are submitted to all departments, bureaus, or agencies prior to July 1 as well as to ensure that the tax billing, effective July 1, reflects the tax rate as set by the County Commissioners. Annual budgets are adopted for the General, Capital and Special Revenue Funds.

The appropriated budget for the General Fund is prepared by function, department, activity and object. The legal level of budgetary control for the County's General Fund is at the department level. Project-length budgets along with the current year's portion of each project are budgeted in the Capital Projects Fund. The appropriated budgets are prepared by individual grants for the Special Revenue Funds. The legal level of budgetary control is at the project level for the Capital Projects Fund and at the program level for the Grant Fund and on an annual basis for Hotel Rental Tax Fund and Watershed Protection and Restoration Fund.

Transfers in the General Fund can be made between departments and functions with the approval of the Board.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 4 – Budgets and Budgetary Accounting-continued

A public hearing is necessary for supplemental budgetary appropriations excluding those pertaining to Grant Funds. Unused budget appropriations lapse at the end of the fiscal year for the General Fund and Special Revenue Funds and at the end of each project in the Capital Projects Fund.

The budgeted amounts are as originally adopted, or as amended by the County Commissioners. There were no supplemental budgetary appropriations adopted for the year ending June 30, 2017.

Note 5 – Receivables and Deferred Inflows/Outflows

Receivables

Most of the receivables in the Governmental Funds are liens on real property that will be collected via the annual tax sale process if not paid. Receivables as of yearend for the government’s individual major funds and non-major and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>Tax</u>	<u>Accounts</u>	<u>Interest</u>	<u>Notes</u>	<u>Total</u>
<u>Governmental funds</u>					
General fund	\$ 535,804	\$ 249,729	\$ 349,898	\$ 16,772,842	\$ 17,908,273
Capital Projects fund	-	94,978	2,303	-	97,281
Non-major funds	-	2,038,083	-	190,396	2,228,479
	<u>535,804</u>	<u>2,382,790</u>	<u>352,201</u>	<u>16,963,238</u>	<u>20,234,033</u>
Uncollectible allowances	(49,400)	-	-	-	(49,400)
Total governmental funds	<u>\$ 486,404</u>	<u>\$ 3,327,568</u>	<u>\$ 352,201</u>	<u>\$ 16,963,688</u>	<u>\$ 20,184,633</u>
Amount not scheduled for collection during subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,054,206</u>	<u>\$ 16,054,206</u>
		<u>Accounts</u>			
<u>Proprietary funds</u>					
Bureau of Utilities		\$2,963,068			
Solid Waste		629,888			
Airport		213,076			
Fiber Network		32,054			
Non-major funds		92,204			
Internal Service Fund		15,514			
Total proprietary funds		<u>\$3,945,804</u>			
Amount not scheduled for collection during subsequent year		<u>\$ -</u>			

Most of the receivables in the Enterprise Funds are liens on real property that will be collected via the annual tax sale process if not paid.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Receivables and Deferred Inflows/Outflows-continued

Balances for the component units for the year ended June 30, 2017 was as follows:

<u>Component Units</u>	Accounts and Notes		Other	Students	Contributions	Total
	Accounts Restricted	Unrestricted				
Board of Education	\$ -	\$ 297,852	\$ -	\$ -	\$ -	\$ 297,852
Carroll Community College	-	-	134,816	782,439	1,852,488	2,769,743
Library	61,377	7,597	-	-	-	68,974
Industrial Development Authority	-	7,294,968	-	-	-	7,294,968
	61,377	7,600,417	134,816	782,439	1,852,488	10,431,537
Less: allowances	-	(2,387,463)	-	(462,658)	-	(2,850,121)
Total component unity activities	<u>\$ 61,377</u>	<u>\$ 5,212,954</u>	<u>\$ 134,816</u>	<u>\$ 319,781</u>	<u>\$ 1,852,488</u>	<u>\$ 7,581,416</u>
Amount not scheduled for collection during subsequent year	\$ -	\$ -	\$ -	-	\$ 1,842,948	\$ 1,842,948

Unearned Revenues

Governmental and Enterprise Funds also report unearned revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2017, the various components of unearned revenue reported were as follows:

Governmental funds

General Fund:

City of Westminster \$ 77,449

Capital Fund:

Highway user revenue 1,328,418

Developer Contributions 138,845

Impact fees 800,484

Community Support 5,003

BOE restricted 199,855

Grants Fund:

Draws in excess of expenditures 1,057,168

Total governmental funds \$ 3,607,222

Proprietary funds

Bureau of Utilities \$ 6,073

Airport 33,594

Internal Service Fund:

Future benefit payments from retirees 11,879

Total proprietary funds \$ 51,546

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Receivables and Deferred Inflows/Outflows-continued

Deferred Outflows of Resources

In the government-wide statement of net position, deferred outflows of resources are reported as follows:

Deferred Outflows of Resources:

<u>Government-Wide</u>	<u>Deferred Outflows</u>
Governmental activities	
Deferred charge on refunding	\$ 8,896,780
Deferred charge for pension:	
Carroll County Employee Pension	\$4,074,268
Carroll County Certified Law Officers Pension	871,404
Length of Service Award Program (LOSAP)	324,113
State employee pension- cc officials	76,550
State employee pension- soil conservation	<u>80,117</u>
Total deferred charge for pension	\$ 5,426,452
Business-type activities	
Deferred charge on refunding	<u>664</u>
Total government-wide	<u>\$ 14,323,896</u>

Deferred Inflows of Resources

Deferred Inflows are as follows:

<u>Government-Wide</u>	<u>Deferred Inflows</u>
Governmental activities	
Carroll county employee pension	\$2,961,909
Carroll County Certified Law Officers Pension	921,238
LOSAP	281,198
MSRA-CC Officials	14,084
MSRA- Soil Conservation	<u>22,810</u>
Total deferred inflows for pension	4,201,239
Business-type activities	
Deferred charge on refunding	<u>104,907</u>
Total government-wide	<u>\$ 4,306,146</u>

Governmental funds reported unearned revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period.

<u>Governmental funds</u>	<u>Unavailable Revenue</u>
General Fund:	
Income taxes	\$ 14,785,083
Property taxes	<u>779,333</u>
Total governmental funds	<u>\$ 15,564,416</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6 – Interfund Receivables, Payables and Transfers

Interfund Transfers

At June 30, 2017, the Interfund transfers between primary government major and non-major funds were as follows:

Interfund Transfers

	Transfers Out			Total
	General Fund	Capital Projects Fund	Non-Major Fund	
Transfers In:				
General Fund	\$ -	\$ 11,588,410	\$ 276,114	\$ 11,864,524
Capital Projects Fund	2,977,556	-	13,300	2,990,856
Bureau of Utilities	204,490	-	-	204,490
Solid Waste	2,415,000	-	-	2,415,000
Internal Service Fund	196,114	-	-	196,114
Non-Major Governmental Funds	1,820,914	-	-	1,820,914
Total transfers	<u>\$ 7,614,074</u>	<u>\$ 11,588,410</u>	<u>\$ 289,414</u>	<u>\$ 19,491,898</u>

The primary reason Interfund Transfers are made between the general fund to other major and non-major funds is for the continuation of operations and/or the funding of capital projects. 9.09 percent of Income Tax is dedicated to the capital fund and is transferred to the general fund to cover debt service for school construction.

Due from/to Component Units

The due from/to component units at June 30, 2017 consisted of the following:

	Due From	Due To
Primary Government:		
Board of Education	\$ 13,867	\$ 34,655,913
Carroll Community College	445	41,614
Library	1,611	5,120
Industrial Development Authority	612,910	-
	<u>\$ 628,833</u>	<u>\$ 34,702,647</u>
Component Units:		
Primary Government (Board of Education)	34,655,913	13,867
Primary Government (Carroll Community College)	41,614	445
Primary Government (Library)	5,120	1,611
Primary Government (IDA)	-	612,910
	<u>\$ 34,702,647</u>	<u>\$ 628,833</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6 – Interfund Receivables, Payables and Transfers-continued

Due from/to Fiduciary Funds

Due to/from primary government and due from fiduciary funds:

	Due From	Due To
Trust Funds:		
General Fund	\$ -	\$ 385,463
Governmental Activities:		
Other Postemployment Benefit Trust	385,463	-
	\$ 385,463	\$ 385,463

Due from/to Other Governmental Funds

Governmental Funds:

	Due From	Due To
General Fund	\$ 300,166	\$ 7,147,766
Capital Fund	6,799,470	-
Non-Major Governmental Funds (Grants)	348,296	300,166
	\$ 7,447,932	\$ 7,447,932

Internal Balances

Due from/to Business-type funds:

Internal Balances

	Due From	Due To
Business-type Activities:		
General Fund	\$ -	\$ 2,326,226
Grant Fund	2,966	-
	\$ 2,966	\$ 2,326,226
Governmental Activities:		
Fiber Network	\$ 2,247,517	\$ -
Airport	78,709	-
Internal Service Fund	-	2,966
Total Governmental Activities	\$ 2,326,226	\$ 2,966

The Airport Fund, Fiber Network and OPEB trust fund overdraw their share of Equity in Pooled Cash accounts. The overdraw was covered by the General Fund. The General Fund had an outstanding accounts receivable with the Airport, Fiber Network and OPEB trust fund at June 30, 2017.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7 – Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions*	Net of Transfers and Retirements	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 34,569,392	\$ 1,360,675	\$ (40,387)	\$ 35,889,680
Construction in progress	9,727,788	6,434,264	(5,977,797)	10,184,255
Total capital assets, not being depreciated	<u>44,297,180</u>	<u>7,794,939</u>	<u>(6,018,184)</u>	<u>46,073,935</u>
Capital assets, being depreciated:				
Buildings and contents	193,393,561	18,477,933	-	211,871,494
Improvements other than buildings	73,666,509	2,868,309	5,624,102	82,158,920
Automobiles, machinery and equipment	46,727,086	3,456,977	(1,222,111)	48,961,952
Infrastructure	572,280,713	2,827,848	-	575,108,561
Total capital assets, being depreciated	<u>886,067,869</u>	<u>27,631,067</u>	<u>4,401,991</u>	<u>918,100,927</u>
Less accumulated depreciation for:				
Buildings and contents	57,716,768	15,726,089	-	73,442,857
Improvements other than buildings	25,706,578	6,801,576	-	32,508,154
Automobiles, machinery and equipment	33,086,786	3,250,327	(1,499,536)	34,837,577
Infrastructure	427,444,011	3,693,546	-	431,137,557
Total accumulated depreciation	<u>543,954,143</u>	<u>29,471,538</u>	<u>(1,499,536)</u>	<u>571,926,145</u>
Total capital assets, being depreciated, net	<u>342,113,726</u>	<u>(1,840,471)</u>	<u>5,901,528</u>	<u>346,174,782</u>
Governmental activities capital assets, net	<u>\$ 386,410,906</u>	<u>\$ 5,954,468</u>	<u>\$ (116,657)</u>	<u>\$ 392,248,717</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 8,968,255	\$ 70,007	\$ -	9,038,262
Construction in progress	9,174,076	4,988,483	(1,775,575)	12,386,984
Total capital assets, not being depreciated	<u>18,142,331</u>	<u>5,058,490</u>	<u>(1,775,575)</u>	<u>21,425,246</u>
Capital assets, being depreciated:				
Buildings and contents	24,272,597	-	-	24,272,597
Improvements other than buildings	11,550,808	42,606	-	11,593,414
Automobiles, machinery and equipment	27,487,207	2,700,889	(223,837)	29,964,259
Infrastructure:				
Water facilities	55,439,328	-	-	55,439,328
Sewer facilities	47,731,450	-	-	47,731,450
Total capital assets, being depreciated	<u>166,481,390</u>	<u>2,743,495</u>	<u>(223,837)</u>	<u>169,001,048</u>
Less accumulated depreciation for:				
Buildings and contents	9,311,979	485,670	-	9,797,649
Improvements other than buildings	5,146,422	504,245	-	5,650,667
Automobiles, machinery and equipment	9,151,940	1,421,204	(223,837)	10,349,307
Infrastructure:				
Water facilities	12,332,305	968,616	-	13,300,921
Sewer facilities	17,539,716	710,043	-	18,249,759
Total accumulated depreciation	<u>53,482,362</u>	<u>4,089,778</u>	<u>(223,837)</u>	<u>57,348,303</u>
Total capital assets, being depreciated, net	<u>112,999,028</u>	<u>(1,346,283)</u>	<u>-</u>	<u>111,652,745</u>
Business-type activities capital assets, net	<u>\$ 131,141,359</u>	<u>\$ 3,712,207</u>	<u>\$ (1,775,575)</u>	<u>\$ 133,077,991</u>

*Additions to accumulated depreciation includes the transfer of capital assets of \$20,802,164 from the Board of Education along with accumulated depreciation of \$12,269,848.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7 – Capital Assets-continued

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

Governmental activities:

General Government	\$ 6,748,752
Public Safety	3,858,165
Public Works	4,720,590
Health	9,017
Culture & Recreation	1,163,288
Judicial	74,141
Economic Development	231,792
Conservation of Natural Resources	395,138
Human Services	807
Total depreciation expense-governmental activities	<u>\$ 17,201,690</u>

Business-type activities:

Bureau of Utilities	\$ 2,296,365
Solid Waste	605,529
Septage	19,273
Airport	176,283
Firearms Facility	28,285
Fiber Network	964,043
Total depreciation expense-business-type activities	<u>\$ 4,089,778</u>

Component units

Activity for the Board of Education for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016 <u>Restated</u>	Additions	Net Transfers and Retirements	Balance June 30, 2017
Capital assets not being depreciated				
Land and improvements	\$ 15,052,303	\$ -	\$ (910,175)	\$ 14,142,128
Construction in Progress	225,711	6,066,984	(2,788,220)	3,504,475
Total capital assets, not being depreciated	<u>15,278,014</u>	<u>6,066,984</u>	<u>(3,698,395)</u>	<u>17,646,603</u>
Capital assets being depreciated				
Building and improvements	602,483,454	2,858,271	(20,802,164)	584,539,561
Equipment	44,081,119	1,362,726	(2,703,733)	42,740,112
Total capital assets being depreciated	<u>646,564,573</u>	<u>4,220,997</u>	<u>(23,505,897)</u>	<u>627,279,673</u>
Less accumulated depreciation				
Buildings and Improvements	211,274,490	14,672,104	(12,269,848)	213,676,746
Equipment	34,377,094	2,861,025	(2,387,844)	34,850,275
Total accumulated depreciation	<u>245,651,584</u>	<u>17,533,129</u>	<u>(14,657,692)</u>	<u>248,527,021</u>
Total capital assets, being depreciated, net	<u>400,912,989</u>	<u>(13,312,132)</u>	<u>(8,848,205)</u>	<u>378,752,652</u>
Capital assets, net	<u>\$416,191,003</u>	<u>\$(7,245,148)</u>	<u>\$(12,546,600)</u>	<u>\$396,399,255</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7 – Capital Assets-continued

Component units-continued

Activity for the Carroll Community College for the year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Net Transfers and Retirements	Balance at June 30, 2017
Capital assets not being depreciated				
Foundation	\$ 382,525	\$ 3,925	\$ (1,500)	\$ 384,950
Capital assets being depreciated				
Building improvements	2,563,943	194,909	-	2,758,852
Equipment	3,742,831	303,324	(81,566)	3,964,589
Vehicles	128,692	58,224	-	186,916
Library books	1,602,476	34,801	(44,217)	1,593,060
Total capital assets being depreciated	<u>8,037,942</u>	<u>591,258</u>	<u>(125,783)</u>	<u>8,503,417</u>
Less accumulated depreciation				
Building improvements	1,041,414	158,648	-	1,200,062
Equipment	3,305,742	184,246	(81,566)	3,408,422
Vehicles	125,618	7,233	-	132,851
Library books	1,541,479	42,060	(43,365)	1,540,174
Total accumulated depreciation	<u>6,014,253</u>	<u>392,187</u>	<u>(124,931)</u>	<u>6,281,509</u>
Total capital assets, being depreciated, net	<u>2,023,689</u>	<u>199,071</u>	<u>(852)</u>	<u>2,221,908</u>
Capital assets, net	<u>\$ 2,406,214</u>	<u>\$ 202,996</u>	<u>\$ (2,352)</u>	<u>\$ 2,606,858</u>

Foundation

The art collection consists of various paintings and drawings by Hiram Williams. These donated items were recorded at their fair value, as determined by independent appraisal, at \$384,950, as of June 30, 2017, and \$381,025 as of June 30, 2016, and adjusted accordingly in the financial statements. Collectibles and artwork with indeterminate useful lives are not depreciated.

Since the donors placed no restriction on their gift of these collections, they are included in Unrestricted Net Position.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7 – Capital Assets-continued

Activity for the Carroll County Public Library for the year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Net Transfers and Retirements	Balance at June 30, 2017
Capital assets not being depreciated				
Construction in progress	\$ 13,232	\$ -	\$ (13,232)	\$ -
Capital assets being depreciated by location				
Headquarters	1,135,350	52,074	(43,589)	1,143,835
Westminster	1,241,372	-	(50,676)	1,190,696
Eldersburg	432,521	-	(4,170)	428,351
Mt. Airy	961,465	-	-	961,465
North Carroll	293,936	-	(2,025)	291,911
Taneytown	138,432	-	-	138,432
Finksburg	124,214	-	-	124,214
Circulation materials	3,260,040	1,100,402	(1,107,836)	3,252,606
Total capital assets, being depreciated	7,587,330	1,152,476	(1,208,296)	7,531,510
Less accumulated depreciation	3,924,462	1,338,106	(1,199,244)	4,063,324
Capital assets, net	<u>\$3,676,100</u>	<u>\$(185,630)</u>	<u>\$(22,284)</u>	<u>\$3,468,186</u>

Activity for the Industrial Development Authority of Carroll County for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Net Transfers and Retirements	Balance June 30, 2017
Capital assets not being depreciated				
Land	\$ 7,274,323	\$ -	\$ (183,153)	\$ 7,091,170
Construction in Progress	1,779,929	9,076	(407,870)	1,381,135
Total capital assets, not being depreciated	9,054,252	9,076	(591,023)	8,472,305
Capital assets being depreciated				
Equipment	37,886	-	-	37,886
Total capital assets being depreciated	37,886	-	-	37,886
Less accumulated depreciation				
Equipment	9,495	3,428	-	12,923
Total capital assets, being depreciated, net	28,391	(3,428)	-	24,963
Capital assets, net	<u>\$ 9,082,643</u>	<u>\$ 5,648</u>	<u>\$(591,023)</u>	<u>\$ 8,497,268</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Long-Term Debt

The following is an analysis of the changes in long-term obligations of the reporting entity for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Principal Repayments/ Amortization	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Purchase Agreements	\$ 5,666,101	\$ -	\$ 331,392	\$ 5,334,709	\$ 296,536
General Obligation Debt	31,524,508	1,303,000	-	32,827,508	-
General Obligation Bonds	277,656,104	20,516,961	35,332,127	262,840,938	27,491,643
Bonds premium/discount	22,050,714	1,302,370	1,939,092	21,413,992	1,745,740
Subtotal	<u>336,897,427</u>	<u>23,122,331</u>	<u>37,602,611</u>	<u>322,417,147</u>	<u>29,533,919</u>
Net other post employments benefit obligation	36,845,328	1,401,365	-	38,246,693	-
Net LOSAP liability	1,417,320	484,089	558,005	1,343,404	-
Net employee pension liability	10,576,956	8,117,562	10,193,269	8,501,249	-
Net certified law officers pension liability	2,665,194	2,277,063	2,345,719	2,596,538	-
Net pension liability (CC Officials State of MD)	201,819	77,310	-	279,129	-
Net pension liability (Soil Conservation- State)	253,830	-	16,366	237,464	-
Estimated liability for claims in process-worker's comp	2,136,529	1,763,037	923,496	2,976,070	1,279,710
for claims in process-insurance	1,971,577	15,820,148	16,229,038	1,562,687	1,547,060
Compensated Absences	6,025,644	3,052,766	2,878,740	6,199,670	-
Governmental activity Long-term liabilities	<u>\$ 398,991,624</u>	<u>\$ 56,115,671</u>	<u>\$ 70,747,243</u>	<u>\$ 384,360,051</u>	<u>\$ 32,360,689</u>
Business-type activities:					
Loans Payable	\$ 158,748	\$ -	\$ 30,141	\$ 128,607	\$ 30,925
General Obligation Bonds	15,284,816	211,715	2,245,200	13,251,331	1,930,455
Subtotal	<u>15,443,564</u>	<u>211,715</u>	<u>2,275,341</u>	<u>13,379,938</u>	<u>1,961,380</u>
Landfill closure/post closure	12,712,169	-	345,360	12,366,809	239,740
Compensated Absences	396,409	154,171	132,361	418,219	151,941
Business-type activity Long-term liabilities	<u>\$ 28,552,142</u>	<u>\$ 365,886</u>	<u>\$ 2,753,062</u>	<u>\$ 26,164,966</u>	<u>\$ 2,353,061</u>
Component Units:					
Board of Education:					
Net other post employment benefit obligation	\$ 93,788,726	\$ 26,930,000	\$ 12,241,106	\$ 108,477,620	\$ -
Compensated Absences	15,778,411	1,657,783	1,829,095	15,607,099	2,400,000
Net pension liability (State of MD)	17,874,365	2,732,743	1,483,375	19,123,733	-
Capital Lease Obligations	2,615,846	-	870,718	1,745,128	930,441
Total Board of Education	<u>\$ 130,057,348</u>	<u>\$ 31,320,526</u>	<u>\$ 16,424,294</u>	<u>\$ 144,953,580</u>	<u>\$ 3,330,441</u>
Carroll Community College					
Net other post employment benefit obligation	\$ 20,150,543	\$ 2,640,880	\$ -	\$ 22,791,423	\$ -
Compensated Absences	889,948	-	15,519	874,429	740,152
Total Carroll Community College	<u>\$ 21,040,491</u>	<u>\$ 2,640,880</u>	<u>\$ 15,519</u>	<u>\$ 23,665,852</u>	<u>\$ 740,152</u>
Library					
Compensated Absences	\$ 523,475	\$ 24,401	\$ -	\$ 547,876	\$ -
Net pension liability	581,213	153,739	55,927	679,025	-
Total Library	<u>\$ 1,104,688</u>	<u>\$ 178,140</u>	<u>\$ 55,927</u>	<u>\$ 1,226,901</u>	<u>\$ -</u>
Industrial Development Authority					
Loans	\$ 5,764,567	\$ -	\$ -	\$ 5,764,567	\$ -
Total Industrial Dev. Authority	<u>\$ 5,764,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,764,567</u>	<u>\$ -</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Long-Term Debt—continued

A.) Governmental Activities

Payments on the non-current liabilities above (excluding compensated absences), that pertain to the County’s governmental activities are made by the General Fund. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. The additions to the unamortized premium on bonds payable for governmental activities are recorded as an Other Financing Source in the General Fund for refunding bonds issued, and in the Capital Projects Fund for new bonds issued.

Payments are made to the pension and other post-employment trust funds from the General Fund as an employer contribution to help reduce the liability.

For governmental activities, compensated absences and arbitrage liabilities are generally liquidated by the General Fund. Claims liabilities typically have been liquidated in the Internal Service Fund.

Long-term obligations at June 30, 2017 consist of the following:

Purchase Agreements

In March 2006, the County entered into phase two with Suntrust Equipment Finance/AAIG Johnson Controls to purchase and install energy saving fixtures for various County buildings. The maturity date for this purchase agreement is February 15, 2021. Payments are due quarterly at an interest rate of 4.04%. The principal sources of repayment for this debt are general revenues of the County including property taxes and income taxes and the debt is secured by the equipment acquired.

In March 2015, phase three was entered into between the County and AAIG/Johnson Controls to continue purchasing and installing energy saving fixtures for various County buildings. The maturity date for this purchase agreement is December 15, 2031. Payments are due quarterly at an interest rate of 2.353%. The principal sources of repayment for this debt are general revenues of the County including property taxes and income taxes and the debt is secured by the equipment acquired.

Issue	Interest Rate	Year Series Matures	Amount of Original Issue	Outstanding June 30, 2017	Due Within One Year
<u>General Government:</u>					
SunTrust/AAIG Johnson Controls	4.040%	2021	\$ 2,649,079	\$ 909,188	\$ 228,704
AAIG Johnson Controls	2.353%	2031	4,536,852	4,425,521	67,832
Total Purchase Agreements				\$ 5,334,709	\$ 296,536

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Long-Term Debt—continued

A.) Governmental Activities—continued

A.) Governmental Activities

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 296,536	\$ 138,025	\$ 434,561
2019	316,017	126,594	442,611
2020	336,498	114,513	451,011
2021	391,245	101,461	492,706
2022	344,966	91,064	436,030
2023-2027	2,057,960	316,342	2,374,302
2028-2031	1,591,487	71,015	1,662,502
Total purchase agreement	<u>\$ 5,334,709</u>	<u>\$ 959,014</u>	<u>\$ 6,293,723</u>

General Obligation Debt

The County issues general obligation debt for the Agricultural Preservation Program to enter Installment Purchase Agreements for land easements. This debt is an obligation of the County for which its full faith and credit are pledged. The sources of repayment for this debt are the general revenues of the County including property taxes, income taxes and dedicated interest earnings and restricted principal from federal obligation securities with a maturity of 10-20 years. These loans range in maturity dates from fiscal year 2019 to fiscal year 2037. The interest rates on these purchase agreements range from 4.641% to 6.00%.

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 1,818,826	\$ 1,818,826
2019	1,201,211	1,818,826	3,020,037
2020	-	1,746,753	1,746,753
2021	-	1,746,753	1,746,753
2022	246,000	1,746,753	1,992,753
2023-2027	7,797,488	7,982,046	15,779,534
2028-2032	17,885,220	5,092,368	22,977,588
2033-2037	5,697,589	756,859	6,454,448
Total purchase agreement	<u>\$ 32,827,508</u>	<u>\$ 22,709,184</u>	<u>\$ 55,536,692</u>

General Obligation Bonds

The County issues general obligation bonds to provide funds for construction of major capital facilities such as libraries, parks and schools, to loan to the volunteer fire companies and for other general county uses such as construction of roads and bridges. The bonds are obligations of the County for which its full faith and credit are pledged. The principal sources of repayment for the bonds are the general revenues of the County including property taxes and income taxes and to the extent bond proceeds are used to finance loans to the volunteer fire companies' loan payments from such entities.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Long-Term Debt—continued
A.) Governmental Activities—continued

Issue	Interest Rate	Year Series Matures	Amount of Original Issue	Outstanding June 30, 2017	Due Within One Year
<u>General Government:</u>					
FHA Loan of 1972- Watershed Bonds	3.502%	2022	\$ 769,700	\$ 158,846	\$ 27,266
FHA Loan of 1974- Watershed Bonds	3.649%	2024	253,000	79,663	9,218
FHA Loan of 1979- Watershed Bonds	3.649%	2031	678,800	321,131	18,008
2006 Public Improvement Bonds	3.50%-4.00%	2021	20,260,000	-	-
2007 Refunding Bonds (January)	3.50%-5.00%	2020	23,165,983	-	-
2007 Public Improvement Bonds	3.75%-5.25%	2022	20,430,000	1,159,156	1,159,156
2007 Refunding Bonds (November)	3.75%-5.25%	2022	6,670,000	2,640,000	620,000
2008 Public Improvement Bonds	3.25%-5.00%	2028	28,294,094	3,695,547	1,802,615
2009 Public Improvement Bonds Series A	2.00%-4.00%	2019	14,759,547	4,945,275	1,578,534
2009 Public Improvement Bonds Series B	4.70%-5.625%	2029	17,631,476	17,159,565	-
2010 Refunding Bonds Series A	0.30%-1.70%	2018	6,044,297	485,273	485,273
2010 Public Improvement Bonds Series D	1.03%-3.51%	2030	8,841,618	7,108,432	419,313
2011 Public Improvement Bonds	2.00%-4.25%	2031	11,042,955	8,558,303	441,494
2011 Refunding Bonds	2.00%-4.25%	2031	9,104,764	5,124,029	1,842,190
2012 Public Improvement Bonds	2.00%-5.00%	2032	13,600,000	10,075,197	631,201
2012 Refunding Bonds	2.00%-5.00%	2032	13,685,415	12,120,859	2,586,369
2013 Public Improvement Bonds	2.00%-5.00%	2033	23,412,567	18,078,596	1,101,902
2014 Public Improvement Bonds	2.00%-5.00%	2034	14,099,475	10,764,158	598,009
2014 Refunding Bonds	2.00%-5.00%	2029	19,078,563	15,447,052	1,105,502
2015 Public Improvement Bonds	3.00%-5.00%	2035	25,448,730	20,998,085	1,105,802
2015 Refunding Bonds	3.00%-5.00%	2022	5,529,176	5,516,503	-
2016 Public Improvement Bonds	3.00%-5.00%	2036	11,291,144	9,722,736	486,137
2016 Refunding Bonds	3.00%-5.00%	2020	2,617,306	2,617,306	912,966
Subtotal General Government				<u>\$ 156,775,712</u>	<u>\$ 16,930,955</u>
<u>Board of Education:</u>					
2006 Public Improvement Bonds	3.50%-4.00%	2021	\$20,260,000	\$ -	\$ -
2007 Refunding Bonds (January)	3.50%-5.00%	2020	23,165,983	-	-
2007 Public Improvement Bonds	3.75%-5.25%	2022	20,430,000	102,101	102,101
2008 Public Improvement Bonds	3.25%-5.00%	2028	43,613,906	4,361,275	2,127,433
2009 Public Improvement Bonds Series A	2.00%-4.00%	2019	8,305,513	2,846,077	908,469
2009 Public Improvement Bonds Series B	4.70%-5.625%	2029	15,946,285	15,946,284	-
2010 Refunding Bonds Series A	0.30%-1.70%	2018	6,054,056	486,057	486,057
2010 Public Improvement Bonds Series D	1.03%-3.51%	2030	10,272,510	8,269,136	526,929
2011 Public Improvement Bonds	2.00%-4.25%	2031	6,957,045	5,610,127	289,417
2011 Refunding Bonds	2.00%-4.25%	2031	769,193	336,233	160,508
2012 Public Improvement Bonds	2.00%-5.00%	2032	6,400,000	5,117,740	320,565
2012 Refunding Bonds	2.00%-5.00%	2032	2,347,757	2,138,034	428,724
2013 Public Improvement Bonds	2.00%-5.00%	2033	1,852,433	1,566,365	95,471
2014 Public Improvement Bonds	2.00%-5.00%	2034	2,347,757	810,473	45,026
2014 Refunding Bonds	2.00%-5.00%	2029	1,852,433	31,079,281	745,518
2015 Public Improvement Bonds	3.00%-5.00%	2035	1,736,270	1,649,407	86,863
2015 Refunding Bonds	3.00%-5.00%	2022	485,905	485,905	-
2016 Public Improvement Bonds	3.00%-5.00%	2036	2,405,656	2,405,656	120,283
2016 Refunding Bonds	3.00%-5.00%	2020	3,520,979	3,520,979	1,228,184
Subtotal Board of Education				<u>\$ 86,731,130</u>	<u>\$ 7,671,548</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Long-Term Debt–continued
A.) Governmental Activities–continued
General Obligation Bonds

Issue	Interest Rate	Year Series Matures	Amount of Original Issue	Outstanding June 30, 2017	Due Within One Year
<u>Volunteer Fire Companies:</u>					
2003 Fire Company Bonds	2.00%-3.85%	2018	\$ 2,100,000	\$ 345,000	\$ 170,000
2004 Fire Company Bonds	4.13%	2019	2,065,000	517,628	165,609
2005 Fire Company Bonds	3.50%-4.125%	2020	2,900,000	760,000	190,000
2006 Public Improvement Bonds	3.50%-4.00%	2021	20,260,000	-	-
2007 Public Improvement Bonds	3.75%-5.25%	2022	20,430,000	170,000	170,000
2008 Public Improvement Bonds	3.25%-5.00%	2028	180,000	27,600	13,462
2009 Public Improvement Bonds Series A	2.00%-4.00%	2019	270,000	92,522	29,533
2010 Refunding Bonds Series A	0.30%-1.70%	2018	381,976	30,667	30,667
2010 Refunding Bonds Series B	0.30%-1.70%	2018	2,210,000	275,000	275,000
2010 Public Improvement Bonds Series D	3.75%-4.90%	2030	535,000	335,000	55,000
2011 Public Improvement Bonds	2.00%-4.25%	2031	750,000	604,800	31,200
2012 Public Improvement Bonds	2.00%-5.00%	2032	1,460,000	1,167,436	73,141
2012 Refunding Bonds	2.00%-5.00%	2032	187,173	187,173	29,913
2013 Public Improvement Bonds	2.00%-5.00%	2033	735,000	621,494	37,880
2014 Refunding Bonds	2.00%-5.00%	2024	60,458	60,458	-
2015 Public Improvement Bonds	3.00%-5.00%	2035	815,000	730,000	85,000
2016 Public Improvement Bonds	3.00%-5.00%	2036	303,200	303,200	15,160
Subtotal Volunteer Fire Companies				\$ 6,227,978	\$ 1,371,565
2013 Taxable Pension Bonds	2.24%	2019	\$ 4,524,000	\$ 2,670,000	\$ 917,000
Subtotal Taxable Pension Bonds				\$ 2,670,000	\$ 917,000
<u>Watershed:</u>					
2007 Public Improvement Bonds	3.75%-5.25%	2022	20,430,000	\$2,663	\$2,663
2008 Public Improvement Bonds	3.25%-5.00%	2028	28,294,094	61,333	29,917
2009 Public Improvement Bonds Series A	2.00%-4.00%	2019	14,759,547	112,428	35,887
2009 Public Improvement Bonds Series B	4.70%-5.625%	2029	17,631,476	471,910	-
2010 Public Improvement Bonds Series D	1.03%-3.51%	2030	8,841,618	104,531	6,661
2011 Public Improvement Bonds	2.00%-4.25%	2031	11,042,955	346,770	17,889
2012 Public Improvement Bonds	2.00%-5.00%	2032	13,600,000	799,627	50,093
2013 Public Improvement Bonds	2.00%-5.00%	2033	23,412,567	1,718,545	104,746
2014 Public Improvement Bonds	2.00%-5.00%	2034	14,099,475	1,925,370	106,965
2014 Refunding Bonds	2.00%-5.00%	2029	19,078,563	134,350	-
2015 Public Improvement Bonds	3.00%-5.00%	2035	25,448,730	3,177,510	167,334
2015 Refunding Bonds	3.00%-5.00%	2022	5,529,176	12,673	-
2016 Public Improvement Bonds	3.00%-5.00%	2036	11,291,144	1,568,408	78,420
Subtotal Board of Education				\$ 10,436,118	\$ 600,575
Subtotal General Obligation Bonds				\$ 262,840,938	\$ 27,491,643
Bond premium/discount				21,413,992	1,745,740
Total				\$ 284,254,930	\$ 29,237,383

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2017, are as follows:

Annual Requirements to amortize general obligation bonds

Years Ending June 30,	Principal	Interest	Total
2018	\$ 27,491,643	\$ 10,482,088	\$ 37,973,731
2019	25,649,440	9,330,711	34,980,151
2020	24,223,753	8,261,056	32,484,809
2021	21,154,371	7,252,343	28,406,714
2022	17,655,879	6,354,601	24,010,480
2023-2027	75,765,334	21,004,065	96,769,399
2028-2032	56,135,518	6,967,818	63,103,336
2033-2037	14,765,000	859,847	15,624,847
Total General Obligation Bonds	\$ 262,840,938	\$ 70,512,529	\$ 333,353,467

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Long-Term Debt—continued

B.) Business-type activities

Bureau of Utilities

Loans Payable-Special Assessment Debt with Governmental Commitment

The County has issued the following special assessment debt to provide funds for upgrading the Freedom District Sewer Treatment Plant and the Filters and Clarifiers for the Hampstead Wastewater Treatment Plant. These bonds are being repaid from Area Connection Charges and Front Foot Assessments charged to the users of the plants. In the event revenues collected for Front Foot Assessments and Area Connection Charges do not cover the debt service payment when due, the County must provide resources to cover the deficiency until other resources are received. This debt is backed by the full faith and credit of the County.

Issue	Interest Rate	Year Series Matures	Amount of Original Issue	Outstanding June 30, 2017	Due Within One Year
Maryland Water Quality Financing:					
2002 Revolving Loan - Hampstead	2.60%	2021	\$ 532,680	\$ 128,607	\$ 30,925
Total Loans Payable				<u>\$ 128,607</u>	<u>\$ 30,925</u>

The annual requirements to repay the loans payable outstanding as of June 30, 2017, are as follows:

Years Ending June 30,	Principal	Interest	Total
2018	\$ 30,925	\$ 5,059	\$ 35,984
2019	31,728	4,255	35,983
2020	32,554	3,430	35,984
2021	33,400	2,583	35,983
Total Loans Payable	<u>\$ 128,607</u>	<u>\$ 15,327</u>	<u>\$ 143,934</u>

General Obligation Bonds

General obligation bonds have been issued for enterprise activities in addition to those of the general government. Bonds reported in the enterprise funds are expected to be repaid from enterprise revenues.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Long-Term Debt—continued
B.) Business-type activities—continued

Issue	Interest Rate	Year Series Matures	Amount of Original Issue	Outstanding June 30, 2017	Due Within One Year
<u>Bureau of Utilities:</u>					
2006 Public Improvement Bonds	3.50%-4.00%	2021	\$ 200,000	\$ -	\$ -
2007 Public Improvement Bonds	3.75%-5.25%	2022	9,401,000	625,867	625,867
2008 Public Improvement Bonds	3.25%-5.00%	2028	7,616,000	818,858	399,435
2009 Public Improvement Bonds Series A	2.00%-4.00%	2019	745,461	255,450	81,540
2009 Public Improvement Bonds Series B	4.70%-5.625%	2029	1,072,240	1,072,240	-
2010 Refunding Bonds Series A	0.30%-1.70%	2018	6,371	512	512
2010 Public Improvement Bonds Series D	3.75%-4.90%	2030	13,742	11,062	705
2011 Refunding Bonds	2.00%-4.25%	2021	484,430	228,821	100,225
2012 Refunding Bonds	2.00%-5.00%	2022	198,550	181,169	36,179
2014 Refunding Bonds	2.00%-5.00%	2024	5,446,358	5,050,753	124,963
2015 Refunding Bonds	3.00%-5.00%	2022	2,978,549	2,978,548	-
2016 Refunding Bonds	3.00%-5.00%	2020	56,307	56,307	19,641
Subtotal Bureau of Utilities				11,279,587	1,389,067
<u>Solid Waste Fund</u>					
2007 Refunding Bonds (January)	3.50%-5.00%	2020	345,658	-	-
2007 Public Improvement Bonds	3.75%-5.25%	2022	604,000	40,211	40,211
2008 Public Improvement Bonds	3.25%-5.00%	2028	296,000	45,386	22,138
2009 Public Improvement Bonds Series A	2.00%-4.00%	2019	9,479	3,248	1,037
2011 Refunding Bonds	2.00%-4.25%	2021	789,648	475,148	158,221
2014 Refunding Bonds	2.00%-5.00%	2024	406,860	223,611	57,928
2015 Refunding Bonds	3.00%-5.00%	2022	191,370	191,370	-
2016 Refunding Bonds	3.00%-5.00%	2020	91,589	91,589	31,948
Subtotal Solid Waste Fund				1,070,563	311,483
<u>Airport Fund</u>					
2001 Public Improvement Bonds	3.25%-4.75%	2021	2,200,000	550,000	110,000
2007 Refunding Bonds (January)	3.50%-5.00%	2020	240,854	-	-
2010 Refunding Bonds Series A	0.30%-1.70%	2018	93,300	7,491	7,491
2010 Public Improvement Bonds Series D	3.75%-4.90%	2030	27,130	21,839	1,392
2011 Refunding Bonds	2.00%-4.25%	2021	286,966	145,769	58,856
2012 Refunding Bonds	2.00%-5.00%	2022	18,716	15,374	3,843
2014 Refunding Bonds	2.00%-5.00%	2020	85,400	34,498	16,091
2016 Refunding Bonds	3.00%-5.00%	2020	63,819	63,819	22,261
Subtotal Airport Fund				838,790	219,934
<u>Septage Fund</u>					
2006 Public Improvement Bonds	3.50%-4.00%	2021	200,000	-	-
2012 Refunding Bonds	2.00%-5.00%	2022	62,391	62,391	9,971
Subtotal Septage Fund				62,391	9,971
Total General Obligation Bonds				\$ 13,251,331	\$ 1,930,455

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Long-Term Debt—continued
B.) Business-type Activities-continued

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2017, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Business-type activities:			
2018	\$ 1,930,455	\$ 574,188	\$ 2,504,643
2019	1,714,447	485,426	2,199,873
2020	1,752,272	404,948	2,157,220
2021	1,461,175	325,349	1,786,524
2022	1,436,831	263,544	1,700,375
2023-2027	3,638,243	498,621	4,136,864
2028-2031	1,317,908	26,836	1,344,744
Total General Obligation Bonds	<u>\$ 13,251,331</u>	<u>\$ 2,578,912</u>	<u>\$ 15,830,243</u>

Advanced Refunding

The County issued general obligation refunding bonds during the current year. The County issued \$6,350,000 on November 10, 2016 of general obligation refunding bonds to redeem the January 2007 outstanding bonds. The net proceeds of \$6,786,228(after payment of \$76,364 for issuance costs) were used to redeem \$6,750,000 of general obligation bonds from January 2007 bonds. The November 2016 redemption was undertaken to reduce total debt service payments by \$284,580. The economic gain or net present value of savings from redeeming general obligation bonds was \$36,228

Advance Refunding – Prior Years

In prior years, the County defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County’s financial statements. At June 30, 2017, \$58,827,875 of defeased bonds remains outstanding.

Bond Authorization

The County has authorization to sell approximately \$153,037,698 in additional bonds for the construction and renovation of several public schools; numerous general public projects and various road and bridge projects. The County has already appropriated \$110,611,278 of the available authorization.

C.) Component Units

In October of 2004, the Board of Education entered into a 10-year energy management plan to provide air conditioning to three elementary schools. Additionally, the plan will upgrade water and lighting fixtures. During the fiscal year ended June 30, 2017, no new capital leases were entered into by the Board of Education.

The Board of Education leases energy management equipment pursuant to capital lease agreements entered into in prior years. Payments made on capital leases are recorded in the General Fund. Future minimum lease obligations are as follows:

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Long-Term Debt–continued

Board of Ed energy management equipment	
<u>Years Ending June 30,</u>	<u>Energy Management Equipment</u>
2018	\$992,243
2019	844,235
	<u>1,836,478</u>
less interest	(91,350)
Present value of future minimum lease payments	<u>\$ 1,745,128</u>

Interest expense related to capital leases was \$92,625 for the year ended June 30, 2017.

On January 5, 2005, the IDA entered into an Investment Agreement with the State of Maryland department of Business and Economic Development to fund the rehabilitation of the Warfield Complex. The proceeds were reloaned to the Warfield Development Corporation. The total amount of the Note is \$4,000,000. Repayment is based upon a nineteen-year amortization with interest at 3.0%, but payments are based upon actual cash flow from the Warfield Complex. This payment structure allows for the deferral of payments in years of insufficient cash flow. In the event payments are deferred, they become due and payable in the subsequent payment period. At loan maturity, December 31, 2025, any unsatisfied deferred payments may be considered for forgiveness, provided all the terms of the agreement have been met. During fiscal year 2017, all terms of the agreement have been met and the Warfield Complex generated no cash flow; therefore, no principal payments were due at June 30, 2017. On November 29, 2017, the IDA and the State of Maryland Department of Commerce negotiated and executed a final settlement of the loan outstanding. To satisfy the loan, a payment of \$3,764,567 was made and the interest payable on the loan, which was \$1,142,937 as of June 30, 2017, was forgiven.

On June 30, 2016, the IDA entered into a \$2,000,000 investment agreement with the State of Maryland and the Department of Commerce to develop the North Carroll Business park project, located in Hampstead, Maryland. The proceeds of the loan are to be used for eligible project costs to develop the infrastructure of the approximately 80 acre park. The agreements states the loan will be interest free for a period of twenty four months beginning on the date of disbursement of the proceeds. Beginning on the day following the end of the 24 month period, the outstanding balance of the investment shall bear interest at 3% per annum.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Long-Term Debt–continued

The annual requirements to amortize notes payable outstanding as of June 30, 2017 are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,764,567	\$ -	\$ 3,764,567
2019	-	60,000	60,000
2020	-	60,000	60,000
2021	-	60,000	60,000
2022	-	60,000	60,000
2023-2026	<u>2,000,000</u>	<u>240,000</u>	<u>2,240,000</u>
	<u>\$5,764,567</u>	<u>\$480,000</u>	<u>\$ 6,244,567</u>

Note 9 – Lease Obligations

Operating Leases

Governmental Activities

The County is committed under various leases to rent office space, parking and a storage facility as lessee. All leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2017 for the County amounted to \$297,630. Future lease payments for these leases are as follows:

<u>Years Ending June 30,</u>	
2018	\$ 301,000
2019	310,030
2020	319,331
2021	328,911
2022	338,778
2023-2026	1,459,841

The County is committed under various rental lease agreements as lessor. All leases are considered for accounting purposes to be collectable leases. Lease revenues for the year ended June 30, 2017 amounted to \$391,641. Future lease revenues for these rentals are as follows:

<u>Years Ending June 30,</u>	
2018	\$ 304,049
2019	304,049
2020	304,049
2021	304,049
2022	304,049
2023-2027	1,520,244
2028-2097	70

In Kind Services

The primary government owns facilities that are used in the operation by their component units (related parties). For the fiscal year 2017, the County recorded \$1,559,430 for the Library; \$3,534,200 for Carroll Community College and \$1,615,574 for the Board of Education as in kind revenue and additional support to the component units.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9 – Lease Obligations-continued

In 2006, the County entered into an Energy Performance Operating Lease with Johnson Controls, Inc. for the first and second phases of the energy project. The lease agreement requires a performance guarantee and service maintenance contract payment which if the County terminates payment before the term ends, the assured performance guarantee shall automatically terminate. The total lease expense for the year ended June 30, 2017 for the County totaled to \$374,764 and has a six-year commitment remaining. The total future minimum payments are as follows:

Years Ending June 30,

2018	\$386,008
2019	397,587
2020	409,045
2021	421,318
2022	433,959

In February 2015, the County signed a new 15-year Energy Performance Operating Lease with Johnson Controls, Inc. to start the third phase of the energy project. The total lease expense for the year ended June 30, 2017 for the County totaled \$109,570 and has a 14-year commitment remaining. The total future minimum payments are as follows:

Years Ending June 30,

2018	\$112,856
2019	116,242
2020	119,730
2021	123,321
2022	127,021
2023-2027	694,602
2028-2031	550,437

Business Type Activities

The County is committed under various business-type rental lease agreements as lessor. All leases are considered for accounting purposes to be collectable leases. Lease revenues for the year ended June 30, 2017 amounted to \$359,507. Future lease revenues for these rentals are as follows:

Years Ending June 30,

2018	\$298,808
2019	301,032
2020	302,559
2021	304,699
2022	306,727
2023-2027	313,552

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9 – Lease Obligations-continued

The cost and carrying amount of the leased assets are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Land	\$13,461,837	\$512,770	\$13,974,607
Buildings	123,544,313	-	123,544,313
Less: Accumulated depreciation	<u>(42,343,943)</u>	<u>-</u>	<u>(42,343,943)</u>
Net carrying value	<u>\$94,662,207</u>	<u>\$512,770</u>	<u>\$95,174,977</u>

Component Units

The Board of Education leases equipment under agreements reported as operating leases. The annual lease payments are recorded as expenses in the Government-Wide Statement of Activities and Expenditures in the General Fund. Operating lease terms extend through the year ended June 30, 2019.

Future minimum payments on operating leases with an initial or remaining noncancellable term in excess of one year are as follows:

<u>Years Ending June 30,</u>	<u>Minimum Annual Lease Payments</u>
2018	\$294,141
2019	171,725
2020	89,963
2021	<u>5,814</u>
Total	\$ 561,643

Operating lease expenditures/expenses for the year ended June 30, 2017 were \$415,332.

The Library leases various office equipment under noncancelable operating leases that extend through the year ending June 30, 2022. Total rental expenditures were \$26,897 for leases for the year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

<u>Years Ending June 30,</u>	
2018	\$26,609
2019	26,609
2020	22,176
2021	22,176
2022	<u>1,848</u>
Total	<u>\$99,418</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9 – Lease Obligations-continued

The Community College entered into a ninety-nine year lease agreement with the County for instructional facilities commencing December 30, 1993 with annual rent in the amount of \$1.

The College has also entered into an operating lease with the Xerox Corporation for copier services. The total lease expense was \$182,882 for the year ended June 30, 2017. The College renewed its operating lease in July 2013, extending the lease agreement until July 2018.

Future minimum payments on operating leases are as follows:

<u>Years Ending June 30,</u>	
2018	\$ 169,620
2019	<u>14,135</u>
Total	<u>\$ 183,755</u>

Note 10 – Landfill Closure, Postclosure and Remediation Costs

The County operates one public disposal facility, Northern Landfill that opened in 1988. The landfill currently has four closed cells and one active cell, which opened in April 2008 and is 26.5 percent filled. Two of the four closed cells have been permanently capped. The two remaining closed cells will be capped after the active cell and remaining two cells are constructed and filled. Beginning July 1, 1997, the County elected to transfer the majority of solid waste out-of-state. The remaining life of the landfill's active and new cells cannot be projected at this time.

Total closure and postclosure costs of Northern landfill are estimated to be \$5,838,213, of which 100 percent has been accrued as of June 30, 2017. In 1994, the County stopped accepting solid waste at its Hoods Mill landfill, with only 30 of 60 acres available being used for landfill deposits.

In addition, the County has recorded an estimated liability of \$1,528,596 for annual monitoring costs of closed landfills. An additional \$5,000,000 had been accrued for remedial care of two landfills closed in prior years, as well as other environmental concerns, for total accrued costs of \$12,366,809.

The County is currently in compliance with a consent order with the Maryland Department of the Environment requiring remedial action. The County is currently working with the department to comply with the consent order and the estimated costs to comply are included in the postclosure and remediation cost liability stated above.

The County uses the local government financial test to demonstrate financial assurance for closure and post-closure costs, as specified by the Environment Protection Agency, subpart G of 40 CFR part 258. The current costs of closure and postclosure care are estimates and are subject to change resulting from inflation/deflation, technology or changes in applicable laws or regulations. These costs are subject to annual evaluation. The County intends on using tipping fee user revenues and General Fund transfers to fund this liability.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY NOTES
TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 11– Pension Plans

Carroll County Employee Pension Plan

Plan administration. The Carroll County Employee Pension Plan “CCEPP” is a single-employer defined benefit pension plan that covers regular employees employed on or after July 1, 2003, who are not eligible to participate in the Maryland State Pension or Retirement Plans. The Carroll County Government does not issue a separate audited financial statement for CCEPP.

The Retirement Plan Committee serves as the administrator of the plan on behalf of Carroll County Government and has the full power and authority to manage the plan. The Retirement Plan Committee consists of those individuals who hold the following positions in the employment of the County or the Carroll County Sheriff’s Office:

- Director, Department of Management and Budget
- Director, Department of Human Resources
- County Attorney
- Bureau Chief, Benefits; and
- Two participants participating in either the CCEPP or CCCLOPP (Carroll County Certified Law Officers Pension Plan) selected by the County Commissioners of Carroll County, Maryland

Plan membership. The most current actuarial valuation was completed as of July 1, 2016. The membership data related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits	241
Terminated plan members entitled to, but not yet receiving benefits	188
Active plan members	<u>733</u>
Total	<u><u>1,162</u></u>

Benefits provided. The defined benefit is determined by the creditable years of service an employee has. After July 1, 2003, creditable service is provided for each pay period worked, with service pro-rated for employees with less than 60 hours worked in a pay period. For those employees with service between July 1, 1985 and June 30, 2003, creditable service is based on the amount of time between their date of hire and June 30, 2003. The basic monthly pension benefit is determined by final average salary multiplied by .007 multiplied by the number of years of creditable service, divided by 12 for service earned prior to October 1, 2009 plus final average salary multiplied by .016 multiplied by the number of years of creditable service, divided by 12 (for years of serviced earned after October 1, 2009). “Final Average Salary” refers to the average annualized base salary in the highest 78 consecutive pay periods. Employees are eligible to begin

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued

Carroll County Employee Pension Plan-continued

drawing their pension when they retire after 30 years of service or at age 62. The County does provide an early retirement at age 55 if the employee has at least three years of Eligibility Service and the sum of age and the employee’s service years equals or exceeds 80. This plan has a tax exempt status. The retirement plan committee recommends any amendments to benefits provided. In order to be effective, all amendments must be approved by majority vote of the Commissioners.

The plan provides retirement and death benefits to plan members or the plan member’s beneficiaries.

Participants who have reached the 12-month anniversary of their Benefit Commencement Date are subject to the cost of living adjustment “COLA”. The adjustment shall not exceed a two percent increase in the Participant’s annual retirement income determined as of the first day of the preceding plan year.

Contributions. Plan members are required to contribute five percent of their annual base pay. The County contributed 7.7 percent of the employees’ annual base pay. For fiscal year 2017, the County contributed \$2,636,200 to the Carroll County Employee Pension Plan.

Investment Policy: Fiduciary funds for Carroll County are the Carroll County Employee Pension Plan, the Carroll County Certified Law Officer Pension, LOSAP, & OPEB “the Trust Funds”. The Trust Funds operate under one investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment program that achieves a reasonable long-term total return consistent with the level of risk assumed. Investments for the Trust Funds are reported at fair value, as described in Note 1. The retirement plan committee has the authority to establish or amend investment policy decisions.

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

Interest rate risk: The Trust Funds do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Fluctuating rates of return are characteristic of the securities markets; the Trust Funds greatest concern is long-term appreciation of assets and consistency of portfolio returns. However, cash and cash equivalent investments are limited to maturities of one year or less.

Foreign currency risk: The Carroll County Employee Pension Plan had the following unrated mutual fund investments with exposure to foreign currency risk from various international currency denominations including European Countries:

	<u>Fair Value in U.S. Dollars</u>
Causeway International Value Fund	\$3,769,341
Harding Loevner International Equity Fund	3,743,572

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued

Carroll County Employee Pension Plan-continued

Credit risk: The investment manager is allowed substantial discretion within a broad framework of approved investment choices. Equity holdings may be selected from those listed on the major securities markets. The manager may purchase any cash instruments having a quality rating of A-2, P-2 or higher by either Moody’s or Standard and Poor’s. Time deposits and repurchase agreements are also acceptable investment vehicles. Any idle cash not invested by the investment managers shall be invested daily through an automatic interest-bearing sweep vehicle.

<u>Ratings</u>	<u>Maximum</u>	<u>Allocation at June 30, 2017</u>
AAA/Aaa	100%	100%
AA/Aa	100%	0%
A/A	100%	0%
BAA/Baa	20%	0%
BBB	20%	0%

Concentration of credit risk: As a means of minimizing risk and providing a consistent return, the investment policies require diversification. U.S. corporate bonds shall be diversified by issuer type with no more than 10% of the portfolio invested in obligations of any one issuer. International bonds shall not exceed more 5% of the International Equity portfolio. Investments by security type for all of the County Trust Funds are to be diversified as follows:

Carroll County Employee Pension Plan

	Minimum	Maximum
Domestic Large Cap Equities	35.0%	55.0%
Domestic Mid Cap Equities	0%	10.0%
Domestic Small Cap Equities	0%	10.0%
Real Estate Equities	5.0%	15.0%
International Equities	5.0%	15.0%
Domestic Fixed Income	20.0%	30.0%
Cash Equivalent	0.0%	15.0%

Rate of return: For the year ended June 30, 2017, the annual money-weighted rate of return on the CCEPP investments, net of pension plan investment expense, was 11.19 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued

Carroll County Employee Pension Plan-continued

Net Pension Liability of the County

The components of the net pension liability of the County at June 30, 2017, were as follows:

Total pension liability	\$85,408,335
CCEPP fiduciary net position	<u>(76,907,086)</u>
County’s net pension liability	<u>\$8,501,249</u>

CCEPP fiduciary net position as a percentage of the total pension liability	90.05%
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Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2017 using the following actuarial assumptions, applied to the periods included in the measurements:

Inflation	3.0 percent
Salary increases	Rates vary by participant age
Investment rate of return	7.0 percent, net of pension plan investment expense including inflation
Mortality	RP-2014 with generational projections using scale MP-2014

Changes since prior valuation: None

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued
Carroll County Employee Pension Plan-continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equities	45%	5.60%
U.S. Small/Mid Cap Equities	10%	6.70%
Foreign Equities	10%	6.80%
Real Estate (REITs)	10%	6.10%
Core Fixed Income	25%	1.25%
Cash	0%	0.00%
Inflation		3.00%
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was seven percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued
Carroll County Employee Pension Plan-continued

Changes in Net Pension liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/16	\$ 77,290,773	\$ 66,713,817	\$10,576,956
Changes for the year:			
Service cost	3,859,961	-	3,859,961
Interest	5,345,393	-	5,345,393
Changes of benefit terms	-	-	-
Differences between expected and actual experience	768,238	-	768,238
Changes of assumptions	-	-	-
Contributions - employer	-	2,636,200	(2,636,200)
Contributions - member	-	1,773,107	(1,773,107)
Net investment income	-	7,682,570	(7,682,570)
Benefit payments, including refunds of member contributions	(1,856,030)	(1,856,030)	-
Administrative expense	-	(42,578)	42,578
Other	-	-	-
Net Changes	<u>8,117,562</u>	<u>10,193,269</u>	<u>(2,075,707)</u>
Balances at 6/30/17	<u>\$ 85,408,335</u>	<u>\$ 76,907,086</u>	<u>\$ 8,501,249</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 7.0 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
County's net pension liability	\$21,694,016	\$8,501,249	\$ (2,206,632)

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

For the year ended June 30, 2017, the County recognized pension expense of \$3,327,477. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued

Carroll County Employee Pension Plan-continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 614,590	\$ 622,127
Changes of assumptions	981,107	-
Net difference between projected and actual earnings on pension plan investment	<u>2,478,571</u>	<u>2,339,782</u>
Total	<u>\$ 4,074,268</u>	<u>\$ 2,961,909</u>

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

Years Ending June 30:

2018	\$610,494
2019	610,492
2020	322,671
2021	(431,298)

Basis of Accounting: The Carroll County Employee Pension Plan’s financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are made on a long-term basis investing in various securities which are exposed to various risks such as interest rate, market and credit risks.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued
Carroll County Employee Pension Plan-continued

Statement of Fiduciary Net Position
Carroll County Employee Pension Plan

Assets:	
Investments at fair value:	
Short-term investments	\$ 264,158
Bond funds	18,889,081
Equity funds	<u>57,764,263</u>
Total assets	<u>76,917,502</u>
Liabilities:	
Accounts payable	<u>10,416</u>
Total liabilities	<u>10,416</u>
Fiduciary Net Position:	
Net position held in trust for pension benefits and other purposes	<u>\$ 76,907,086</u>

Statement of Changes in Fiduciary Net Position
Carroll County Employee Pension Plan

ADDITIONS	
Contributions:	
Employer	\$ 2,636,200
Plan Members	<u>1,773,107</u>
Total Contributions	<u>4,409,307</u>
Investment earnings:	
Net increase in the fair value of investments	<u>7,729,314</u>
Total investment earnings	<u>7,729,314</u>
Less investment expense	<u>(46,744)</u>
Net investment earnings	<u>7,682,570</u>
Total additions	12,091,877
DEDUCTIONS	
Benefits	1,856,030
Administrative expenses	<u>42,578</u>
Total deductions	<u>1,898,608</u>
Change in net position	10,193,269
NET POSITION RESTRICTED FOR COUNTY PENSION	
Beginning of year	<u>66,713,817</u>
End of year	<u>\$ 76,907,086</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued

Carroll County Employee Pension Plan-continued

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2017 using the following actuarial assumptions, applied to the periods included in the measurements:

Projected payroll increases	3% per year
Salary valuation	36-month average highest pay
Post retirement cost-of-living adjustments	1.8%
Inflation rate	3.0%

Carroll County Certified Law Officers Pension Plan

The Carroll County Government established the Carroll County Certified Law Officers Pension Plan “CCLOPP” for eligible law enforcement officers on October 1, 2009.

Plan Description

Plan administration. The Carroll County Certified Law Officers Pension Plan “CCLOPP” is a single-employer defined benefit pension plan that covers Carroll County Sheriff’s Certified Law Officers who are not eligible to participate in the Maryland State Pension or Retirement Plans. The Carroll County Government does not issue a separate audited financial statement for CCLOPP.

The Retirement Plan Committee serves as the administrator of the plan on behalf of Carroll County Government and has the full power and authority to manage the plan. The Retirement Plan Committee consists of those individuals who hold the following positions in the employment of the County or the Carroll County Sheriff’s Office:

- Director, Department of Management and Budget
- Director, Department of Human Resources
- County Attorney
- Bureau Chief, Benefits; and
- Two participants participating in either the CCEPP or CCCLOP (Carroll County Certified Law Officers Pension Plan) selected by the County Commissioners of Carroll County, Maryland

Plan membership. The most current actuarial valuation was completed as of July 1, 2016. The membership data related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits	9
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>105</u>
Total	<u>114</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

Benefits provided. For officers hired October 1, 2009 or later, the Certified Law Officers Pension Plan would replace 50.5% of final average salary after 25 years of service and will replace a smaller percentage of final average salary for officers hired prior to October 1, 2009 (who previously received employer contributions to their 401(k) Plan accounts). Employees are eligible to begin drawing their pension when they retire after 25 years of service or at age 55 with at least 15 years of service. Employees who retire prior to age 55 with at least 15 years of service may begin drawing their pension at age 62. The plan does not provide early retirement benefits. The retirement plan committee recommends any amendments to benefits provided. In order to be effective all amendments must be approved by majority vote of the Commissioners.

The plan provides retirement, disability and death benefits to plan members or the plan member's beneficiaries. This plan has a tax exempt status.

Participants who have reached the 12-month anniversary of their Benefit Commencement Date are subject to the cost of living adjustment "COLA". The adjustment shall not exceed a two percent increase in the Participant's annual retirement income determined as of the first day of the preceding plan year.

Contributions. Plan members are required to contribute eight percent of their annual base pay. The County contributed 14.3 percent of the employees' annual base pay.

Investment Policy: Fiduciary funds for Carroll County are the Carroll County Employee Pension Plan, the Carroll County Certified Law Officer Pension, LOSAP, & OPEB "the Trust Funds". The Trust Funds operate under one investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment program that achieves a reasonable long-term total return consistent with the level of risk assumed. Investments for the Trust Funds are reported at fair value, as described in note 1. The retirement plan committee has the authority to establish or amend investment policy decisions.

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

Interest rate risk: The Trust Funds do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Fluctuating rates of return are characteristic of the securities markets; the Trust Funds greatest concern is long-term

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

appreciation of assets and consistency of portfolio returns. However, cash and cash equivalent investments are limited to maturities of one year or less.

Foreign currency risk:

The Carroll County Certified Law Officers Pension Plan had the following unrated mutual fund investments with exposure to foreign currency risk from various international currency denominations including European Countries:

	<u>Fair Value in U.S. Dollars</u>
Causeway International Value Fund	\$609,036
Harding Loevner International Equity Fund	605,050

Credit risk: The investment manager is allowed substantial discretion within a broad framework of approved investment choices. Equity holdings may be selected from those listed on the major securities markets. The manager may purchase any cash instruments having a quality rating of A-2, P-2 or higher by either Moody's or Standard and Poor's. Time deposits and repurchase agreements are also acceptable investment vehicles. Any idle cash not invested by the investment managers shall be invested daily through an automatic interest-bearing sweep vehicle.

<u>Ratings</u>	<u>Maximum</u>	<u>Allocation at June 30, 2017</u>
AAA/Aaa	100%	100%
AA/Aa	100%	0%
A/A	100%	0%
BAA/Baa	20%	0%
BBB	20%	0%

Concentration of credit risk: As a means of minimizing risk and providing a consistent return, the investment policies require diversification. U.S. corporate bonds shall be diversified by issuer type with no more than 10% of the portfolio invested in obligations of any one issuer. International bonds shall not exceed more 5% of the International Equity portfolio. Investments by security type for all of the County Trust Funds are to be diversified as follows:

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

Carroll County Certified Law Officer Trust Fund

	Minimum	Maximum
Domestic Large Cap Equities	35.0%	55.0%
Domestic Mid Cap Equities	0%	10.0%
Domestic Small Cap Equities	0%	10.0%
Real Estate Equities	5.0%	15.0%
International Equities	5.0%	15.0%
Domestic Fixed Income	20.0%	30.0%
Cash Equivalents	0.0%	15.0%

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on the CCCLOPP investments, net of pension plan investment expense, was 10.99 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the County

The components of the net pension liability of the County at June 30, 2017, were as follows:

Total pension liability	\$15,084,074
CCCLOPP fiduciary net position	(<u>12,487,536</u>)
County's net pension liability	\$ <u>2,596,538</u>
CCCLOPP fiduciary net position as a percentage of the total pension liability	82.79%

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2017 using the following actuarial assumptions, applied to the periods included in the measurements:

Inflation	3.0 percent
Salary increases	Rates vary by participant age
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation
Mortality	RP-2014 with generational projections using scale of MP-2014

Changes since prior valuation: None.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equities	45%	5.60%
U.S. Small/Mid Cap Equities	10%	6.70%
Foreign Equities	10%	6.80%
Real Estate (REITs)	10%	6.10%
Core Fixed Income	25%	1.25%
Cash	0%	0.00%
Inflation		3.00%
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was seven percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/16	\$ 12,807,011	\$ 10,141,817	\$ 2,665,194
Changes for the year:			
Service cost	1,090,452	-	1,090,452
Interest	887,392	-	887,392
Changes of benefit terms	-	-	-
Differences between expected and actual experience	559,179	-	-
Changes of assumptions	-	-	559,179
Contributions - employer	-	798,560	(798,560)
Contributions - member	-	619,466	(619,466)
Net investment income	-	1,195,894	(1,195,894)
Benefit payments, including refunds of member contributions	(259,960)	(259,960)	-
Administrative expense	-	(8,241)	8,241
Net Changes	<u>2,277,063</u>	<u>2,345,719</u>	<u>(68,656)</u>
Balances at 6/30/17	<u>\$ 15,084,074</u>	<u>\$ 12,487,536</u>	<u>\$ 2,596,538</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the CCCLOPP, calculated using the discount rate of 7.0 percent, as well as what the CCCLOPP net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
CCCLOPP net pension liability	\$5,253,386	\$2,596,538	\$489,924

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

For the year ended June 30, 2017, the County recognized pension expense of \$646,121.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 503,261	\$ 473,420
Changes of assumptions	-	91,240
Net difference between projected and actual earnings on pension plan investment	368,143	356,578
Total	<u>\$ 871,404</u>	<u>\$ 921,238</u>

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

Years Ending June 30:

2018	\$ 29,673
2019	29,671
2020	(11,712)
2021	(106,835)
2022	(17,692)
Thereafter	27,061

Basis of Accounting: The CCCLOPP’s financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are made on a long-term basis investing in various securities which are exposed to various risks such as interest rate, market and credit risks.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY NOTES TO
FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

The actuarially determined contribution was determined as part of the July 1, 2016 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return compounded annually (b) projected salary increases due to inflation and seniority/merit raises as follows:

<u>Age</u>	<u>Rate</u>
25	8.75%
35	5.75%
45	5.25%

(c) projected disability rate as follows:

<u>Age</u>	<u>Rate</u>
25	.110%
35	.205%
45	.530%
55	1.44%

The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at July 1, 2016 ranges from 15 to 20 years.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY NOTES TO
FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

**Statement of Fiduciary Net Position
Carroll County Certified Law Officers Pension Plan**

Assets:	
Investments at fair value:	
Short-term investments	\$ 104,795
Bond funds	3,052,984
Equity funds	9,334,375
Total assets	12,492,154
Liabilities:	
Accounts payable	4,618
Total liabilities	4,618
Fiduciary Net Position:	
Net position held in trust for pension benefits and other purposes	\$ 12,487,536

**Statement of Changes in Fiduciary Net Position
Carroll County Certified Law Officers Pension Plan**

ADDITIONS	
Contributions:	
Employer	\$ 798,560
Plan members	619,466
Total contributions	1,418,026
Investment earnings:	
Net increase in fair value of investments	1,217,489
Total investment earnings	1,217,489
Less investment earnings	(21,595)
Net investment earnings	1,195,894
Total additions	2,613,920
DEDUCTIONS	
Benefits and refunds paid to	
plan members and beneficiaries	259,960
Administrative expenses	8,241
Total deductions	268,201
Change in net position	2,345,719
NET POSITION RESTRICTED FOR LAW OFFICERS PENSION	
Net position-beginning of year	10,141,817
Net position-end of year	\$ 12,487,536

**THE COUNTY COMMISSIONERS OF CARROLL
COUNTY NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 11– Pension Plans-continued

Volunteer Firemen Pension Plan (LOSAP)

The Carroll County Government established the Volunteer Fireman Pension Plan Length of Service Award Program “LOSAP” for volunteer firefighters in June 1997.

Plan Description

Plan administration. The Volunteer Fireman Pension Plan “LOSAP” is a single-employer defined benefit length of service award program that covers all volunteer members of all Carroll County Fire Companies or Departments. Members are eligible to participate in the service award plan if they are certified as an active member and attain 50 points through various functions for each year of service.

Plan membership. The most current actuarial valuation was completed as of January 1, 2017. The membership data related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits	226
Terminated plan members entitled to, but not yet receiving benefits	22
Active plan members	<u>660</u>
Total	<u>908</u>

Benefits provided. The defined length of service benefit is determined once members reach 25 years of service and age 60, they may begin receiving disbursements from LOSAP. Benefits are calculated at \$125 per month for life for the first 25 years of service. An additional payment of \$8 per month shall be added to the benefits for each full year of service in excess of 25 years. LOSAP provides a burial benefit of \$5,000 for qualified volunteer firemen upon their death. This plan has tax exempt status. The retirement plan committee recommends any amendments to benefits provided. In order to be effective, all amendments must be approved by majority vote of the Commissioners.

Contributions. Carroll County must provide annual contributions that satisfy the required amount to fund this program. Funding of this program shall be reviewed every 5th year to determine if any changes should be made. There are not participant-financed benefits in this plan. Administrative costs are financed through investment earnings.

Investment Policy: Fiduciary funds for Carroll County are the Carroll County Employee Pension Plan, the Carroll County Certified Law Officer Pension, LOSAP, & OPEB “the Trust Funds”. The Trust Funds operate under one investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment program that achieves a reasonable long-term total return consistent with the level of risk assumed. Investments for the Trust Funds are reported at fair value, as described in note 1. Carroll County Government has the authority to establish or amend investment policy decisions.

The Trust Funds invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY NOTES TO
FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 11– Pension Plans–continued

Volunteer Firemen Pension Plan (LOSAP)-continued

securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such a change could materially affect the amounts reported in the statement of fiduciary net position available for benefits.

Interest rate risk: The Trust Funds do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Fluctuating rates of return are characteristic of the securities markets; the Trust Funds greatest concern is long-term appreciation of assets and consistency of portfolio returns. However, cash and cash equivalent investments are limited to maturities of one year or less.

Foreign currency risk: The Volunteer Fireman Pension Plan “LOSAP” had the following unrated mutual fund investments with exposure to foreign currency risk from various international currency denominations including European Countries:

	<u>Fair Value in U.S. Dollars</u>
Causeway International Value Fund	\$453,115
Harbor International Fund	465,170

Credit risk: The investment manager is allowed substantial discretion within a broad framework of approved investment choices. Equity holdings may be selected from those listed on the major securities markets. The manager may purchase any cash instruments having a quality rating of A-2, P-2 or higher by either Moody’s or Standard and Poor’s. Time deposits and repurchase agreements are also acceptable investment vehicles. Any idle cash not invested by the investment managers shall be invested daily through an automatic interest-bearing sweep vehicle.

<u>Ratings</u>	<u>Maximum</u>	<u>Allocation at June 30, 2017</u>
AAA/Aaa	100%	100%
AA/Aa	100%	0%
A/A	100%	0%
BAA/Baa	20%	0%
BBB	20%	0%

Concentration of credit risk: As a means of minimizing risk and providing a consistent return, the investment policies require diversification. U.S. corporate bonds shall be diversified by issuer type with no more than 10% of the portfolio invested in obligations of any one issuer. International bonds shall not exceed more 5% of the International Equity portfolio. Investments by security type for all of the County Trust Funds are to be diversified as follows:

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY NOTES TO
FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 11– Pension Plans-continued

Volunteer Firemen Pension Plan (LOSAP)-continued

Volunteer Firemen Pension Plan (LOSAP)

	<u>Minimum</u>	<u>Maximum</u>
Domestic Large Cap Equities	35.0%	55.0%
Domestic Mid and Small Cap Equities	0.0%	10.0%
Real Estate Equities	5.0%	15.0%
International Equities	5.0%	15.0%
Domestic Fixed Income	10.0%	30.0%
Cash Equivalents	0.0%	10.0%

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on the LOSAP investments, net of pension plan investment expense, was 9.57 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the County

The components of the net pension liability of the County at June 30, 2017, were as follows:

Total pension liability	\$ 9,805,694
LOSAP fiduciary net position	
County's net pension liability	<u>(8,462,290)</u>
	<u>\$ 1,343,404</u>
LOSAP fiduciary net position as a percentage of the total pension liability	86.30%

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2017 using the following actuarial assumptions, applied to the periods included in the measurements:

Actuarial Cost Method	Unit Credit
Amortization Method	Level payments over a period of 10 years
Remaining Amortization Period	10 years
Asset Valuation Method	Market Value
Inflation	3.0 percent
Salary increases	Not Applicable
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation
Retirement Age	The later of 25 years of service and age 60
Mortality	RP-2000 Combined Healthy tables with Blue Collar adjustments, blended 75% male and generational projection using Scale AA

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY NOTES
TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 11– Pension Plans-continued

Volunteer Firemen Pension Plan (LOSAP)-continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equities	45%	5.60%
U.S. Small/Mid Cap Equities	10%	6.70%
Foreign Equities	10%	6.80%
Real Estate (REITs)	10%	6.10%
Core Fixed Income	20%	1.25%
Cash	5%	0.00%
Inflation		3.00%
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was seven percent. The projection of cash flows used to determine the discount rate assumed that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active volunteer firemen. 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.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY NOTES TO
FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 11– Pension Plans-continued
Volunteer Firemen Pension Plan (LOSAP)-continued

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/16	\$ 9,722,079	\$ 8,304,759	\$ 1,417,320
Changes for the year:			
Service cost	147,110	-	147,110
Interest	681,084	-	681,084
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(44,119)	-	(44,119)
Changes of assumptions	-	-	-
Contributions - employer	-	100,000	(100,000)
Net investment income	-	766,560	(766,560)
Benefit payments, including refunds of member contributions	(700,460)	(700,460)	-
Administrative expense	-	(8,569)	8,569
Other	-	-	-
	<u>83,615</u>	<u>157,531</u>	<u>(73,916)</u>
Balances at 6/30/17	<u>\$ 9,805,694</u>	<u>\$ 8,462,290</u>	<u>\$ 1,343,404</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of LOSAP, calculated using the discount rate of 7.0 percent, as well as what the LOSAP net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
LOSAP net pension liability	\$2,179,072	\$1,343,404	\$627,841

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY NOTES TO
FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 11– Pension Plans-continued

Volunteer Firemen Pension Plan (LOSAP)-continued

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

For the year ended June 30, 2017, the County recognized pension expense of \$271,750.

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$38,604
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investment	<u>324,113</u>	<u>242,594</u>
Total	<u>\$ 324,113</u>	<u>\$ 281,198</u>

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

Years Ending June 30:

2017	\$ 17,945
2018	17,497
2019	65,804
2020	(42,237)
2021	(5,515)
Thereafter	(11,029)

Basis of Accounting: The Volunteer Fireman Pension Plan “LOSAP” financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are made on a long-term basis investing in various securities which are exposed to various risks such as interest rate, market and credit risks.

The Carroll County Government does not issue a separate audited financial statement for LOSAP.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued
Volunteer Firemen Pension Plan (LOSAP)-continued

Pension Plan Fiduciary Net Position:

Statement of Fiduciary Net Position	
Volunteer Firemen Pension Plan (LOSAP)	
Assets:	
Investments at fair value:	
Short-term investments	\$ 222,026
Bond funds	1,700,501
Equity funds	<u>6,547,082</u>
Total assets	<u>8,469,609</u>
Liabilities:	
Accounts payable	<u>7,319</u>
Total liabilities	<u>7,319</u>
Fiduciary Net Position:	
Net position held in trust for pension benefits and other purposes	<u><u>\$ 8,462,290</u></u>

Statement of Changes in Fiduciary Net Position
Volunteer Firemen Pension Plan (LOSAP)

ADDITIONS	
Contributions:	\$ 100,000
Investment earnings:	
Net increase in the fair value of investments	<u>775,104</u>
Total investment earnings	775,104
Less investment expense	<u>(8,544)</u>
Net investment earnings	<u>766,560</u>
Total additions	866,560
DEDUCTIONS	
Benefits	700,460
Administrative expenses	<u>8,569</u>
Total deductions	<u>709,029</u>
Change in net position	157,531
NET POSITION RESTRICTED FOR LOSAP	
Net position-beginning of year	<u>8,304,759</u>
Net position-end of year	<u><u>\$ 8,462,290</u></u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System

Plan Description

The County participates in the Maryland State Retirement and Pension System “the System” and qualifies as a Participating Governmental Unit “PGU”. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the system’s administration and operation is vested in a 15-member Board of Trustees.

The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System. The State is obligated to annually pay into the accumulation fund of each State system at least an amount that, when combined with the System’s accumulation funds, is sufficient to provide benefits payable under each plan during that fiscal year. The System is accounted for as one defined benefit plan as defined in Governmental Accounting Standards Board “GASB” Statement No. 67, “Financial Reporting for Pension Plans an amendment of GASB Statement No. 25.” Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the System is included in the State’s reporting entity and disclosed in its financial statements as a pension trust fund. The Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer can be found at www.sra.maryland.gov/employers. The System’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016 can be found at www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2016.pdf.

The System is comprised of the Teachers’ Retirement and Pension Systems, Employees’ Retirement and Pension systems, State Police Retirement System, Judges’ Retirement System, and the Law Enforcement Officers’ Pension System.

The County adopted GASB Statement No. 68-“Accounting and Financial Reporting for Pensions” (“GASB 68”). GASB 68 requires that a PGU recognize its proportionate share of the System's net pension liability (i.e. unfunded pension liability) and pension expense.

The County adopted GASB Statement No. 71-“Pension Transition for Contributions Made Subsequent to the Measurement Date-AN Amendment of GASB No. 68” (“GASB 71”). GASB 71, which is only applicable during the year which GASB 68 was adopted, requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources.

On June 30, 1985, the Board of Carroll County Commissioners elected to withdraw from the Maryland State Retirement Agency “Agency”. Employees participating in the Employees’ Retirement and Pension Systems at that time continued their participation in those Systems. Employees hired July 1, 1985 and after were not permitted to enroll. After the County’s withdrawal, the Agency calculated an unfunded accrued liability owed by the County and instituted a payment schedule whereby the County would make annual payments until the liability was paid. The balance of the unfunded accrued liability was paid to the Agency with the proceeds from taxable pension funding bonds issued in 2004. As of June 30, 2016, 48 employees participate in the Employees’ Retirement Systems.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-continued

In addition, certain “State Elected Officials” and “Soil Conservation District” employees hired after June 30, 1985 are entitled to participate in Employees’ Retirement and Pension Systems. As of June 30, 2016, three Officials and seven Soil Conservation District employees participate. State Elected Officials and Soil Conservation District employees who participate in the Employees' Retirement and Pension Systems contributed 7 percent of their compensation during fiscal year 2017 as stipulated by the System.

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

At June 30, 2017, the County reported a total liability of \$516,593 for its proportionate share of the net pension liability: \$279,129 for County Elected/Appointed Officials and \$237,464 for County Soil Conservation District. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability “NPL” was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2016. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2016, the County’s proportionate share was 0.0011831% for CC Elected Officials and 0.0010065% for Soil Conservation employees.

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to the MSRA System for CC Elected Official from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 9,103	\$ -
Net difference between projected and actual earnings on pension plan investments	41,020	14,084
County contributions subsequent to the measurement date	<u>26,427</u>	<u>-</u>
Total	<u>\$ 76,550</u>	<u>\$ 14,084</u>

\$26,427 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2018	\$ (8,600)
2019	(8,599)
2020	(11,948)
2021	(7,504)
2022	612

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-continued

Carroll County Elected/Appointed Officials allocated net pension liability and related information:

County Elected/Appointed Officials Contribution	\$23,047
St. of MD total adjusted contributions	<u>\$1,948,083,000</u>
County’s proportion of total contributions	0.0011831%
Total Net Pension Liability –St. of MD	\$23,594,027,000
County Elected/Appointed Officials share of NPL	\$279,129
Total Pension Expense – St. of MD	\$2,708,535,670
County Elected/Appointed Officials share pension exp.	\$78,016

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to the MSRA for Soil Conservation from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 16,928	\$ -
Net difference between projected and actual earnings on pension plan investments	41,441	22,810
County contributions subsequent to the measurement date	<u>21,748</u>	<u>-</u>
Total	<u>\$80,117</u>	<u>\$ 22,810</u>

\$21,748 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2018	\$ (6,698)
2019	(6,697)
2020	(11,342)
2021	(11,343)
2022	521

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-continued

Carroll County Soil Conservation Dist. allocated net pension liability and related information:

County Soil Conservation Dist. Contribution	\$19,607
St. of MD total adjusted contributions	<u>\$1,948,083,000</u>
County’s proportion of total contributions	0.0010065%
Total Net Pension Liability – St. of MD	\$23,594,027,000
County Soil Conservation Dist. share of NPL	\$237,464
Total Pension Expense – St. of MD	2,708,535,670
County Soil Conservation Dist. - pension expense	\$(16,381)

Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The States Consulting Actuary performed an experience study of MSRPS for the period 2010-2015 after completion of the June 30, 2015 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates, and rates of salary increase were adopted by the Board for first use in the actuarial valuation as of June 30, 2016. As a result, an investment return assumption of 7.55% and an inflation assumption of 2.70% were used for the June 30, 2016 valuation.

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-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System’s investment consultant(s) and actuary(s). For each major asset class that is included in the System’s target asset allocation, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	6.60%
Private Equity	10%	7.40%
Rate Sensitive	20%	1.30%
Credit Opportunity	9%	4.20%
Real Assets	15%	4.70%
Absolute Return	<u>9%</u>	3.70%
Total	<u>100%</u>	

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-continued

Investments

The above was the System’s Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 1.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Sensitivity of the net pension liability to changes in the discount rate. The net pension liability sensitivity to changes in the single discount rate is as follows:

	1% Decrease	Current Discount Rate	1% Increase
	(6.55%)	(7.55%)	(8.55%)
St. of MD CC Elected Officials.	\$383,408	\$279,129	\$192,353
St. of MD Soil Conservation.	\$326,177	\$237,464	\$163,641

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued System’s financial report.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Maryland State Retirement Pension System “the System” pension plans and additions to/deductions from the plans have been determined on the same basis they are reported by the System. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System
Component Units

Plan description. The employees of the Board are covered by the Maryland State Retirement and Pension System “the System”, which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the Board are a member of either the Teachers’ Retirement and Pension Systems or the Employees’ Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System’s administration and operation is vested in a 15-member Board of Trustees. The System issues a publically available financial report that can be obtained at <http://www.sra.state.md.us/>.

Benefits provided. The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. For individuals who become members of the Teachers’ Retirement and Pension Systems and the Employees’ Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation “AFC” and the actual number of years of accumulated creditable service. For individuals who become members of the Teachers’ Pension System and Employees’ Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retirees’ benefits allowance will be computed. Some of these options require actuarial reductions based on the retirees’ and/or designated beneficiary’s attained age and similar actuarial factors.

A member of either the Teachers’ or Employees’ Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member’s average final compensation “AFC” multiplied by the number of years of accumulated creditable service.

A member of either the Teachers’ or Employees’ Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers’ or Employees’ Pension System on or after July 1, 2011, is eligible for full retirement benefits if the members’ combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers’ or Employees’ Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers’ or Employees’ Pension System on

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued
Component Units

or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning in July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System.

Contributions. The Board and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System and Employees' Pension System are required to contribute 7% annually. Members of the Teachers' Retirement System and Employees' Retirement System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

Beginning in FY2017, the Board pays the normal cost for their teachers in the Teachers Retirement and Pension System while the State contributes on behalf of the Board, the unfunded liability portion of the Board's annual required contribution to the Teachers Retirement and Pension System. For the year ended June 30, 2017, the Board's contribution was \$6,934,964. The State's contributions on behalf of the Board for the year ended June 30, 2017 was \$20,917,175. The fiscal 2017 contribution made by the State on behalf of the Board have been included as both revenues and expenditures in the general fund in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

The Board's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2017, was 6.73% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board made its share of the required contributions during the year ended June 30, 2017 of \$1,483,375.

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

Employees' Retirement and Pension Systems

At June 30, 2017, the Board reported a liability of \$19,123,733 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2016. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2016, the Board's proportionate share was 0.0810533%, which is a decrease of .0049568 from its proportion measured as of June 30, 2015.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-continued

For the year ended June 30, 2017, the Board recognized pension expense of \$2,352,771. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 500,420
Changes in assumptions	815,054	-
Change in proportion	562,550	824,081
Net difference between project and actual earnings On Pension Plan Investments	2,290,767	-
Net difference between actual and proportionate share of contributions	379,811	-
Board contributions subsequent to the measurement date	<u>1,483,375</u>	<u>-</u>
Total	<u>\$5,531,557</u>	<u>\$1,324,501</u>

\$1,483,375 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2018	\$ 710,033
2019	710,033
2020	954,795
2021	523,620
2022	(174,800)

Teachers’ Retirement and Pension Systems

At June 30, 2017, the Board did not report a liability related to the Teachers’ Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for the Board and the Board pays the normal cost related to the Boards members in the Teachers’ Retirement and Pension Systems; therefore, the Board is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-continued

State's proportionate share of the net pension liability	\$ 241,411,271
Board's proportionate share of the net pension liability	<u>-</u>
Total	<u>\$ 241,411,271</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2017, the Board recognized pension expense of \$27,852,139 and revenue of \$20,917,175 for support provided by the State. Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, the Board did not report deferred outflows of resources and deferred inflows of resources related to the Teachers Retirement and Pension Systems.

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.70% general, 3.20% wage
Salary increases	3.20% to 9.20%, including inflation
Investment rate of return	7.55%

Mortality rates were based on RP-2014 Mortality Table with generational mortality projections using scale MP-2014, calibrated to the System's experience.

The economic and demographic actuarial assumptions used in the June 30, 2016 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2010-2014, which was completed during FY 2014. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2015. As a result, an investment return assumption of 7.55% and an inflation assumption of 2.70% were used in the June 30, 2016 valuation.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued
Component Units

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-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System’s investment consultant(s) and actuary(s). For each major asset class that is included in the System’s target asset allocation, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	6.60%
Private Equity	10%	7.40%
Rate Sensitive	20%	1.30%
Credit Opportunity	9%	4.20%
Real Assets	15%	4.70%
Absolute Return	9%	3.70%
Total	<u>100%</u>	

The above was the System’s Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 1.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued
Component Units

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 Board’s net pension liability, calculated using a single discount rate of 7.55%, as well as what the Board’s net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher for the Employees Retirement and Pension Systems:

Current
1% Decrease Discount Rate 1% Increase
<u>(6.55%) (7.55%) (8.55%)</u>

Board's proportionate share of the net pension liability	\$ 26,268,113 \$ 19,123,733 \$ 13,178,548
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Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, the Board did not record a net pension liability related to the Teachers Retirement and Pension Systems.

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued System’s financial report.

Component Unit- Community College

Plan description. The employees of the College are covered by the Maryland State Retirement and Pension System “the System”, which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System’s administration and operation is vested in a 15-member Board of Trustees. The System issues a publically available financial report that can be obtained at <http://www.sra.state.md.us/>.

Benefits provided. The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. For individuals who become members of the Teachers’ Retirement and Pension Systems and the Employees’ Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation “AFC” and the actual number of years of accumulated creditable service. For individuals who become members of the Teachers’ Pension System and Employees’ Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued
Component Units

each system which ultimately determines how a retiree's benefits 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.

A member of the Teachers' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's average final compensation "AFC" multiplied by the number of years of accumulated creditable service.

A member of either the Teachers' or Employees' Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998 plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning in July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System.

Contributions. The Board and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System and Employees' Pension System are required to contribute 7% annually. Members of the Teachers' Retirement System and Employees' Retirement System are required to contribute 5-7 % annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

The State makes a substantial portion of the College's annual required contribution to the Teachers' Retirement and Pension Systems on behalf of the College. The State's contributions on behalf of the College for the years ended June 30, 2017 and 2016, was \$864,945 and \$885,072, respectively. The fiscal 2017 contributions made by the State on behalf of the college have been included as both revenues

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued
Component Units

and expenditures in the accompanying Statement of Revenues, Expenditures, and Changes in Net Position (Deficit).

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

Employees’ Retirement and Pension Systems

At June 30, 2017 and 2016, the College did not report a liability related to Teachers’ Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for College and the College pays the normal cost related to the Colleges members in the Teachers Retirement and Pension Systems; therefore, the College is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

	<u>2017</u>	<u>2016</u>
State’s proportionate share of the net pension liability	\$10,719,468	\$8,861,075
College’s proportionate share of the net pension liability	<u>-</u>	<u>-</u>
Total	<u>\$10,719,468</u>	<u>\$8,861,075</u>

The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, the College did not report deferred outflows of resources and deferred inflows of resources related to the Teachers Retirement and Pension Systems.

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

Valuation Date	June 30, 2016	June 30, 2015
Inflation-general	2.7%	2.7%
Inflation-wage	3.2%	3.2%
Salary increases	3.2% to 9.2%, including inflation	3.2% to 9.2%, including inflation
Investment rate of return	7.55%	7.55%

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued

Component Units

Mortality Rates	RP-2014 Mortality Tables with Projected generational mortality Improvements based on the RP-2014 2-dimensional mortality improvement Scale	RP-2014 Mortality Tables with Projected generational mortality Improvements based on the RP-2014 2-dimensional mortality improvement Scale
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The economic and demographic actuarial assumptions used in the June 30, 2016 valuation were adopted by the System’s Board of Trustees based upon review of the System’s experience study for the period 2010-2014, completion of the June 30, 2014 valuations. Assumptions from the experience study included investment return inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the College for the first use in actuarial valuation as of June 30, 2015. As a result, an investment return assumption of 7.55% and an inflation assumption of 2.70% were used for the June 30, 2016 valuation.

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-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the College after considering input from the System’s investment consultant(s) and actuary(s). For each major asset class that is included in the System’s target asset allocation, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	35%	5.00%	35%	6.30%
Fixed Income	10%	2.00%	10%	0.60%
Credit Opportunity	10%	3.00%	10%	3.20%
Real Return	14%	3.00%	14%	1.80%
Absolute Return	10%	5.00%	10%	4.20%
Private Equity	10%	6.00%	10%	7.20%
Real Estate	10%	5.00%	10%	4.40%
Cash	1%	1.00%	1%	0.00%
Total	<u>100%</u>		<u>100%</u>	

The above was the System’s Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2017 and 2016, respectively.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued
Component Units

For the years ended June 30, 2017 and 2016, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 1.10% and 2.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The single discount rate used to measure the total pension liability was 7.55% and 7.55% as of June 30, 2017 and 2016, respectively. This single discount rate was based on the expected rate of return on pension plan investments of 7.55% as of June 30, 2017 and 2016. 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 plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability. Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, the College did not record a net pension liability related to the Teachers Retirement and Pension Systems.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

Optional Defined Contribution Plan (ORP)

Professional employees otherwise eligible to join the State of Maryland Plan may choose instead to join the Optional Retirement Plan administered by the State of Maryland. This Plan is a noncontributory defined contribution plan. The Plan provides for retirement and death benefits. The Plan was established by, and can be amended by, the State Legislature. The State of Maryland contributes 7.25% of eligible salaries on behalf of the College. For 2017 and 2016, the contribution was \$546,861 and \$549,009, and the covered payroll was \$7,542,910 and \$7,572,543, respectively.

Deferred Compensation Plan

The College offers a defined contribution 403(B) retirement plan to all of its eligible employees. The Plan is contributory on a voluntary basis with all contributions being paid to the trustee. The College makes no basic or matching contributions on behalf of its employees.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued
Component Units

Component Unit-Library:

Plan description. The employees of the Library are covered by the Maryland State Retirement and Pension System “the System”, which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the Board are a member of either the Teachers’ Retirement and Pension Systems or the Employees’ Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System’s administration and operation is vested in a 15-member Board of Trustees. The System issues a publically available financial report that can be obtained at <http://www.sra.state.md.us/>.

Benefits provided. The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. For individuals who become members of the Teachers’ Retirement and Pension Systems and the Employees’ Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Teachers’ Pension System and Employees’ Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retirees’ benefits allowance will be computed. Some of these options require actuarial reductions based on the retirees’ and/or designated beneficiary’s attained age and similar actuarial factors.

A member of either the Teachers’ or Employees’ Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member’s average final compensation “AFC” multiplied by the number of years of accumulated creditable service.

A member of either the Teachers’ or Employees’ Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers’ or Employees’ Pension System on or after July 1, 2011, is eligible for full retirement benefits if the members’ combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers’ or Employees’ Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued
Component Units

certain exceptions, for individuals who are members of the Teachers’ or Employees’ Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member’s AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning in July 1, 2011, any new member of the Teachers’ or Employees’ Pension System shall earn an annual pension allowance equal to 1.5% of the member’s AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers’ or Employees’ Pension System.

Contributions. The Library and covered members are required by State statute to contribute to the System. Members of the Teachers’ Pension System and Employees’ Pension System are required to contribute 7% annually. Members of the Teachers’ Retirement System and Employees’ Retirement System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

The State makes a substantial portion of the Library’s annual required contribution to the Teachers’ Retirement and Pension Systems on behalf of the Board. The State’s contributions on behalf of the Board for the year ended June 30, 2017, was \$857,186. The fiscal 2017 contributions made by the State on behalf of the Board have been included as both revenues and expenditures in the General Fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

The Library’s contractually required contribution rate for the Employees’ Retirement and Pension Systems for the year ended June 30, 2017, was 6.73% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Library made its share of the required contributions during the year ended June 30, 2017 of \$55,927.

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

Employees Retirement and Pension Systems

At June 30, 2017, the Library reported a liability of \$679,025 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board’s proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2015. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2016, the Library’s proportionate share was 0.002878000%, which was an increase of 0.000812 from its proportion measured as of June 30, 2015.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued
Component Units

For the year ended June 30, 2017, the Library recognized pension expense of \$103,376. At June 30, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 26,086	\$ -
Changes in proportions		-
Net difference between projected and actual earnings on pension plan investments	70,981 83,316	-
Net difference between actual and proportionate share of contributions	11,953	-
Net difference between expected and actual experience	-	16,899
Board contributions subsequent to the measurement date	<u>55,927</u>	<u>-</u>
Total	<u>\$ 248,263</u>	<u>\$ 16,899</u>

\$55,927 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2018	\$43,829
2019	43,829
2020	50,806
2021	35,480
2022	1,493

Teachers Retirement and Pension Systems

At June 30, 2017, the Board did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for the Board and the Board pays the normal cost related to the Boards members in the Teachers Retirement and Pension Systems; therefore, the Board is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

State's proportionate share of the net pension liability	\$ 9,945,403
Board's proportionate share of the net pension liability	-
Total	<u>\$ 9,945,403</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued
Component Units

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2017, the Board recognized pension expense of \$857,186 and revenue of \$857,186 for support provided by the State. Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, the Board did not report deferred outflows of resources and deferred inflows of resources related to the Teachers Retirement and Pension Systems.

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.70% general, 3.20% wage
Salary increases	3.30% to 9.20%, including inflation
Investment rate of return	7.55%

Mortality rates were based on RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to the System’s experience.

The economic and demographic actuarial assumptions used in the June 30, 2016 valuation were adopted by the System’s Board of Trustees based upon review of the System’s experience study for the period 2010-2014, which was completed during FY 2014. Certain assumptions from the experience study including mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2015. As a result, an investment return assumption of 7.55% and an inflation assumption of 2.70% were used for the June 30, 2016 valuation.

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-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System’s investment consultant(s) and actuary(s). For each major asset class that is included in the System’s target asset allocation, these best estimates are summarized in the following table:

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued
Component Units

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	6.30%
Private Equity	10%	7.40%
Real Return	20%	1.30%
Credit Opportunity	9%	4.20%
Real Assets	15%	4.70%
Absolute Return	<u>9%</u>	3.70%
Total	<u>100%</u>	

The above was the System’s Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 1.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The single discount rate used to measure the total pension liability was 7.55%. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension 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 Board’s net pension liability, calculated using a single discount rate of 7.55%, as well as what the Board’s net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher for the Employees Retirement and Pension Systems:

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System-Continued
Component Units

	1% Decrease	Current Discount Rate	1% Increase
	<u>(6.55%)</u>	<u>(7.55%)</u>	<u>(8.55%)</u>
Library's proportionate share of the net pension liability	\$ 932,700	\$ 679,025	\$ 467,930

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued System’s financial report.

401(k) Retirement Plan

The County offers a defined contribution 401(k) retirement plan to all its eligible employees. In a defined contribution plan, benefits depend on amounts contributed to the plan plus investment earnings/losses. This plan is self-administered, with record keeping provided through the Lincoln Financial Group. This plan is governed by regulations and statutes promulgated by the Internal Revenue Service. The plan was amended on October 1, 2009.

Employees are eligible to participate upon hire if employment is at least at the half-time level. Employees hired prior to January 1, 1980 who participate in the “Maryland State Employees’ Retirement System” are not eligible to participate in the 401(k) Plan.

Eligible employees can contribute up to an amount allowed by applicable federal law, and not in excess of a member’s annual compensation. The plan is contributory on a voluntary basis with all contributions being paid to the trustee. Prior to October 1, 2009, the County made quarterly contributions to the accounts of each participant. Starting October 1, 2009, the County stopped contributing to the 401(k) Plan accounts of employees enrolled in either of the County’s pension plans. Eligible employees hired prior to July 1, 1985 who are not enrolled in either of the County’s pension plans remain eligible for County contributions to their 401(k) Plan accounts. These contributions range from 2% to 8% of base salary, depending upon the amount contributed by the employee.

The County’s and the employees’ contributions for the year ended June 30, 2017 were \$135,189 and \$2,063,404 respectively.

The Plan also offers a “Roth” option which allows employees to make after-tax contributions. Approximately 13.8 percent of employee contributions to the plan are being made as “Roth” contributions as of June 30, 2017.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland

Plan Description

Plan administration: The Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland “RBTCCCC” is a single-employer defined benefit plan that provides access to medical insurance benefits to eligible retirees who retire from County service in accordance with County policy. The Carroll County Government does not issue a separate audited financial statement for RBTCCCC.

Management of the RTCCCC is vested in the appointed Board of Trustees to serve at the pleasure of the County Commissioners, which consists of the Comptroller of Carroll County Government and the Bureau Chief of Benefits of Carroll County Government.

Plan membership. The most recent actuarial valuation was completed as of July 1, 2016. The membership data related to the plan was as follows:

Number of Participants	
Active employees	922
Deferred vested terminations	-
Retirees in pay status (pre Medicare)	123
Retirees in pay status (Medicare age)	<u>296</u>
Total	<u>1,341</u>

Benefits provided: To be eligible for benefits under this plan, employees, former employees, or beneficiaries of Carroll County Government must meet the following eligibility requirements:

- Age plus service equals at least 75,
- Has at least 10 years of total County service (15years if hired after May1, 2005 or later)
- Has at least 5 years of continuous County service through the date of retirement, and
- Was eligible for County provided health care coverage as a regular employee for at least 5 years immediately preceding the date of retirement.

Full-time employees who retire can also insure their spouses. Retirees who are eligible for County contributions toward the cost of their medical plan may elect to discontinue coverage and re-enroll at future “open enrollment” periods. This plan has a tax exempt status.

Contributions: Retirees contribute a portion of their health care cost which is based on their age and years of service with the County. In fiscal year 2017, the County contributed \$12,124,000 towards the ARC for the Other Postemployment Benefit fund. Administrative costs of the RBTCCCC are financed through investment earnings.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland-continued

Investment Policy: Fiduciary funds for Carroll County are the Carroll County Employee Pension Plan, the Carroll County Certified Law Officer Pension, LOSAP, & OPEB “the Trust Funds”. The Trust Funds operate under one investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment program that achieves a reasonable long-term total return consistent with the level of risk assumed. Investments for the Trust Funds are reported at fair value, as described in Note 1. The retirement plan committee has the authority to establish or amend investment policy decisions.

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

Interest rate risk: The Trust Funds do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Fluctuating rates of return are characteristic of the securities markets; the Trust Funds greatest concern is long-term appreciation of assets and consistency of portfolio returns. However, cash and cash equivalent investments are limited to maturities of one year or less.

Foreign currency risk: The Retiree Benefit Trust, Board of County Commissioner of Carroll County had the following unrated mutual fund investments with exposure to foreign currency risk from various international currency denominations including European Countries:

	<u>Fair Value in U.S. Dollars</u>
Causeway International Value Fund	\$4,918,693
Harding Loevner International Equity Fund	4,886,667

Credit risk: The investment manager is allowed substantial discretion within a broad framework of approved investment choices. Equity holdings may be selected from those listed on the major securities markets. The manager may purchase any cash instruments having a quality rating of A-2, P-2 or higher by either Moody’s or Standard and Poor’s. Time deposits and repurchase agreements are also acceptable investment vehicles. Any idle cash not invested by the investment managers shall be invested daily through an automatic interest-bearing sweep vehicle.

<u>Ratings</u>	<u>Maximum</u>	<u>Allocation at June 30, 2017</u>
AAA/Aaa	100%	100%
AA/Aa	100%	0%
A/A	100%	0%
BAA/Baa	20%	0%
BBB	20%	0%

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland-continued

Concentration of credit risk: As a means of minimizing risk and providing a consistent return, the investment policies require diversification. U.S. corporate bonds shall be diversified by issuer type with no more than 10% of the portfolio invested in obligations of any one issuer. International bonds shall not exceed more 5% of the International Equity portfolio. Investments by security type for all of the County Trust Funds are to be diversified as follows:

Retire Benefit Trust, Board of County Commissioners of Carroll County

	<u>Minimum</u>	<u>Maximum</u>
Domestic Large Cap Equities	35.0%	55.0%
Domestic Mid Cap Equities	0.0%	10.0%
Domestic Small Cap Equities	4.5%	10.0%
Real Estate Equities	5.0%	15.0%
International Equities	5.0%	15.0%
Domestic Fixed Income	20.0%	30.0%
Cash Equivalents	0.0%	15.0%

Rate of return: For the year ended June 30, 2017, the annual money-weighted rate of return on the RBTCCCC investments, net of pension plan investment expense, was 27.39 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the County: The components of the net OPEB liability of Carroll County at June 30, 2017, were as follows:

Total OPEB Liability	\$ 198,924,027
RBTCCCC fiduciary net position	<u>(79,997,394)</u>
RBTCCCC's net OPEB liability	<u>\$ 118,926,633</u>

RBTCCCC fiduciary net position as a percentage of the total OPEB liability	40.22%
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Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland-continued

Inflation	3.0 percent
Salary increases	3.0 percent, average, including inflation
Investment rate of return	7.0 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Based on Society of Actuaries Long-Term Medical Trend Model, the 2012 rate is 6.00% decreasing gradually. The ultimate rate is 4.39% and is attained in 2050.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equities	45%	5.60%
U.S. Small/Mid Cap Equities	10%	6.70%
Foreign Equities	10%	6.80%
Real Estate (REITs)	10%	6.10%
Core Fixed Income	25%	1.25%
Cash	0%	0.00%
Inflation		3.00%
Total	100%	

Discount Rate: The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the County total and net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland-continued

discount rate that is 1-percentage –point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
County's total OPEB liability	\$229,116,582	\$198,924,027	\$174,586,087
County's net OPEB liability (Asset)	149,119,188	118,926,633	94,588,693

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the County’s total and net OPEB liability. We also present the total and net OPEB liability if it is calculated using a trend rate that is 1-percentage –point lower (3.40 percent) or 1-percentage-point higher (5.40 percent) than the current rate:

	1% Decrease 3.40%	Current Trend Rate 4.40%	1% Increase 5.40%
County's total OPEB liability	\$ 171,692,709	\$ 198,924,027	\$ 233,041,129
County's net OPEB liability	91,695,315	118,926,633	153,043,735

Basis of Accounting: The Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland “RBTCCCC” financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Medicare Part D funds are recognized in the period in which they are received. Benefits and refunds are recognized when due and payable in accordance with the term of the plan. Investments are made on a long-term basis investing in various securities which are exposed to various risks such as interest rate, market and credit risks.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland-continued

Annual other postemployment benefit cost “AOPEBC” and net other post employment benefit obligation of the Retiree Benefit Trust, Board of County Commissioners of Carroll County, Maryland are as follows:

Annual required contribution	\$ 11,353,000
Interest	2,579,173
Adjustment to annual required contribution	<u>(2,427,228)</u>
Annual OPEB cost	11,504,945
Contributions made	<u>(10,103,580)</u>
Change in net OPEB obligation	1,401,365
Net OPEB obligation - beginning of year	<u>36,845,328</u>
Net OPEB obligation - end of year	<u>\$ 38,246,693</u>

The annual required contribution was determined as part of the July 1, 2016 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.0 percent investment rate of return compounded annually, (b) projected turnover rates are as follows:

General Government:

<u>Age</u>	<u>Rate</u>
25	11.14%
35	6.21%
45	3.06%

Law Officers:

<u>Age</u>	<u>Years of Service</u>		
	<u>10</u>	<u>15</u>	<u>20</u>
25	6.55%	3.28%	0.50%
35	3.65%	1.83%	0.50%
45	1.80%	0.90%	0.50%
55	0.50%	0.00%	0.00%

The actuarial value of assets was determined using the fair value as of July 1, 2016.

The County’s annual OPEB cost, percentage of OPEB cost contributed, and net other post-employment benefit obligation for the plan for the current fiscal year ended June 30, 2016 is as follows:

Trend Information for the last six years for RBTCCCC:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost (AOPEBC)</u>	<u>% of AOPEBC</u> <u>Contributed</u>	<u>Actual</u> <u>Contribution</u>	<u>Net OPEB</u> <u>Obligation</u>
2011	\$12,496,803	58%	\$7,298,000	\$28,249,507
2012	12,347,059	64%	7,852,800	32,743,766
2013	10,487,348	81%	8,438,080	34,793,034
2014	10,774,859	94%	10,056,900	35,510,993
2015	10,381,487	92%	9,632,900	36,259,580
2016	10,689,328	95%	10,103,580	36,845,328
2017	11,504,945	88%	10,103,580	38,246,693

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued
Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland-continued

Statement of Fiduciary Net Position
Carroll County Postemployment Benefits
Other than Pension Benefits (OPEB)

Assets:	
Receivables-notes	\$ 24,212
Accrued interest	2,386
Investments at fair value:	
Bond funds	2,867,862
Marketable securities	77,490,897
Total assets	<u>80,385,357</u>
Liabilities:	
Accounts payable	2,500
Due to primary government	385,463
Total liabilities	<u>387,963</u>
Fiduciary Net Position:	
Net position restricted for postemployment benefits other than pensions	<u><u>\$ 79,997,394</u></u>

Statement of Changes in Fiduciary Net Position
Carroll County Postemployment Benefits
Other than Pension Benefits (OPEB)

ADDITIONS:	
Contributions:	
Employer	\$ 10,103,580
Plan members	589,816
Total contributions	<u>10,693,396</u>
Investment earnings:	
Interest and dividends	39,692
Net increase or decrease in the fair value of investments	7,433,230
Total investment earnings	<u>7,472,922</u>
Less investment expense	<u>(10,000)</u>
Net investment earnings	<u>7,462,922</u>
Total additions	18,156,318
DEDUCTIONS	
Benefits	4,689,220
Administrative expenses	2,300
Total deductions	<u>4,691,520</u>
Change in net position	13,464,798
Net position restricted for postemployment benefits other than pensions:	
Beginning of year	66,532,596
End of year	<u><u>\$ 79,997,394</u></u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

Component Units

Library

Plan Description. The Library provides medical insurance benefits to eligible employees who retire from employment with the Carroll County Public Library in accordance with a contractual agreement through the County.

Retirees with at least 10 years of service (15 years for those hired after May 1, 2005) are eligible for medical insurance coverage during retirement. The cost of this coverage is subsidized by the employer for those who meet certain age and service requirements. Spousal coverage is also available for eligible full time employees who retire. Retirees who are eligible for this subsidy may elect to discontinue and re-enroll at a later date.

Funding Policy. Retirees pay between 6 percent and 100 percent of the County’s full premium equivalent cost, based upon age and years of service at retirement. The County pays the Library’s share of the employer contribution on behalf of the Library based on the *annual required contribution of the employers “ARC”*, an amount actuarially determined in accordance with the requirements of GASB Statement No. 45.

The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The payments made by the County on behalf of the Library which are included in the Statement of Activities for the year ended June 30, 2017, 2016 and 2015 were \$1,439,256, \$1,277,560, and \$1,243,684, respectively.

Board of Education

The Board provides medical benefits to eligible employees who retire from employment with the Carroll County Public School System. The employer's contributions are financed on a pay-as-you-go basis and any amounts budgeted to be contributed towards meeting the annual required contribution per the actuarial valuation. The future payment of these benefits is contingent upon the annual approval of the operating budget.

The Board provides medical benefits to retirees pursuant to two medical benefit plans for retired employees based on negotiated agreements with various bargaining groups. For retirees over the age of 65 who retired prior to September 1, 1988, the percentage of the premium paid by the Board is dependent upon the retiree’s years of service and ranges from 10% to 100%. For retirees who retired after September 1, 1988, the percentage of the premium paid by the Board is dependent upon the retiree’s years of service and ranges from 0% to 100%. These percentages are applied to premiums established annually by the Board for individual, husband/wife, parent/child, and family coverages. Only Carroll County Board of Education years of service are considered. As of June 30, 2017, 1,066 eligible participants were receiving benefits.

The Board’s annual other postemployment benefit “OPEB” cost (expense) is calculated based on the *annual required contribution of the employer “ARC”*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Board’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes the Board’s net OPEB obligation:

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued
Component Units-continued

Annual required contribution	\$22,475,000
Interest	4,455,000
Adjustment to annual required contribution	<u>(4,878,000)</u>
Annual OPEB cost	22,052,000
Contributions made	<u>(7,363,106)</u>
Increase in net OPEB obligation	14,688,894
Net OPEB obligation - beginning of year	<u>93,788,726</u>
Net OPEB obligation - end of year	<u>\$108,477,620</u>

The Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2017 and the two preceding fiscal years are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost (AOPEBC)</u>	<u>% of AOPEBC</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2015	\$20,904,000	22.22%	\$75,142,431
2016	23,535,000	20.77%	93,788,726
2017	22,052,000	33.39%	108,477,620

Funding Policy:

As of July 1, 2016, the most recent actuarial valuation date, the Plan was 6.2% funded. The actuarial accrued liability for benefits was \$261,573,000 and the actuarial value of assets was \$16,135,200 resulting in an unfunded actuarial accrued liability “UAAL” of \$245,438,000. The covered payroll (annual payroll of active employees covered by the plan) was \$194,800,080, and the ratio of the UAAL to the covered payroll was 126.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued
Component Units-continued

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Percentage Funded (1)/(2) (3)	Unfunded AAL (UAAL) (2)-(1) (4)	Annual Covered Payroll (5)	UAAL as a Percentage of Covered Payroll ((2-1)/5) (6)
July 1, 2010	\$3,722,000	\$ 110,803,000	3.40%	\$ 107,081,000	\$ 200,942,793	53.3%
July 1, 2011	7,369,200	181,428,000	4.10%	174,058,800	187,912,812	92.6%
July 1, 2012	9,277,000	192,349,000	4.80%	183,072,000	198,512,177	92.2%
July 1, 2013	12,385,000	231,734,000	5.30%	219,349,000	199,323,185	110.0%
July 1, 2014	13,252,000	245,811,000	5.40%	232,559,000	199,079,448	116.8%
July 1, 2015	15,566,200	285,881,000	5.40%	270,314,800	193,498,864	139.7%
July 1, 2016	6,135,200	251,573,200	6.20%	245,438,000	194,800,080	126.0%

Schedule of Employer Contributions:

Year Ended June 30:	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$9,725,000	53.53%	\$ 21,373,441
2012	15,475,000	32.03%	31,956,508
2013	16,499,000	32.14%	43,190,699
2014	19,744,000	19.95%	58,881,226
2015	21,182,000	22.22%	75,142,431
2016	24,020,000	20.77%	93,788,726
2017	22,475,000	32.76%	108,477,620

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to the point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, the projected unit credit method, with linear pro-ratio to assumed benefit commencement method was used. The actuarial assumptions included a 4.00% investment rate of return, which assumes that benefits will be funded on a pay-as-you-go basis and that General Fund investments earn 4.00% over the long-term. The UAAL is being amortized as a level percentage of projected payroll on an open bases. The remaining amortization period at June 30, 2016, was 24 years.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

Component Units-continued

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2016
Actuarial Cost Method	Projected unit method
Amortization Method	Level percentage of projected payroll over a 30-year period
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	4%
Payroll Growth Rate	3%
Healthcare Cost Trend Rates:	
Pre-65 Medical	7.0% initial / 5.1% ultimate (not applicable to Life)
Post-65 Medical	7.0% initial / 4.8% ultimate (not applicable to Life)

The Board has adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Statement enhances the Board’s footnote disclosures and expands the required supplemental information (RSI) data with new schedules. It was issued to improve financial reporting by state and local government other postemployment pension plans.

Plan Description

Plan administration. The Board administers the Carroll County Public Schools Retiree Health Plan (the Plan), a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) to eligible employees who retire from employment with the Carroll County Public School System.

Management of the Plan is vested in the Board of Education of Carroll County.

Plan membership. At June 30, 2017, plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	1,076
Inactive Plan Members Entitled to but not Yet Receiving Benefit Payments	-
Active Plan Members	<u>2,576</u>
Total Plan Members	3,652

Benefits provided. The Board provides medical benefits to retirees pursuant to two medical plans for retired employees based on negotiated agreements with various bargaining groups. For retirees over the age of 65 who retired prior to September 1, 1988, the percentage of the stipend paid by the Board was dependent upon the retiree’s years of service and ranged from 10% to 100%. For retirees who retired after September 1, 1988, the percentage of the stipend paid by the Board is dependent upon the retiree’s years of service and ranges from 0% to 100%. These percentages are applied to stipends established annually by the Board for individual, husband/wife, parent/child, and family coverages. Only Carroll County Board of Education years of service are considered.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued
Component Units-continued

Contributions.

Employer contributions are financed on a pay-as-you-go basis and any amounts budgeted to be contributed towards meeting the annual required contribution per the actuarial valuation.

Investments

Investment policy.

The following was the Board’s adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Large Cap Equities	45%
U.S. Small/Mid Cap Equities	10%
Foreign Equities	10%
Real Estate (REITs)	10%
Core Fixed Income	25%
Cash	<u>0%</u>
Total	<u>100%</u>

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 11.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Board

The components of the net OPEB liability of the Board at June 30, 2017 were as follows:

Total OPEB Liability	\$ 344,293,000
Plan Fiduciary Net Position	<u>20,174,665</u>
Board's Net OPEB Liability	<u>\$ 324,118,335</u>

Plan fiduciary net position as a percentage of the total OPEB liability 5.86%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases	3.00%
Investment rate of return	3.81%
Healthcare cost trend rates:	
Pre-65 medical	7.0% initial / 5.1% ultimate (not applicable to life)
Post-65 medical	7.0% initial / 4.8% ultimate (not applicable to life)

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, adjusted for morality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period 2010-2014 after completion of the June 30, 2014 valuations.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued
Component Units-continued

The long term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Large Cap Equities	5.6%
U.S. Small/Mid Cap Equities	6.7%
Foreign Equities	6.8%
Real Estate (REITs)	6.1%
Core Fixed Income	1.3%
Cash	0.0%

Discount rate. The discount rate used to measure the total OPEB liability was 3.81%. The benefit payment stream for the Plan is discounted based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher for years when the projected benefit payouts are expected to be unfunded and 7.00% for years when the projected benefit payouts are expected to be funded. The long-term expected rate of return on assets of 7.00% and a long-term expected rate of return on internal fund rate of 3.58% as of June 30, 2017 was used for the calculations.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Board, as well as what the Board’s net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (2.81%) or one-percentage point higher (4.81%) than the current discount rate:

<u>1% Decrease</u> <u>(2.81%)</u>	<u>Discount Rate</u> <u>(3.81%)</u>	<u>1% Increase</u> <u>(4.81%)</u>
Net OPEB Liability \$ 392,831,335	\$ 324,118,335	\$ 269,674,335

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Board, as well as what the Board’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage point lower or one-percentage point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability \$ 261,553,335	\$ 324,118,335	\$ 406,918,335

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

Component Units -continued

Carroll Community College

Plan Description. Carroll Community College administers a single employer defined benefit health care plan. The College allows employees who retire with at least 10 years of continuous service to continue participation in some benefit program. To be eligible for post retirement benefits, an employee must collect a retirement benefit from his/her retirement system immediately following separation. Retirees who collect a benefit from the ORP must meet the age and service requirements for early or normal retirement as defined in the Maryland State Teachers Pension/Retirement System. Services for retirees include the following:

Medical Insurance – Retired employees and their spouses under age 65 may continue to be covered by medical insurance offered to current employees at regular group rates. Interested retirees and/or their spouses age 65 or over must convert to coverage under a College contract which supplements Medicare.

The College continues contributions toward the premiums for medical insurance for such employees with at least 10 years of service. Contributions by the College are made as follows:

10 to 14 years of service	35%
15 to 19 years of service	55%
20 to 24 years of service	70%
25 or more years of service	80%

Employees with less than 10 years of service may continue coverage at the full cost of the specified plan.

Life Insurance – All employees who are participants in the Group Life Insurance Plan at retirement are eligible for continued life insurance coverage. The College currently pays one-half of premium costs.

Vision and Dental Insurance – Retirees and their spouses may also continue coverage under the College’s policies after retirement, but must pay 100% of the premium. This arrangement may continue for the spouse following a retiree’s death, provided the spouse was covered at the time of death.

Funding Policy. The contribution requirements of plan members and the college are established and may be amended by the Carroll Community College Board of Trustees. The College’s contribution is based on a pay as you go basis with no funds set aside for future post retirement funding. For fiscal year 2017 and 2016, Carroll Community College contributed \$460,897 and \$500,561, respectively, to the plan, which is recorded in the statement of revenues, expenses and changes in net assets allocated (deficit) among the functional expense accounts.

Annual OPEB Cost and net OPEB Obligation. The College’s annual other post employment benefit “OPEB” cost (expense) is calculated based on the annual required contribution “ARC”, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued
Component Units-continued

The following table shows the component of the College’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the institution’s net OPEB obligation:

	<u>2017</u>	<u>2016</u>
Annual required contribution	\$3,593,000	\$ 3,339,000
Interest	802,000	699,000
Adjustment to annual required contribution	<u>(1,092,000)</u>	<u>(912,000)</u>
Annual OPEB costs (expense)	3,303,000	3,126,000
Contributions made- (current premiums)	(460,897)	(500,561)
Contributions made- (to the trust to prefund)	<u>(201,223)</u>	<u>-</u>
Increase in net OPEB obligation	2,640,880	2,625,439
Net OPEB obligation-beginning of year	<u>20,150,543</u>	<u>17,525,104</u>
Net OPEB obligation-end of year	<u>\$22,791,423</u>	<u>\$20,150,543</u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/15	\$2,971,000	16.5%	\$17,525,104
6/30/16	3,126,000	16.0%	20,150,143
6/30/17	3,303,000	20.0%	22,791,423

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

Component Units-continued

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) Entry Age (2)	Percentage Funded (1)/(2) (3)	Unfunded AAL (UAAL) (2)-(1) (4)	Covered Payroll (5)	Percentage of Covered Payroll ((2-1)/5) (6)
June 30, 2008	\$ -	\$ 19,685,000	0.00%	\$ 19,685,000	\$ 9,631,527	204%
June 30, 2009	-	21,673,000	0.00%	21,673,000	9,631,527	225%
June 30, 2010	-	20,410,000	0.00%	20,410,000	12,452,217	164%
June 30, 2011	-	22,589,000	0.00%	22,589,000	12,850,358	176%
June 30, 2012	-	21,261,000	0.00%	21,261,000	13,212,157	161%
June 30, 2013	-	22,998,000	0.00%	22,998,000	13,832,855	166%
June 30, 2014	-	26,013,000	0.00%	26,013,000	14,526,437	179%
June 30, 2015	-	28,202,000	0.00%	28,202,000	14,234,818	198%
June 30, 2016	-	29,403,000	0.00%	29,403,000	14,334,394	205%
June 30, 2017	201,223	31,831,000	0.60%	31,629,777	14,483,592	218%

Funded Status and Funding Progress. The actuarial accrued liability for benefits was \$31.831 million at June 30, 2017 and the actuarial value of assets was \$201,223, resulting in an unfunded actuarial accrued liability “UAAL” of \$31.630 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14,403,404, and the ratio of the UAAL to the covered payroll was 218 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in to the future. Examples include assumptions about future employment, mortality, and the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods of Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 biennial actuarial valuation, the most recent actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions utilized an interest discount rate of 4% return due to the plan being unfunded. Payroll is assumed to increase at 3% annually. Healthcare cost trends are based on the Society of Actuaries Long-Run Medical Trend Model, with the initial rate being 4.70%, decreasing gradually to 3.12% in 2075. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization at June 30, 2017, was 22 years.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 13 – Fund Equity

A summary of fund balances as of June 30, 2017 follows:

	General Fund	Capital Projects Funds	Non Major Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>				
Inventory	\$ 1,765,143	\$ -	\$ -	\$ 1,765,143
Prepaid costs	52,000	-	436,096	488,096
Loans to community organizations	6,034,578	-	-	6,034,578
Loans to fire companies	9,423,837	-	-	9,423,837
Loans to municipalities	149,037	-	-	149,037
Due from other funds	9,511,158	-	-	9,511,158
Advances and proceeds to Industrial Development Authority	612,910	-	-	612,910
Total nonspendable fund balance	<u>27,548,663</u>	<u>-</u>	<u>436,096</u>	<u>27,984,759</u>
<u>Restricted:</u>				
Weed control	123,498	-	-	123,498
Agricultural preservation investments	27,989,985	-	-	27,989,985
Loans collectible within one year	1,313,016	-	-	1,313,016
Farmers & Merchants - collateral	230,000	-	-	230,000
Unspent bond proceeds	-	5,708,337	-	5,708,337
Grants	-	-	1,061,998	1,061,998
Hotel Rental tax	-	-	675,518	675,518
Total restricted fund balance	<u>29,656,499</u>	<u>5,708,337</u>	<u>1,737,516</u>	<u>37,102,352</u>
<u>Committed:</u>				
Stabilization arrangement	20,002,103	-	-	20,002,103
ISF health	1,400,000	-	-	1,400,000
Watershed Protection and Restoration	-	-	109,396	109,396
Total committed fund balance	<u>21,402,103</u>	<u>-</u>	<u>109,396</u>	<u>21,511,499</u>
<u>Assigned:</u>				
Encumbrances:				
General government	1,332,477	594,524	-	1,927,001
Public safety	64,384	968,782	-	1,033,166
Public works	1,065,567	8,965,797	-	10,031,364
Social Services	13,707	-	-	13,707
Culture and recreation	21,050	150,973	-	172,023
Conservation of natural resources	-	640,665	-	640,665
Economic Development	25,000	-	-	25,000
Subsequent year's expenditure:				
Use in fiscal year 2018 budget	10,157,850	-	-	10,157,850
Use in fiscal year 2019-2020 budget	7,000,000	-	-	7,000,000
Capital	-	6,582,894	-	6,582,894
Grants	-	-	1,222,426	1,222,426
Community Media Center loan	703,308	-	-	703,308
Total assigned fund balance	<u>20,383,343</u>	<u>17,903,635</u>	<u>1,222,426</u>	<u>39,509,404</u>
<u>Unassigned:</u>				
General fund	14,529,685	-	-	14,529,685
Total unassigned fund balance	<u>14,529,685</u>	<u>-</u>	<u>-</u>	<u>14,529,685</u>
Grand total fund balances	<u>\$ 113,520,293</u>	<u>\$ 23,611,972</u>	<u>\$ 3,505,434</u>	<u>\$ 140,637,699</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 13 – Fund Equity- continued

The County has loaned to various Carroll County fire companies for expansion and equipment acquisition. The loans are repayable over terms of from 5 to 20 years, bearing interest at fixed rates ranging from 2.26 percent to 5.09 percent. The balance of these loans at June 30, 2017 is \$10,736,853 and is secured by land, buildings and equipment. The County made loans to various community organizations. The balance of these loans at June 30, 2017 is \$6,034,578 and they are secured through promissory notes.

The General Fund incurred a due from the Capital Fund for the future payouts of Installment Purchase Agreements, a due from OPEB, a due from Fiber Network and a due from the Airport Fund at June 30, 2017 in the amount of \$9,511,158.

Note 14 – Budgetary Basis to GAAP Reconciliation

A reconciliation of the revenues and expenditures of the General Fund Budgetary Basis to the statement of revenues and expenditures on a GAAP basis is as follows:

	<u>General Fund</u>
Budgetary Funds	
Revenues	
Actual amount (budgetary basis) "revenues" from the budgetary comparison schedule	\$ 374,141,558
Unavailable property tax revenues	<u>(406,230)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-General Fund	<u>\$ 373,735,328</u>
Expenditures	
Actual amount (budgetary basis) "expenditures" from the budgetary comparison	\$ 378,193,859
Encumbrance adjustment	<u>(156,655)</u>
Total expenditure as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-General Fund	<u>\$ 378,037,204</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 15 – Commitments and Contingencies

Primary Government

Management and the County attorney estimate that potential claims against the County, not covered by insurance, resulting from various claims and lawsuits would not materially affect the financial statements of the County.

The County participates in a number of federally assisted grant programs, principal of which are the Housing and Urban Development, Commission on Aging, and the Workforce Investment Act programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although management expects such amounts, if any, to be immaterial.

As of June 30, 2017, the County had the following commitments with respect to unfinished capital projects:

	Project <u>Appropriation</u>	Total <u>Expenditures</u>	Amount <u>Funded</u>	Required Future <u>Funding</u>
General Government	\$ 40,694,760	\$ 33,057,940	\$ 35,076,979	\$ 5,617,781
Public Safety	42,878,581	35,481,727	35,297,411	7,581,170
Health	81,388	64,708	81,388	-
Public Works	82,461,759	58,624,620	59,596,318	22,865,441
Board of Education	218,277,357	197,000,700	211,742,591	6,534,766
Carroll Community College	7,670,600	7,229,438	7,510,057	160,543
Culture and Recreation	17,350,763	13,850,527	15,355,313	1,995,450
Library	4,182,905	3,632,347	4,101,905	81,000
Conservation of Natural Resources	231,991,229	200,908,016	200,901,260	31,089,969
Water Resources	24,879,284	12,215,624	12,378,988	12,500,296
Governmental Activities	670,468,626	562,065,647	582,042,210	88,426,416
Wastewater Treatment Facilities	11,247,615	11,591,323	7,933,525	3,314,090
Other Water Projects	31,276,967	8,388,459	8,386,079	22,890,888
Other Wastewater Projects	16,506,001	7,922,962	13,105,982	3,400,019
Landfill Upgrades	4,408,000	3,961,463	4,408,000	-
Landfill Remediations	3,520,244	2,995,271	3,520,244	-
Fiber Network	1,100,000	1,087,096	1,100,000	-
Septage	4,500,000	416,432	1,016,000	3,484,000
Airport	50,354,447	856,357	2,501,180	47,853,266
Business Type Activities	122,913,273	37,219,363	41,971,010	80,942,264
Total Funds	<u>\$ 793,381,900</u>	<u>\$ 599,285,010</u>	<u>\$ 624,013,220</u>	<u>\$ 169,368,679</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 15 – Commitments and Contingencies - continued

Primary Government-continued

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Amounts, if any, of expenditures that may be disallowed by grantors cannot be determined at this time, although the County expects such amounts, if any to be immaterial.

The County participates in a joint venture named The Maryland Rural Counties Coalition, LLC. The joint venture is to promote and protect the interests of the Rural Counties of the State of Maryland and any and other activities as may be permitted by Limited Liability Companies under the laws of the State of Maryland. As of June 30, 2017, the County's share in the limited liability company totaled \$4,976.

The Supreme Court ruled in favor of the Wynnes case which wrongly exposed some Maryland residents with out-of-state income to double taxation by not allowing the full tax credit for income tax paid outside of the state. The effect of this ruling on the County is income tax will be reduced \$28,901 for nine quarters for a total of \$260,106 beginning in September 2016 to refund those residents in Carroll County that were eligible for the credit but didn't receive it for the tax returns filed between 2006 and 2014.

Component Units

Board of Education

Several law suits have been filed arising from personnel grievances, personal injury, and other matters. It is anticipated by the Board that an adverse decision in excess of insurance coverage on any or all of these suits would not have a material adverse effect on these financial statements.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Amounts, if any, of expenditures that may be disallowed by grantors cannot be determined at this time, although the Board expects such amounts, if any to be immaterial.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 16 – Risk Management

Primary Government

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As of January 2003, the office of Risk Management initiated an enterprise wide risk management program. This program includes review of all legal contracts for insurance sufficiency and verification of certificates of insurance from all vendors. This program helps ensure that all vendors maintain sufficient insurance coverage to protect the County from loss.

The County's risk financing techniques include participation in the Local Government Insurance Trust "LGIT", a public entity risk pool, for its property, cyber, and business automobile.

LGIT is a joint association of Maryland local governments established to provide an alternative to the diminishing availability of insurance coverages to the public sector and the increasing premium costs in the municipal insurance market. LGIT is owned by the members and is directed by the trust agreement effective July 1, 1992.

The Trust Agreement provides that funds in the Capital Account may be used to satisfy obligations of LGIT if monies are not otherwise available in the General and Surplus Account to meet obligations. If the amount of deposit in the Capital Account falls below a certain level, the Capital Account must be replenished. The means for replenishing Capital Account balances would be: (a) one-time assessment not to exceed two times the participant's annual premium in the year of the deficit, (b) prospective premium increases, or (c) the issuance of Certificates of Participation.

Subscribers to coverage provided by LGIT share the risk among participants of the pools. As a result, the County's annual premium requirements will be affected by the loss experience of the various insurance pools in which it participates. Also, the County may be subject to additional assessments from time-to-time. These amounts would be recorded as expenditures when they are probable and can be reasonably estimated. Conversely, favorable performance of certain insurance pools may result in reduced premiums.

LGIT uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, up to certain per occurrence limits.

The County is self-insuring its medical coverage for eligible employees. A commercial insurer administers the plan. In addition, the County's contract with this insurer includes a \$300,000 stop-loss per claim. To further minimize its risks, the County's contract provides for an overall cap on claims it must pay in a given year. The cap is determined by reference to pre-agreed rates, times the number of covered employees. Dental benefits are also administered by a commercial insurer. One dental plan is self-insured, and the other is fully insured.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 16 – Risk Management-continued

Primary Government-continued

The County is using an internal service fund to account for and finance its uninsured risks of loss. All funds of the County make payments to the internal service fund based on historical cost data. The payments from all funds cover at least prior and current year claims.

Claims liabilities at June 30, 2017 for the deductible portions of general, auto, police, legal and public officials covered under LGIT and employee health care coverage are \$10,500 and \$1,552,187 respectively.

The total claims liability of \$1,562,687 reported in the internal service fund at June 30, 2017 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability was incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liabilities are calculated based on historical claim settlement trends and analysis of all outstanding and potential claims.

Changes in the claims for employee health care coverage and the deductible portions of liability and property claims under LGIT were as follows:

	<u>Beginning- of-Fiscal Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
<u>Liability and property:</u>				
July 1, 2014 – June 30, 2015	\$ 9,138	\$50,962	\$(30,100)	\$30,000
July 1, 2015 – June 30, 2016	30,000	(3,310)	(8,441)	18,249
July 1, 2016 – June 30, 2017	18,249	9,504	(17,253)	10,500
<u>Employee Health Care Coverage:</u>				
July 1, 2014 – June 30, 2015	\$1,951,436	\$13,461,255	\$ (13,450,706)	\$1,961,985
July 1, 2015 – June 30, 2016	1,961,985	15,484,758	(15,493,416)	1,953,327
July 1, 2016 – June 30, 2017	1,953,327	15,810,644	(16,211,784)	1,552,187

The County is self-insured for its worker's compensation. Premiums are paid into the internal service fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. These interfund premiums are used to reduce the amount of claim expenditures reported in the internal service fund. As of June 30, 2017, such interfund premiums did not exceed reimbursable expenditures. The County contracts with a third party administrator to pay all worker's compensation cost. The County purchases a specific excess and aggregate excess worker's compensation and employer's liability indemnity policy.

To date the County has not exceeded its retention limits.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 16 – Risk Management-continued

The self-insured plan is administered by a commercial insurer. The County’s contract with this insurer includes a \$600,000 Self Insured Retention for all occurrences. The total claims liability of \$2,976,070 has been reported at June 30, 2017. This liability is calculated based on historical claim settlement trends.

Changes in the claims for worker’s compensation were as follows:

<u>Worker’s Compensation:</u>	<u>Beginning- Of-Fiscal Year Liability</u>	<u>Current- Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
July 1, 2014 – June 30, 2015	\$2,078,649	\$ 1,864,656	\$ (1,668,542)	\$ 2,274,763
July 1, 2015 – June 30, 2016	2,274,763	1,023,380	(1,161,614)	2,136,529
July 1, 2016 – June 30, 2017	2,136,529	1,763,037	(923,496)	2,976,070

Due to specific exclusions in the County’s property insurance, the County also has commercial insurance coverage for its boilers and machinery. Employees are bonded through commercial insurance carriers to limit the loss to the County in the event of employees committing acts of embezzlement or theft.

Component Units

The Board of Education, the Library and the Community College are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Library is included in the commercial insurance and self-insurance programs of the County. The Board of Education and the Community College use commercial policies to provide insurance coverage excluding health care. Settled claims have not exceeded coverage in any of the past three years.

The Board of Education established a limited risk management program for health care insurance. In the past, health care insurance was covered by a third party carrier. Effective January 1, 1998, the Board, with Aetna U.S. Healthcare, established a new arrangement for providing coverage for future medical claims. Effective July 1, 2005, employees contribute 15% towards this coverage. Deposits are made by the Board into a bank account used only for payments resulting from health insurance claims.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 16 – Risk Management-continued

Changes in the balances of claims liabilities not including actuarial liabilities were as follows:

<u>Health Care:</u>	<u>Beginning- Of-Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
July 1, 2014-- June 30, 2015	\$4,590,000	\$50,984,357	\$(47,333,257)	\$8,241,100
July 1, 2015-- June 30, 2016	8,241,100	48,327,654	(48,318,754)	8,250,000
July 1, 2016 – June 30, 2017	8,250,000	49,701,630	(50,201,630)	7,750,000