



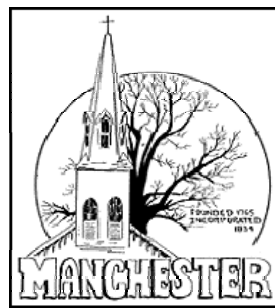
Historic Taneytown, MD Main Street



Taneytown, MD Main Street now.



Introductory Section



Manchester, MD Main Street Circa 1900



Manchester, MD Main Street now.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

INTRODUCTORY SECTION

Table of Contents	1
Letter of Transmittal.....	5
Certificate of Achievement for Excellence in Financial Reporting	10
Organizational Chart	11
Certain Elected and Appointed Officials.....	12

FINANCIAL SECTION

Independent Auditor's Report	13
Management's Discussion and Analysis (required supplementary information)	16
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position.....	32
Statement of Activities	33
Fund Financial Statements:	
Governmental Funds Financial Statements:	
Balance Sheet	34
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	35
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	36
General Fund Statement of Revenues, Expenditures, and Change in Fund Balance; Budgetary (Non-GAAP) Basis vs. Actual	37
Proprietary Funds Financial Statements:	
Statement of Net Position	38
Statement of Revenues, Expenses, and Changes in Fund Net Position	39
Statement of Cash Flows	40
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position – Trust and Agency Funds.....	41
Statement of Change in Fiduciary Net Position – Trust Funds	42
Notes to the Financial Statements	43
Required Supplementary Information	
Schedule of Changes in the Net Pension Liability and Related Ratios for the Carroll County Employee Pension Plan	162
Schedule of Carroll County's Contributions for the Carroll County Employee Pension Plan	163
Schedule of Investment Returns for the Carroll County Employee Pension Plan	164
Schedule of Changes in the Net Pension Liability and Related Ratios for the Carroll County Certified Law Officers Pension Plan	165
Schedule of Carroll County's Contributions for the Carroll County Certified Law Officers Pension Plan	166
Schedule of Investment Returns for the Carroll County Certified Law Officers Pension Plan	167
Schedule of Changes in the Volunteer Firemen Pension Plan Liability and Related Ratios.....	168
Schedule of Carroll County's Contributions for the Volunteer Firemen Pension Plan.....	169
Schedule of Investment Returns For the Volunteer Firemen Pension Plan.....	170
Schedule of Proportionate Share of the Net Pension Liability (NPL) and Schedule of Pension Plan Contributions for the State of Maryland- Carroll County Elected/Appointed Officials Pension Plan.....	171
Schedule of Proportionate Share of the Net Pension Liability (NPL) and Schedule of Pension Plan Contributions for the State of Maryland- Carroll County Soil Conservation District Pension Plan	172
Schedule of Changes in the Net OPEB Liability and Related Ratios for the Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland.....	173
Schedule of Carroll County's Contributions for the Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland.....	174
Schedule of Investment Returns for the Retiree Benefit Trust, Board of County Commissioner of Carroll County, Maryland.....	175
Schedules of Funding Progress and Employer Contributions for Other Post-Employment Benefits Fund.....	176
Supplementary Information	
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)-Budget (NON-GAAP Budgetary Basis) and Actual – General Fund	178

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

Combining Balance Sheet Non-Major Governmental Funds.....	185
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds.....	186
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budgetary (Non-GAAP) Basis vs. Actual – Hotel Rental Tax	187
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budgetary (Non-GAAP) Basis vs. Actual – Watershed Protection and Restoration Fund	188
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budgetary (Non-GAAP) Basis vs. Actual – Grant Fund	189
Combining Statement of Net Position Non-Major Enterprise Funds.....	190
Combining Statement of Revenues, Expenses and Changes in Fund Net Position Non-Major Enterprise Funds.....	191
Combining Statement of Cash Flows Non-Major Enterprise Funds.....	192
Combining Statement of Fiduciary Net Position –Trust Funds	193
Combining Statement of Changes in Fiduciary Net Position –Trust Funds.....	194
Statement of Changes in Assets and Liabilities – Agency Funds	195
Combining Statement of Net Position Internal Service Funds.....	196
Combining Statement of Revenues, Expenses and Changes in Fund Net Position Internal Service Funds.....	197
Combining Statement of Cash Flows Internal Service Funds.....	198
Schedule of Appropriations, Expenditures, and Encumbrances Budgetary (Non-GAAP) Basis – Capital Projects Fund	199
Schedule of Long-Term Indebtedness	208
Schedule of Investments for Governmental Activities, Business Type Activities, and Trust Funds	210
Capital Assets Used in the Operation of Governmental Funds Schedule by Source	211
Capital Assets Used in the Operation of Governmental Funds Schedule by Function	212
Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function	213

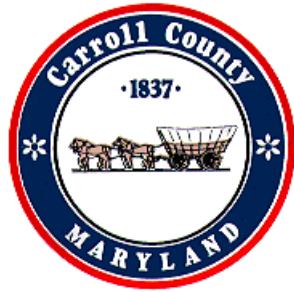
STATISTICAL SECTION

Net Position by Component.....	216
Changes in Net Position	217
Fund Balances, Governmental Funds.....	219
Local Tax Revenues by Source, Governmental Funds	220
Changes in Fund Balances, Governmental Funds	221
Assessed Valuation and Estimated Actual Value of Taxable Property	222
Real Property Tax Rates-Direct and Overlapping Governments.....	223
Principal Taxpayers	224
Property Tax Levies and Collections.....	225
Bureau of Utilities Water and Sewer Rates	226
Ratios of Outstanding Debt by Type	227
Ratios of Bonded Debt Outstanding.....	228
Computation of Legal Debt Margin	229
Computation of Direct and Overlapping Debt.....	230
Demographic Statistics.....	231
Major Employers.....	232
Full-Time County Employees by Function/Program.....	233
Operating Indicators by Function/Program	234
Capital Asset Statistics by Function/Program	235
Bureau of Utilities Revenue and Expenses.....	236
Solid Waste Fund Revenue and Expenses.....	237
Airport Fund Revenue and Expenses	238
Retired Members of the Carroll County Employee Pension Plan by Type of Benefit	239
Average Benefit Payments- Carroll County Employee Pension Plan	240
Retired Members of the Carroll County Certified Law Officers Pension Plan by Type of Benefit	241
Average Benefit Payments- Carroll County Certified Law Officers Pension Plan	242

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

SINGLE AUDIT SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matter Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	244
Independent Auditor's Report on Compliance For Each Major Program and And on Internal Control over Compliance Required By the Uniform Guidance	246
Schedule of Expenditures of Federal Awards	248
Notes to Schedule of Expenditures of Federal Awards	250
Schedule of Findings and Questioned Costs	251
Schedule of Prior Year Audit Findings and Questioned Costs.....	255



Robert M. Burk
Comptroller
410-386-2085, fax 410-840-8932
MD Relay service 7-1-1/800-735-2258
email: rburk@ccg.carr.org



Department of the Comptroller
Carroll County Government
225 North Center Street
Westminster, Maryland 21157

December 14, 2017

The Board of County Commissioners and
The Citizens of Carroll County, Maryland

State law requires that all general-purpose local governments publish a complete set of audited financial statements within six months of the close of each fiscal year. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Carroll County, Maryland for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of Carroll County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not outweigh their benefits, Carroll County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Carroll County's financial statements have been audited by CohnReznick LLP, a firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Carroll County's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with Generally Accepted Accounting Principles "GAAP". The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Carroll County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The Single Audit Report starts on page 244.

Management's discussion and analysis "MD&A" immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government:

Carroll County was created pursuant to an Act of the General Assembly of the State of Maryland on January 19, 1837. Carroll County is situated in the north central part of Maryland lying south of the Pennsylvania state line, which is part of the historic Mason-Dixon line. It is bordered on the east by

Baltimore County, on the south by Howard County and on the west by Frederick County. The County is 456 square miles in area and is approximately 27 miles both in length and width with a 2017 population estimate of 173,594. The County seat and largest city is Westminster. Carroll County is empowered to levy a property tax on both real and personal properties located within its boundaries. During the last three decades, the basic character of the County's land and residents has changed from predominantly rural to suburban and rural.

Carroll County has operated under the commissioner form of government since the County was formed by the State of Maryland legislature. The County is governed by an elected five-member Board of County Commissioners (the "Board"). The Board may only exercise such powers as are conferred upon it by the General Assembly of Maryland. The Board operates under the Code of Public Local Laws of Carroll County, 2013 Edition, as amended, being Article 7 of the Code of Public Local Laws of Maryland. Both the executive and legislative functions of the County are vested in the Board of County Commissioners. The Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing a County Administrator, a Clerk to the Board, and the directors of various departments. The County Administrator and Clerk to the Board are charged, generally, with the day-to-day management of the County. The board members serve four-year concurrent terms, limited to two consecutive terms by State law. The County is divided into five districts based on equal population. Each district elects a commissioner to represent their district.

Carroll County provides a full range of services including public safety (police, volunteer fire protection, emergency services and detention center), highways and streets, sanitation, planning and zoning, economic development, culture-recreation, education, a community college, libraries, judicial and general administrative services. The County also operates, in conjunction with the State, services related to general community health and human services. In addition, the County operates a water and wastewater utility, a solid waste operations, a septage treatment operation, an airport, a firearms facility (shooting range), and a fiber network as enterprise funds.

Carroll County is also financially accountable for a legally separate board of education, community college, library system, and economic development services to commercial enterprises, all of which are reported separately as component units within Carroll County's financial statements. Additional information on these legally separate entities can be found in Note 1 of the notes to the financial statements.

The annual budget serves as the foundation for Carroll County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the Department of Management and Budget in December of each year. Management and Budget uses these requests as the starting point for developing a proposed budget. Management and Budget then presents this proposed budget to the Commissioners for review prior to April 30. The Commissioners are required to hold public hearings on the proposed budget and to adopt a final budget by no later than 30 days before the close of the County's current fiscal year. The appropriated budget is prepared by fund, function (e.g., general government), and department (e.g., planning). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the Board. A budget-to-actual comparison is provided in this report for the individual governmental funds for which a legal appropriated annual budget has been adopted. The general fund comparison is presented on page 37 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the Supplementary Information subsection of the report, which starts on page 178.

Local Economy:

Local indicators show the continued stability of Carroll County. The unemployment rate for Carroll County was at 3.2% in September 2017, compared to 5.3% nationally. This is a result of the gradual continuing economic recovery. Carroll County maintains a mix of manufacturing, industrial, and service businesses that when joined with the strong agri-business, provides for a stable business climate. The top 10 employers in the County show the diversity as it contains the County Government, County Board of Education, two hospitals, two retirement communities, two colleges, a warehouse and distribution business, and a manufacturer. Included in these employers are companies like Penguin Random House, Evapco, and Carroll Lutheran Village.

The County has a labor force of approximately 92,693 as of September 2017, which was a decrease of 2% from last year.

Long-term Financial Planning:*Real Property Tax Rate:*

The Real Property Tax Rate is set by the Commissioners annually during the adoption of the budget. For fiscal year 2017, the commissioners adopted a Real Property Tax Rate of \$1.018 per \$100 of assessed value, unchanged from the prior year.

Personal Property Tax Rate:

The Personal Property Tax Rate is also set annually by the Commissioners during adoption of the budget. For fiscal year 2017, the Commissioners adopted a Personal Property Tax Rate of \$2.515 per \$100 of assessed value, unchanged from the prior year.

Income Tax Rate:

Effective January 1, 2015, the income tax rate reduced from 3.04% to 3.03% of the State taxable income. For 2017, the rate remained at 3.03% of State taxable income.

Homestead Tax Credit:

The Homestead Tax Credit is set by the Commissioners which caps the amount taxes can increase on a primary residence at five percent a year. The credit equals the County's tax rate multiplied by the amount by which the current year's assessment on residential property exceeds five percent of the previous year's taxable assessment.

Stabilization Arrangement:

The County formally adopted an ordinance for the stabilization arrangement during fiscal year 2013. The arrangement requires the County to maintain at least five percent of the upcoming fiscal year adopted general fund budget to be available to meet unforeseen emergency situations.

Operating Budget:

The County maintains a balanced six-year Operating Plan and a Community Investment Plan "CIP" for expenditures built on projected revenues. The development of six-year plans requires the County to evaluate the impact of current decisions on the long-term financial position of the County.

Capital Projects:

The County Commissioners six-year Community Investment Plan is focused on maintaining existing infrastructure. The six-year program includes \$26.9 million to continue the County's efforts in purchasing agriculture land preservation easements, \$21.3 million for watershed assessment and improvements, \$60 million to build a new Career and Technology Center, \$19 million for various public schools HVAC improvements and replacements, and \$74.5 million in road improvements for projects like several connector roads to relieve congestion in areas of growth.

The program also includes a \$11.3 million project to replace the current cast iron water mains and clay sanitary sewer lines in the Town of Sykesville where Bureau of Utilities operates and maintains both the water and sewer in the town. A funding program for water and sewer projects estimated to be needed to build-out has been put in place that would fund all needed projects through user assessments and connection fees and not require new debt financing.

Debt Administration:

The County plans long and short-term debt issuance to finance its capital budget based on cash flow needs, sources of revenue, available financing instruments, trends in bond market structures, and trends in interest rates. The County finances its capital needs on a regular basis dictated by its capital spending pattern. A financial advisor firm and bond counsel assist in developing a bond issuance strategy, preparing bond documents, and marketing bonds to investors.

The county consolidates general County improvements into Consolidated Public Improvement bonds with a term of no longer than the estimated life of the assets for which they are used to purchase. Debt obligations are generally issued through a competitive sale. However, the County may use a negotiated sale process when it deems bids received through a competitive sale are unsatisfactory or does not receive bids.

Financial Policies and Practices:

Debt Policy:

The debt policy sets forth comprehensive guidelines for the financing of capital expenditures. The policy provides parameters for issuing debt and managing outstanding debt. The policy provides guidance to decision makers regarding the timing and purpose for which debt may be issued, what types and amounts of debt are permissible, the method of sale that may be used and the debt structuring practices that may be used. The County recognizes that adherence to a debt policy helps ensure that it maintains a sound debt position and that credit quality is protected.

Investment Policy:

The County has a written investment policy and procedures manual that ensures that the investment program is strictly adhered to and the security of County investments are maximized. Cash held temporarily idle during the year by Carroll County, excluding component units, was invested in repurchase agreements, certificates of deposits, obligations of federal government agencies instrumentalities, the State of Maryland Local Government Investment Pool and a bank money rate savings account all of which are fully collateralized by United States Government obligations for periods ranging from one day to 20 years. The County also has a delivered collateral policy and a master repurchase agreement as part of its overall investment program.

Major Initiatives:

The County continues to focus on maintaining essential services. As of June 30, 2017, 70,311 acres are under permanent easement in our Agricultural Land Preservation programs supporting agribusiness, maintaining open space and our rural heritage, and avoiding the costs of services and infrastructure to serve residential development.

Carroll County continues to maintain strong ratings from the credit rating agencies (S&P AAA; Moody's Aa1; Fitch AAA) and the County's bonds are competitively sold with strong investor interest.

Pension and 401(k) Plans:

The Carroll County Employee Pension Plan, a defined benefit plan, was established by the County in 2004 and administered by the County to accumulate resources for pension benefit payments. The Carroll County Employee Pension Plan was amended October 1, 2009 to establish the Carroll County Certified Law

Officers Pension Plan. It allows eligible law enforcement officers to receive a non-reduced pension after 25 years of service. Effective October 1, 2009, the County amended the 401(k) Defined Contribution Plan and discontinued County contributions for employees that were hired July 1, 1985 or later and for those employees hired prior to July 1, 1985, who elected to participate in the Carroll County Pension Plan. Employees may still choose to voluntarily contribute to the plan. Administration of this plan is provided by the County, with recordkeeping services provided by the Lincoln Financial Group. Additional information on the plans can be found in Note 11 of the notes to the financial statements.

Awards and Acknowledgements: The Government Finance Officers Association of the United States and Canada “GFOA” awarded a Certificate of Achievement for Excellence in Financial Reporting to Carroll County, Maryland for its comprehensive annual financial report “CAFR” for the fiscal year ended June 30, 2016. Carroll County, Maryland has received a Certificate of Achievement for the last 32 consecutive years (fiscal years 1985-2016). The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

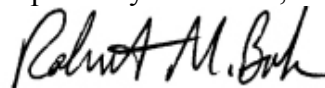
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County also received the GFOA’s Distinguished Budget Presentation Award for its fiscal year 2016 adopted budget document. In order to qualify for the Distinguished Budget Presentation Award, the government’s budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The Distinguished Budget Presentation Award is valid for a period of one year only. Carroll County has received the Distinguished Budget Presentation Award for the last nine consecutive years (2008-2016). Currently, the County has submitted its fiscal year 2017 adopted budget document for award consideration.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff in the Department of the Comptroller and the cooperation of the entire organization. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report. In closing, I would like to thank the County Commissioners for their continuing interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Robert M. Burk, CPA
Comptroller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Carroll County
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

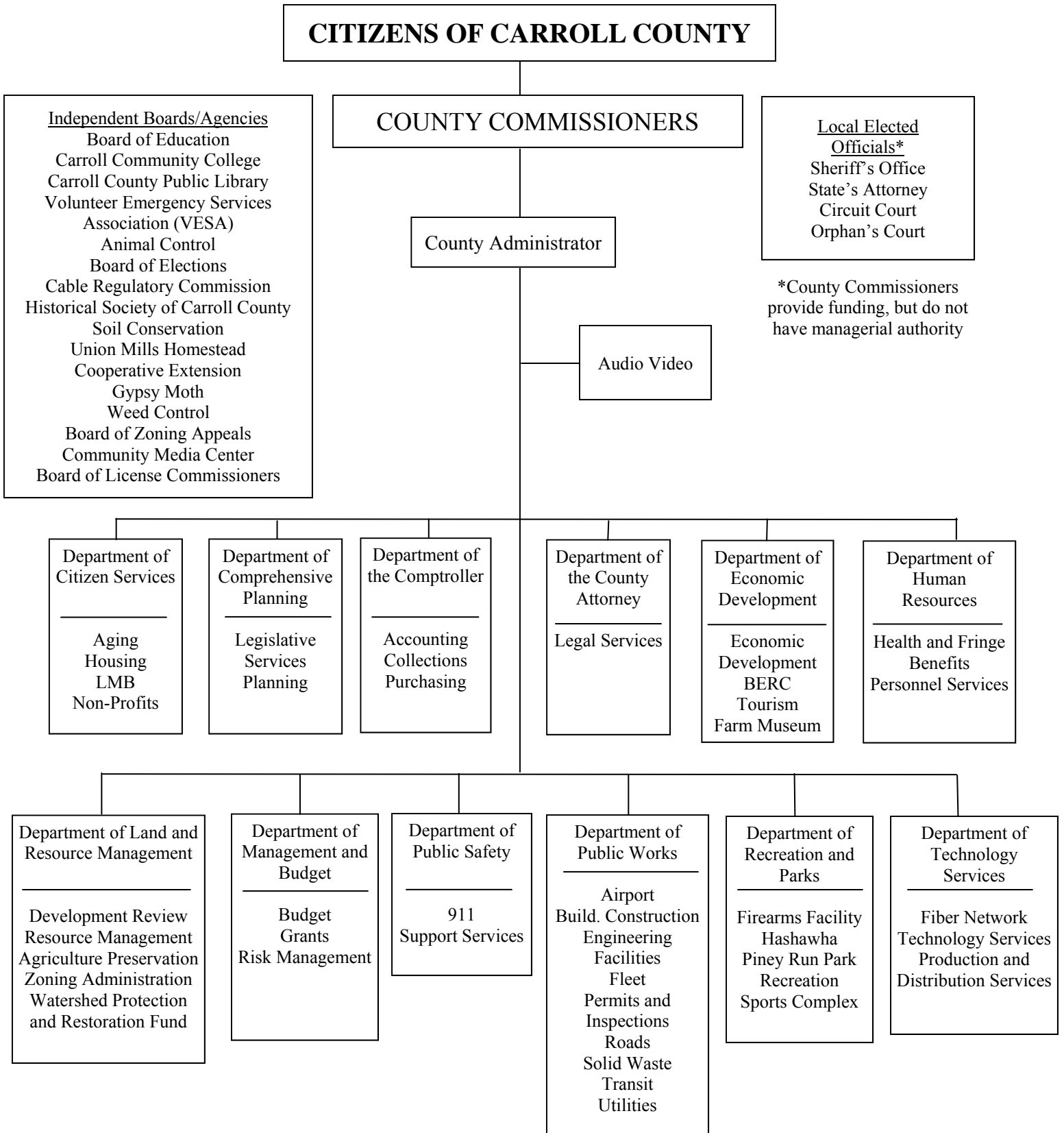
June 30, 2016

Christopher P. Merrill

Executive Director/CEO

CARROLL COUNTY GOVERNMENT

Organizational Chart



Carroll County, Maryland

225 North Center Street
Westminster, Maryland 21157
Telephone (410) 386-2400
Fax (410) 386-2485
ccgovernment.carr.org

Appointed Officials

Roberta Windham
County Administrator
Shawn Reese
County Clerk
Robert M. Burk
Comptroller
Theodore Zaleski, III
Director of Management and Budget
Timothy C. Burke
County Attorney
Christine C. Kay
Director of Citizen Services
Jeffrey D. Castonguay
Director of Public Works
Scott R. Campbell
Director of Public Safety
Philip R. Hager
Director of Comprehensive Planning
Thomas Devilbiss
Director of Land and Resource
Management
Jeff R. Degitz
Director of Recreation and Parks
Kimberly L. Frock
Director of Human Resources
Mark Ripper
Director of Technology Services
John Lyburn, Jr.
Director of Economic Development

Independent Auditors

CohnReznick, LLP
Baltimore, Maryland

Bond Counsel

McKennon Shelton & Henn, LLP
Baltimore, Maryland

Financial Advisor

Davenport & Company, LLC
Baltimore, Maryland

Board of County Commissioners



Richard Weaver
President
District 2



Dennis Frazier
Vice President
District 3



Stephen Wantz
Secretary
District 1



Richard Rothschild
District 4



J. Douglas Howard
District 5