

# Financial Section



The Sheriff's Department is very active & involved with the citizens of Carroll County. They helped out with the Baltimore City riots (pictured at top), they run a Camp Cops for kids during the summer (lower left), and they also participate in National night out (lower right). These are just a few of the many things they do for the citizens besides their regular scheduled duties.



## INDEPENDENT AUDITORS' REPORT

The County Commissioners of Carroll County  
Westminster, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the budgetary comparison of the General Fund, and the aggregate remaining fund information of Carroll County, Maryland (the County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carroll County as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

### *Change in Accounting Principles*

During fiscal year ended June 30, 2015, the County adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions and the related GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. As a result of the implementation of these standards, the County reported a restatement for the change in accounting principle (see Note 11) Our auditors' opinion was not modified with respect to the restatement.

### *Correction of Errors*

As described in Note 1 to the financial statements, the County restated beginning balances resulting from the correction of accounting errors that occurred in the prior period. Our opinion is not modified with respect to that matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16-30 and the schedules of net pension liability and related ratios, contributions, and investment returns on pages 164-180, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, supplementary information, additional information, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of the expenditures of federal awards, as noted in the single audit section of the table of contents, is presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and

Non-Profit Organizations, and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, additional information, and statistical section as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
November 18, 2015

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

As management of Carroll County, MD we offer readers of Carroll County Government's financial statements this narrative overview and analysis of the financial activities of Carroll County Government for the fiscal year ended June 30, 2015. The objective of this overview and analysis is to assist readers in focusing on significant financial issues, provide an overview of the County's financial activity, identify changes in the County's financial position, identify any material deviations from the financial plan, and identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 4-11 of this report.

**Financial Highlights**

**Government-wide:**

- The assets and deferred outflows of resources of Carroll County exceeded its liabilities at the close of the fiscal year ended June 30, 2015 by \$289,275,017 (total net position), compared to \$278,997,530 at June 30, 2014, as restated. For fiscal year ended June 30, 2015 total net position was net of the \$68,297,575 deficit in unrestricted component of net position. The deficit occurred primarily because the County issues debt to fund construction costs for the Board of Education which is a component unit of the County. The assets are then recorded on the component unit's books and the related debt is recorded on the County's books. Of total net position at June 30, 2015 \$27,429,357 was restricted for specific purpose (restricted net position) in comparison to \$30,730,474, at June 30, 2014. The total net investment in capital assets was \$330,143,235 at June 30, 2015 compared to \$307,133,305 at June 30, 2014.
- The total net position increased by \$10,277,487 or 4%.

**Fund level:**

- At the close of the fiscal year, unassigned fund balance for the general fund (primary operating fund) was \$7,383,735 or 2.1% of general fund revenues.
- As of June 30, 2015, the County's governmental funds reported combined fund balances of \$134,887,580, a decrease of \$9,314,663 from the prior year. Approximately 5.5 percent of the combined fund balance is available to meet the County's current and future needs (*unassigned*), 34.6 percent is assigned, indicating that it is not available for new spending because it has already been assigned for items such as existing purchase orders and construction contracts, 38.4 percent is committed or restricted for future use, stabilization arrangement, restricted investments and other purposes, and 21.5 percent is non spendable meaning it is in the form of loans receivable, inventory and notes receivable.

**Long-term Debt:**

- Carroll County Government's total bonded debt decreased by \$9,115,867, or 3% from fiscal year 2014. For fiscal year 2015 the County paid an average interest rate of 4.25%.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Carroll County Government's basic financial statements. Carroll County Government's basic financial statements comprise three components:

- ✓ Government-wide financial statements.
- ✓ Fund financial statements.
- ✓ Notes to the financial statements.

This report also contains required and non-required supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of Carroll County Government that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Carroll County Government include general government, public safety, public works, health, human services, education, culture and recreation, libraries, conservation of natural resources, judicial and economic development. The business-type activities of Carroll County Government include water and sewer service, solid waste operations, septage treatment, firearms facility, airport facility and a fiber network.

The government-wide financial statements include not only Carroll County Government itself (known as the *primary government*), but also legally separate component units. Carroll County Government has the following component units: Carroll County Board of Education, Carroll Community College, Carroll County Public Library, and Industrial Development Authority of Carroll County. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 31 and 32 of this report.

**Fund financial statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Carroll County Government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

finance-related legal requirements. All of the funds of Carroll County Government can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

Carroll County Government maintains eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements which can be found on pages 188 to 195 of this report.

Carroll County Government adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and can be found on page 36 of this report.

The basic governmental funds financial statements can be found on pages 33 and 34 of this report.

**Proprietary funds:** Carroll County Government maintains two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Carroll County Government uses an enterprise fund to account for its Bureau of Utilities, Solid Waste, Airport, Septage, Firearms Facility and Fiber Network. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among Carroll County Government's various functions. Carroll County Government uses an internal service fund to account for risk management activities and employee health benefits. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 37 to 39 of this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Bureau of Utilities, Solid Waste, and Airport, which are considered to be major funds of Carroll County Government. Individual fund data for each of the three non-major proprietary funds is provided in the form of combining statements which can be found on pages 196 to 198 of this report.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

***Fiduciary funds:*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Carroll County Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The County has four trust funds which are the Carroll County Employee Pension Trust Fund; the Carroll County Certified Law Officers Pension Trust Fund; the Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland (OPEB); and the Volunteer Firemen Length of Service Award Program (LOSAP). In addition to the four trust funds the County has six agency funds which are the Carroll County Development Corporation (CCDC) the Carroll County Drug Task Force- Non Federal, Carroll County Drug Task Force-Treasury, Sheriff's Department Drug & Alcohol, Law Enforcement Activities, and Cable Regulatory Commission. The basic fiduciary funds financial statements can be found on pages 40 and 41 of this report.

***Notes to the financial statements:*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42 to 163 of this report.

***Required Supplementary Information:*** Required supplementary information is not part of the basic financial statements; however it provides additional information. Required Supplementary Information can be found on pages 164 to 180.

### **Financial analysis of the County as a whole**

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial position. In the case of Carroll County Government, total net position was \$289,275,017 at the close of the most recent fiscal year. Components for Carroll County Government's net position are divided into three categories, net investment in capital assets, restricted net position and unrestricted net position. The largest portion of the County's net position reflects its investment in capital assets net of depreciation (e.g., buildings, building improvements, water and sewer systems, vehicles, machinery, equipment, roads and bridges), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

It is important to note that although counties in the State of Maryland issue debt for the construction of schools, school buildings are owned by each County's Public School System. Ownership reverts to the County if the local board determines that a building is no longer needed. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. The negative unrestricted net position in governmental activities of \$56,074,648 reflect the imbalance of liabilities without corresponding assets.

Restricted net position of \$27,429,357 represents 9 percent of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the total government is a deficit of \$68,297,575.

During fiscal year 2015 the County's net position increased by \$10,277,487. The increases in income tax along with the decrease in expenses in Conservation of Natural Resources for agricultural land preservation were contributing factors to the increase in net position. Another factor for the increase was due to the



**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

restatement of fiscal year 2014's net position from implementing GASB Statement 68, which eliminated negative net pension obligations (assets) and reflects pension liabilities on the Statement of Net Position.

**Carroll County Government's Net Position**

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2015	Restated as of June 30, 2014*	June 30, 2015	Restated as of June 30, 2014*	June 30, 2015	Restated as of June 30, 2014*
Current assets	\$ 188,027,181	\$ 194,850,140	\$ 31,653,269	\$ 33,158,726	\$ 219,680,450	\$ 228,008,866
Non-current assets	25,979,899	30,838,922	-	-	25,979,899	30,838,922
Capital assets	384,199,871	379,964,360	128,885,883	128,767,060	513,085,754	508,731,420
Total assets	598,206,951	605,653,422	160,539,152	161,925,786	758,746,103	767,579,208
Deferred outflows	11,859,208	5,054,556	(29,155)	78,772	11,830,053	5,133,328
Total assets and deferred outflows	610,066,159	610,707,978	160,509,997	162,004,558	770,576,156	772,712,536
Current liabilities	89,933,952	95,226,438	7,051,014	5,481,763	96,984,966	100,708,201
Non-current liabilities	355,725,907	347,770,782	28,060,402	29,289,338	383,786,309	377,060,120
Total liabilities	445,659,859	442,997,220	35,111,416	34,771,101	480,771,275	477,768,321
Deferred inflows	529,864	-	-	-	529,864	-
Total liabilities and deferred inflows	446,189,723	442,997,220	35,111,416	34,771,101	481,301,139	477,768,321
Net position:						
Net investment in capital assets	218,185,521	204,437,083	111,957,714	102,696,222	330,143,235	307,133,305
Restricted	1,765,563	7,792,322	25,663,794	22,938,152	27,429,357	30,730,474
Unrestricted	(56,074,648)	(44,518,647)	(12,222,927)	1,599,083	(68,297,575)	(42,919,564)
Total net position	\$ 163,876,436	\$ 167,710,758	\$ 125,398,581	\$ 127,233,457	\$ 289,275,017	\$ 294,944,215

\*The County implemented GASB Statement No. 68 effective July 1, 2014. The 2014 amounts presented have not been restated to reflect the implementation of GASB 68. However, the 2014 amounts have been restated to reflect a correction of an error. Refer to Note 1.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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

**Carroll County Government's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2015	June 30, 2014*	June 30, 2015	June 30, 2014*	June 30, 2015	June 30, 2014*
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 21,593,325	\$ 19,746,864	\$ 18,735,993	\$ 17,637,096	\$ 40,329,318	\$ 37,383,960
Operating grants & contributions	15,436,302	16,136,623	-	-	15,436,302	16,136,623
Capital grants & contributions	6,562,362	8,372,841	1,970,091	10,131,680	8,532,453	18,504,521
<b>General revenues:</b>						
Property taxes	195,465,262	197,220,873	-	-	195,465,262	197,220,873
Income tax	144,994,220	131,714,052	-	-	144,994,220	131,714,052
Recordation tax	11,888,637	10,576,850	-	-	11,888,637	10,576,850
Admission & amusement tax	353,937	262,098	-	-	353,937	262,098
Agricultural transfer tax	59,558	365,510	-	-	59,558	365,510
Hotel rental tax	284,101	309,992	-	-	284,101	309,992
State shared, unrestricted	-	948,717	-	-	0	948,717
Investment earnings	2,068,767	1,721,180	404,594	756,859	2,473,361	2,478,039
Gain on sale of capital asset	-	-	1,695	9,000	1,695	9,000
<b>Total Revenues</b>	<b>\$ 398,706,471</b>	<b>\$ 387,375,600</b>	<b>\$ 21,112,373</b>	<b>\$ 28,534,635</b>	<b>\$ 419,818,844</b>	<b>\$ 415,910,235</b>
<b>Program Expenses:</b>						
General government	49,409,874	57,641,753	-	-	49,409,874	57,641,753
Public safety	43,979,786	42,220,945	-	-	43,979,786	42,220,945
Public works	38,511,223	35,383,930	-	-	38,511,223	35,383,930
Health	4,280,644	4,504,233	-	-	4,280,644	4,504,233
Human services	6,875,694	1,234,170	-	-	6,875,694	1,234,170
Education	191,534,142	192,529,402	-	-	191,534,142	192,529,402
Culture and recreation	4,637,178	2,617,282	-	-	4,637,178	2,617,282
Libraries	14,145,909	13,909,531	-	-	14,145,909	13,909,531
Conservation of natural resources	8,936,174	11,395,342	-	-	8,936,174	11,395,342
Economic development	4,822,656	6,723,025	-	-	4,822,656	6,723,025
Judicial	7,283,903	6,222,691	-	-	7,283,903	6,222,691
Interest on long-term debt	11,851,872	12,506,841	-	-	11,851,872	12,506,841
Bureau of Utilities	-	-	11,046,657	11,328,410	11,046,657	11,328,410
Solid Waste	-	-	9,550,820	6,319,530	9,550,820	6,319,530
Airport	-	-	733,816	800,811	733,816	800,811
Septage	-	-	604,130	536,068	604,130	536,068
Firearms	-	-	106,373	100,324	106,373	100,324
Fiber Network	-	-	1,230,506	673,718	1,230,506	673,718
<b>Total Expenses</b>	<b>386,269,055</b>	<b>386,889,145</b>	<b>23,272,302</b>	<b>19,758,861</b>	<b>409,541,357</b>	<b>406,648,006</b>
Excess (deficiency) before transfers	12,437,416	486,455	(2,159,929)	8,775,774	10,277,487	9,262,229
Transfers	(325,053)	(2,447,601)	325,053	2,447,601	-	-
Increase (Decrease) in Net Position	12,112,363	(1,961,146)	(1,834,876)	11,223,375	10,277,487	9,262,229
Net Position-Beginning, as restated	151,764,073	169,671,904	127,233,457	116,010,082	278,997,530	285,681,986
Net Position - Ending	<b>\$ 163,876,436</b>	<b>\$ 167,710,758</b>	<b>\$ 125,398,581</b>	<b>\$ 127,233,457</b>	<b>\$ 289,275,017</b>	<b>\$ 294,944,215</b>

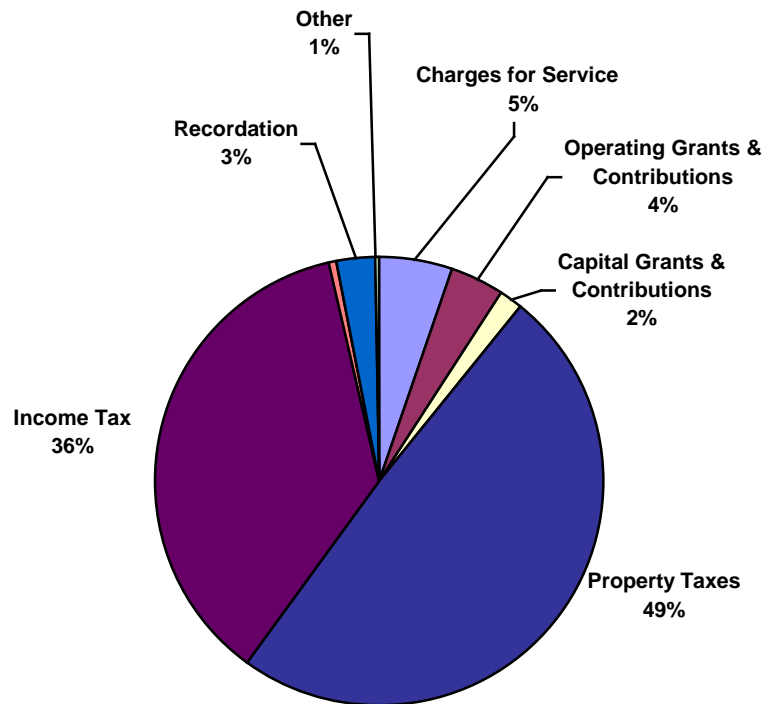
\* The County implemented GASB Statement No. 68 effective July 1, 2014. The 2014 amounts presented have not been restated to reflect the implementation of GASB 68. However, the 2014 amounts have been restated to reflect a correction of an error. Refer to Note 1.

- Governmental activities:** Overall revenue has increased by \$11,330,871, which is a 3 percent increase from fiscal year 2014. Property tax revenue decreased by \$1,755,611 over last fiscal year due to the issuance of property tax rebates which were \$0.01 per \$100 of assessment. Income tax increased by \$13,280,168 due to the increase amount that the State of Maryland has collected for the County but, has not distributed and more income tax was collected. Investment earnings increased by \$347,587 as a result of change in market values at year end on restricted investments in U.S Treasury Strips and Bonds for Installment Purchase Agreements. Recordation increased by \$1,311,787 over last fiscal year due to increased activity in the real estate market. Capital grants and contributions decreased by \$1,810,479. There was a decrease in the amount of agricultural land grant reimbursements the County received in fiscal year 2015 compared to fiscal year 2014. Another reason for the decrease was due to the County

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

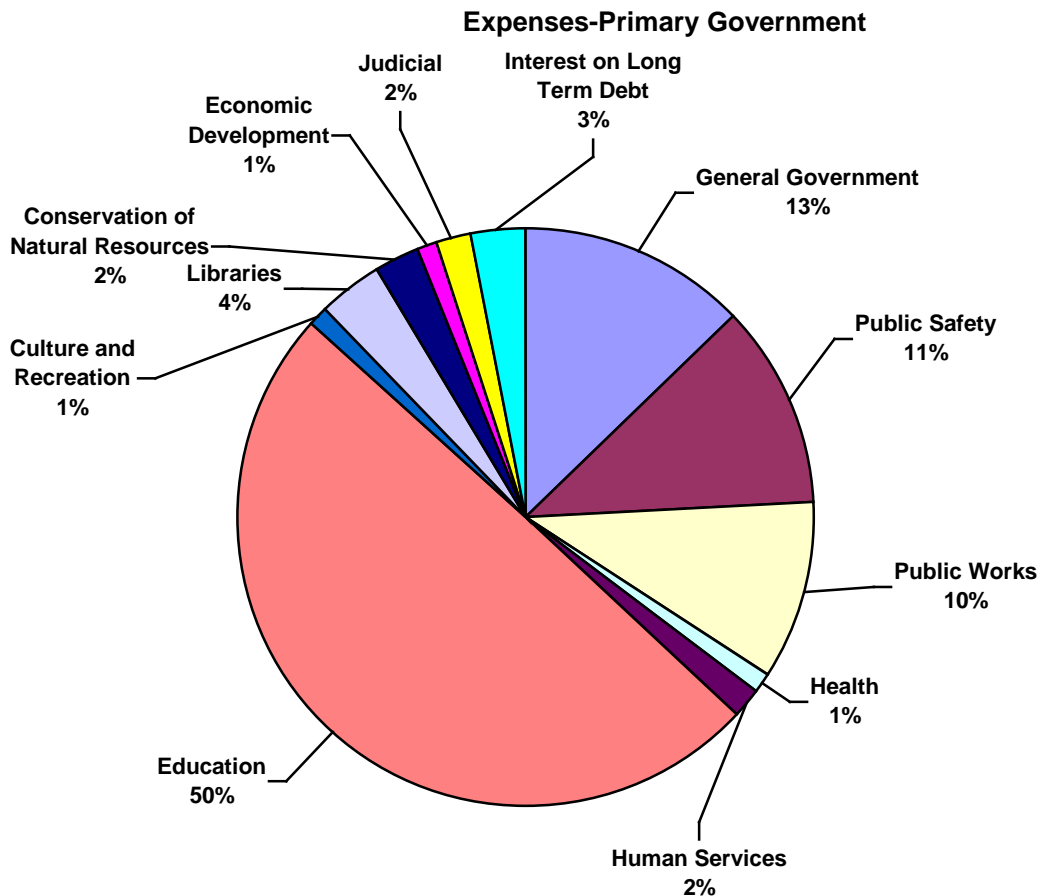
receiving less money in fiscal year 2015 compared to fiscal year 2014, from the State Numbers Board for the relocation of the Emergency Operations Center.

**Revenues by Source-Primary Government**



The expenses of the governmental activities have decreased by \$620,090 or .016 percent from fiscal year 2014. Public Works increased by \$3,127,293. The increase in Roads Operations was due to additional costs associated with snow during the fiscal year. Conservation of Natural Resources decreased \$2,459,168, primarily due to a decreased amount of easements purchased for agricultural land preservation. The primary reason for the \$8,231,879 decrease in General Government in fiscal year 2015 was due to fuel, vehicle maintenance and telephone expenses being allocated by function. The County continues to review its process of allocating direct costs by function. Public Safety increased by \$1,758,841 due to the reclassifying of activities by function for better representation of financial information.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

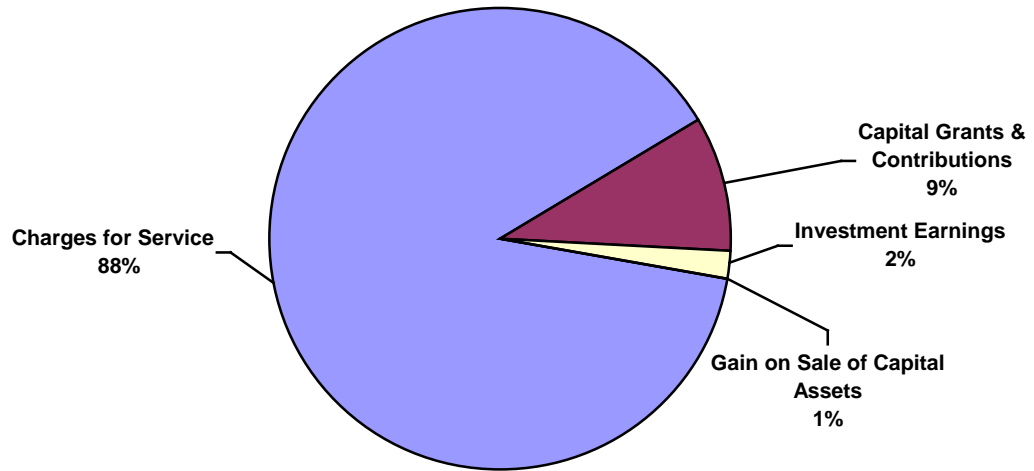


**Business-type activities:** There was an overall decrease in revenues of \$7,422,262 or 2 percent from fiscal year 2014. The primary reason for the decrease is due to the restatement of fiscal year 2014 to reflect donated assets in the Fiber Network fund. Capital assets balances for the Fiber Network fund were restated as of June 30, 2014 to correctly record assets that were built under the Federal Broadband Technology Opportunities Program. Howard County government served as a Sub-recipient to construct the fiber network under the Federally Funded Multi-County Agreement. The expenses of the business-type activities have increased by \$3,513,441 or 15% from fiscal year 2014. The primary reason for the increase happened in the Solid Waste fund. The Solid Waste expenses increased by \$3,231,290 in fiscal year 2015 compared to fiscal year 2014 due the County recording a reduction in accrued liabilities in fiscal year 2014 in the Solid Waste fund. This reduction resulted from the withdraw from the Waste to Energy Project and reduced expenses in the Solid Waste fund in fiscal year 2014.

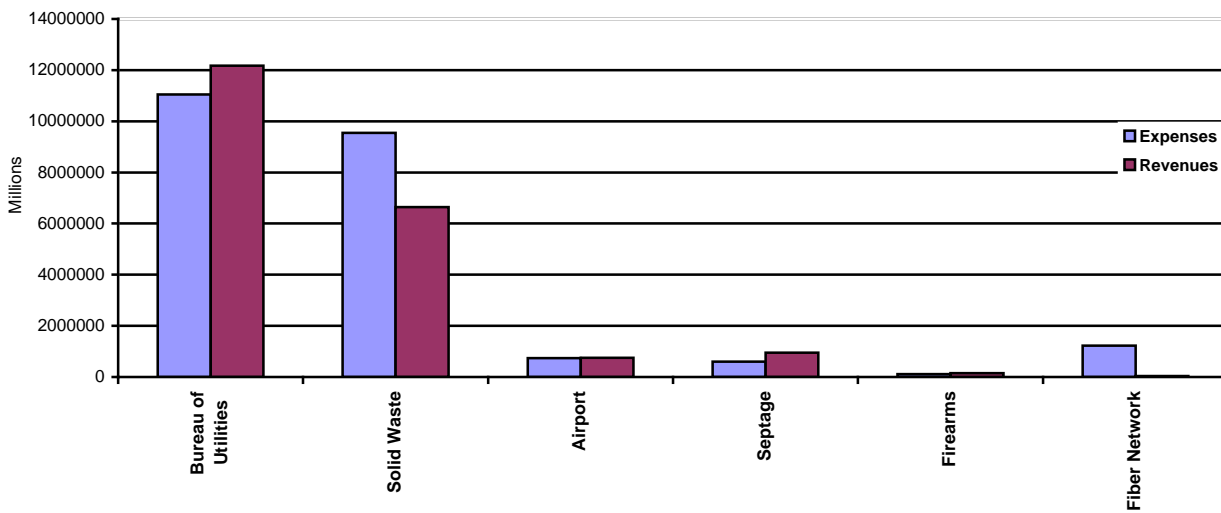
The County's transfers between governmental activities and business-type activities decreased by \$2,122,548 during fiscal year 2015.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Revenues by Source-Business-Type Activities**



**Expenses and Program Revenues - Business-type Activities**



**Financial Analysis of the Government's Funds**

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

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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

As of the end of the current fiscal year, Carroll County Government's governmental funds reported combined ending fund balances of \$134,887,580, a decrease of \$9,140,976. Approximately 5.5 percent of this total (\$7,383,735) constitutes *unassigned fund balance*, which is available for future appropriation. The *assigned fund balance*, at 34.6 percent of total fund balance is not available for new spending because it has already been assigned to encumbrances from the prior year and subsequent years expenditures. The *committed fund balance*, at 17 percent of total fund balance is for future use, stabilization arrangement and other purposes. The *non spendable fund balance*, at 21.6 percent is not available for new spending because it is not expected to be converted to cash in the near future: 1) to cover loans receivable balances (\$18,380,681), 2) dedicated for inventory and advances to Industrial Development Authority (\$612,910), prepaid costs (\$211,074) and money due from other funds (\$9,799,459). The remaining 21.5 percent of fund balance (\$27,423,603) constitutes *restricted fund balance*.

The general fund is the primary operating fund of Carroll County Government. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,383,735, while total fund balance was \$102,668,549. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 2 percent of total general fund expenditures, while total fund balance represents 28 percent of that same amount.

A decrease in fund balance was budgeted with an appropriation of \$14,317,450 of fund balance. The anticipated decrease in fund balance was partially mitigated by conservative spending which resulted in \$455,612 less in expenditures than budgeted. Total assets increased \$500,070. Liabilities decreased by \$5,196,835 due to a reduction in the amount owed to the Board of Education at year end.

The revenues in the General Fund have increased by \$4,987,331 compared to the prior fiscal year. The primary contributing factor to the increase was due the increase in income tax. Expenditures increased by \$6,489,629 compared to the prior fiscal year. The increase was due to additional one time funding to the Board of Education to cover operating expenditures. Another contributing factor to the increase was in Public Safety due to the full year impact of five partial positions and the implementation of a new compensation plan for the Sheriff's department. Vehicle maintenance, fuel and telephone expenditures were allocated across all functions. Public Works experienced an increase in expenditures due to increased costs associated with snow removal during the fiscal year.

The Capital Projects Fund balance sheet shows a \$9,955,330 decrease in assets in fiscal year 2015. The decrease in cash is mainly due to several projects beginning construction. Also, fewer bonds were issued for capital projects in fiscal year 2015 than in fiscal year 2014.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The Capital Projects Fund has a total fund balance of \$28,542,650, of which \$13,155,341 is assigned to liquidate purchase orders and \$15,094,534 is assigned for future capital project expenditures. Unspent bond proceeds of \$292,775 are restricted for use on specific projects.

The Non-Major Governmental Funds have a total fund balance of \$3,676,381, all of which is formally committed or externally restricted for specific purposes.

**Proprietary funds:** Carroll County Government's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The total unrestricted net position of the proprietary funds at the end of the year amounted to a deficit of \$12,222,927 and unrestricted component of net position in the Internal Service Fund totaled \$6,366,655. The total decrease in net position for the proprietary funds of \$1,834,876 was primarily due to the County recording a reduction in accrued liabilities in fiscal year 2014 in the Solid Waste fund. This reduction was the result of withdrawing from the Waste to Energy Project and reduced expenses in the Solid Waste fund in fiscal year 2014. The net position for the Internal Service Fund increased by \$2,231,685. Other factors concerning these funds' finances have been addressed in the discussion of Carroll County Government's business-type activities.

**Fiduciary funds:** Carroll County Government's fiduciary fund statements provide information regarding the County's Employee Pension Plan, the Certified Law Officers Plan, the Volunteer Firemen's Length of Service Award Program (LOSAP), the Other Post Employment Benefit Trust and agency funds. Total net position for the four plans is \$138,805,205 for fiscal year 2015. The investments in the trusts totaled \$139,402,752 at the end of fiscal year 2015 which was a 14% increase from fiscal year 2014. Agency funds had an asset total of \$1,040,130 at the end of fiscal year 2015. Other factors concerning these funds' finances have been addressed in the notes to these statements.

### **General Fund Budgetary Highlights**

In the original budget, the Board of Commissioners approved a reserve for contingencies of 1 percent of total budget to provide funds for emergency and unforeseeable expenditures that may arise during the current fiscal year. The final budget for reserve for contingencies increased from the original budget by \$364,128. Funds can only be moved to or from the reserve during the year with approval from the Board of Commissioners. Any balance left in the reserve at year end falls to unassigned fund balance.

The budgetary statements of the General Fund show actual revenues of \$351,342,272, compared to budgeted amount of \$338,821,571, a positive variance of \$12,520,701. The major differences between the final budgeted amounts and the actual revenues are as follows:

- Local property taxes came in \$1.2 million more than the final budget due to railroad and public utility tax coming in stronger than anticipated.
- Local other taxes came in \$4.5 million more than final budget due to income tax growth being stronger than anticipated.
  
- Miscellaneous revenues were \$6.8 million more than budget due to unbudgeted in-kind rental income associated with the Board of Education, Library, and Community College facilities.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The budgetary statements of the General Fund show actual expenditures of \$360,574,908, compared to budgeted amount of \$361,030,520, resulting in \$455,612 or 0.1 percent less than planned. The major differences between the final budgeted amounts and the actual expenditures are as follows:

- General Government expenditures came in \$4 million less than final budget primarily due to in-kind services for component units being reallocated to the correct functions, which decreased general government.
- The Reserve for Contingency is set up in case funds are needed to be moved into functions to address specific problems or opportunities. For fiscal year 2015, \$3.6 million was left in the Reserve for Contingency creating a positive budget variance.
- The final budgets for each function in the expenditures were reallocated from the original budget to reflect changes made throughout the year. One of the changes made was to reallocate vehicle maintenance, fuel, and telephone direct costs by function.

**Capital Asset and Debt Administration**

**Capital assets:** Carroll County Government's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounted to \$513,085,754 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, infrastructure, and construction in progress. The total increase in Carroll County Government's investment in capital assets for the current fiscal year was 0.9 percent (a 0.8 percent increase for governmental activities and a 0.1 percent increase for business-type activities). Additional information on the County's capital assets can be found on pages 75-76 of this report.

Additional information on the 2014 restatement can be found in Note 1.

**Carroll County Government's Capital Assets  
(Net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Land	\$ 34,466,628	\$ 33,041,200	\$ 8,943,617	\$ 8,944,412	\$ 43,410,245	\$ 41,985,612
Construction in progress	38,549,035	31,640,221	4,184,831	1,039,342	42,733,866	32,679,563
Building and contents	133,371,431	136,610,530	15,446,288	15,931,958	148,817,719	152,542,488
Improvements						
other than buildings	19,254,632	11,619,968	6,836,493	6,719,145	26,091,125	18,339,113
Auto, machinery & equipment	12,294,315	12,862,812	18,720,181	19,703,123	31,014,496	32,565,935
Infrastructure	146,263,830	154,189,629	74,754,473	76,429,080	221,018,303	230,618,709
Total	<u>\$ 384,199,871</u>	<u>\$ 379,964,360</u>	<u>\$ 128,885,883</u>	<u>\$ 128,767,060</u>	<u>\$ 513,085,754</u>	<u>\$ 508,731,420</u>

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

- The donation of the Army Reserve Building resulted in an increase of Land by \$1,047,600 and Building by \$1,186,400.



**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

- The on-going costs associated with the Carroll County 800MHZ radio & 911 project totaled \$5.49 million which was funded by general obligation bonds proceeds, real property tax revenue, general fund revenue, and State Number Board revenue, and resulted in an increase in CIP.
- The on-going costs associated with the Public Safety Training Center project totaled \$4.23 million which was funded by general obligation bonds proceeds and general fund revenue, and resulted in an increase in CIP.
- The on-going costs associated with the Krimgold Park project totaled \$1.49 million which was funded by impact fee revenue, State Program Open Space revenue, and general fund revenue, and resulted in an increase in CIP.
- The on-going costs and completion of various watershed protection projects totaled \$5.68 million which was funded by general obligation bonds proceeds, State Highway Administration revenue, State Department of Natural Resources revenue, and general fund revenue, and resulted in an increase in CIP and Improvements.
- The completion of the EOC Relocation project totaled \$6.15 million which was funded by general obligation bonds proceeds, real property tax revenue, and State Number Board revenue, and resulted in an increase in CIP and increase in Improvements.
- The start of phase 3 on the Energy Performance capital project totaled \$920,636 which was funded by Capital Lease Agreement, and resulted in an increase in CIP.
- The on-going costs associated with various Utilities capital projects totaled \$2.98 million which was funded by Water/Sewer user rates and resulted in an increase in CIP of Business-Type Activities.
- The completion of the new Northern Landfill Office capital project totaled \$313,493 which was funded by Solid Waste user fees, and resulted in an increase in Improvements of Business-Type Activities.
- The start of the Carroll County Fiber Network Equipment Replacement capital project totaled \$853,550 which was funded by Fiber Network revenue, and resulted in an increase in CIP of Business-Type Activities.

**General obligation debt:**

At the end of the current fiscal year, Carroll County Government had total general obligation debt outstanding of \$346,413,192, which is debt backed by the full faith and credit of the County.

**Carroll County Government's Outstanding General Obligation Debt**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds, net	\$ 297,878,654	\$ 304,903,421	\$ 17,483,954	\$ 19,575,054	\$ 315,362,608	\$ 324,478,475
General Obligation Debt	31,050,584	31,050,584	-	-	31,050,584	31,050,584
Total	<u>\$ 328,929,238</u>	<u>\$ 335,954,005</u>	<u>\$ 17,483,954</u>	<u>\$ 19,575,054</u>	<u>\$ 346,413,192</u>	<u>\$ 355,529,059</u>

During the current fiscal year Carroll County Government's total general obligation debt decreased by \$9,115,867. During the year, the County issued general obligation bonds totaling \$73,515,000. Of these bonds, \$15,000,000 were sold to cover capital projects in the governmental activities and \$58,515,000 were issued for refunding outstanding 2008 bonds to achieve debt service savings. The new debt issue will be

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

repaid over twenty years. Additional information on Carroll County Government's long-term debt can be found in Note 8 of this report.

Carroll County Government was assigned an AAA credit rating in October 2014 by Fitch Ratings. Fitch cited "Carroll County's fiscal operations are well managed through long-term financial planning and frequent monitoring of revenues and expenditures, resulting in healthy reserve levels." Standard and Poor's Rating Services assigned an AAA credit rating in October 2014, citing "We view the County's management conditions as very strong with "strong" financial management practices under our Financial Management Assessment methodology, indicating practices are strong, well embedded, and likely sustainable." Moody's Investors Service, Inc. has continued to assign an Aa1 rating to Carroll County Government, citing "the Aa1 rating and stable outlook reflects the County's sound financial position, supported by comprehensive fiscal policies, and satisfactory available fund balance." All three rating agencies gave the County a rating outlook of stable.

For charter counties, state statutes limit the amount of general obligation debt a government entity may issue up to 15.0 percent of its net assessed valuation of personal and corporate property plus 6.0 percent of the total assessed valuation of real property. While Carroll County is not a charter county, and does not have a legal debt limit, it uses the state statute as a recommended guideline on debt limit. The current debt limitation for Carroll County Government is \$1,156,709,607, which is significantly in excess of the Carroll County Government's outstanding general obligation debt. Additional information on the computation of the legal debt margin can be found in Table 13 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The fiscal year 2016 adopted budget appropriation for the general fund is \$379,962,320 representing an increase of \$11.5 million or 3.1 percent increase over fiscal year 2015.
- Real property tax is expected to increase in fiscal year 2016 due to increasing assessments. This is the first positive reassessment in six years.
- Income tax is expected to be higher in fiscal year 2016. The expected increase is due to expected growth in withholdings and estimated payments.
- Recordation is expected to be higher in fiscal year 2016 due to the County starting to see positive growth in the housing market.
- Education appropriation increased in fiscal year 2016 due to additional money funding teachers pensions.
- Public Safety appropriation increased under Sheriff Services due to five additional positions associated with the drug enforcement Support Program and the second year implementation of an enhanced salary plan for Sheriff Services.
- The County anticipates a reduction in income tax due to tax refunds for the Wynnes case. At this time an amount has not been determined.

All of these factors were considered in preparing the Carroll County Government's budget for the 2016 fiscal year.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Requests for Information**

This financial report is designed to provide a general overview of Carroll County Government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of the Comptroller, Carroll County Government, 225

North Center Street, Westminster, Maryland 21157 or call 410-386-2085. This report can also be found on the County's website at <http://ccgovernment.carr.org/ccg/comp/>.

The County's component units issue their own separately audited financial statements. These statements may be obtained by directly contacting the component unit. Contact information can be found in Note 1 of this report.