

Basic Financial Statements



THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Statement of Net Position
June 30, 2015

Exhibit A

	Primary Government			Component Units			
	Governmental	Business-type	Total	Board of	Carroll	Industrial	
	Activities	Activities		Education	Community College	Library	
ASSETS							
Equity in pooled cash and investments	\$ 124,893,020	\$ 29,022,954	\$ 153,915,974	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	-	28,117	28,117	10,804,521	7,491,162	1,185,469	1,652,042
Restricted cash	-	-	-	-	-	29,833	11,348,010
Investments	-	-	-	-	7,876,732	-	-
Taxes and receivables, net	23,923,233	3,957,572	27,880,805	421,494	1,128,238	61,531	7,072,466
Due from component units	628,517	7,212	635,729	-	-	-	-
Due from primary government	-	-	-	32,307,554	390,562	22,003	75,000
Due from other governments	30,663,947	-	30,663,947	7,159,953	-	-	-
Due from fiduciary funds	579,733	-	579,733	-	-	-	-
Internal balances	1,733,715	(1,733,715)	-	-	-	-	-
Inventories	1,370,396	367,796	1,738,192	652,591	-	5,752	-
Prepaid expenses	4,234,620	3,333	4,237,953	367,514	278,523	-	-
Investments -restricted	25,979,899	-	25,979,899	-	-	-	-
Capital assets not being depreciated:							
Land	34,466,628	8,943,617	43,410,245	15,049,603	180,000	-	7,274,323
Construction in progress	38,549,035	4,184,831	42,733,866	3,618,441	-	-	1,779,344
Art and doll collection	-	-	-	-	382,525	-	-
Capital assets net of accumulated depreciation:							
Buildings and contents	133,371,431	15,446,288	148,817,719	392,619,286	1,551,983	3,981,452	-
Improvements other than buildings	19,254,632	6,836,493	26,091,125	-	-	-	-
Auto, machinery and equipment	12,294,315	18,720,181	31,014,496	10,745,403	9,222	-	31,818
Infrastructure	146,263,830	74,754,473	221,018,303	-	-	-	-
Capital assets, net of depreciation	384,199,871	128,885,883	513,085,754	422,032,733	2,123,730	3,981,452	9,085,485
Total assets	598,206,951	160,539,152	758,746,103	473,746,360	19,288,947	5,286,040	29,233,003
Deferred Outflows of Resources							
Deferred charge on refunding	10,452,016	(29,155)	10,422,861	-	-	-	-
Deferred charge for pensions	1,407,192	-	1,407,192	2,407,645	-	75,904	-
Total deferred outflows of resources	11,859,208	(29,155)	11,830,053	2,407,645	-	75,904	-
Total assets and deferred outflows	610,066,159	160,509,997	770,576,156	476,154,005	19,288,947	5,361,944	29,233,003
LIABILITIES							
Accounts payable	12,590,180	4,342,620	16,932,800	4,989,737	1,078,043	117,479	1,300
Retainage and guarantees due contractors	1,442,216	-	1,442,216	-	-	-	-
Due to component units	32,795,119	-	32,795,119	-	-	-	-
Due to primary government	-	-	-	21,309	166	1,343	612,910
Due to other governments	-	-	-	2,201,101	-	-	-
Unearned revenue	5,177,596	24,220	5,201,816	714,068	1,585,429	25,278	11,348,010
Accrued interest payable	1,755,818	157,813	1,913,631	48,288	-	-	906,842
Accrued expenses	1,592,711	97,942	1,690,653	32,436,640	926,038	284,176	3,807
Long-term liabilities							
Due within one year	34,560,392	2,428,419	36,988,811	2,913,850	691,801	-	-
Due in more than one year	355,745,827	28,060,402	383,806,229	107,288,714	17,711,081	909,922	4,000,000
Total liabilities	445,659,859	35,111,416	480,771,275	150,613,707	21,992,558	1,338,198	16,872,869
Deferred Inflows of Resources							
Deferred inflows for pensions	529,864	-	529,864	1,573,885	-	44,866	-
Total deferred inflows of resources	529,864	-	529,864	1,573,885	-	44,866	-
NET POSITION							
Net investment in capital assets	218,185,521	111,957,714	330,143,235	418,603,037	1,561,205	3,981,452	8,472,575
Restricted for:							
Capital projects	292,775	25,663,794	25,956,569	-	-	46,431	-
Special revenue taxes and fees	1,472,788	-	1,472,788	-	-	-	-
Food services	-	-	-	381,226	-	-	-
Educational purposes	-	-	-	-	6,956,005	-	-
Unrestricted	(56,074,648)	(12,222,927)	(68,297,575)	(95,017,850)	(11,220,821)	(49,003)	3,887,559
Total net position	\$ 163,876,436	\$ 125,398,581	\$ 289,275,017	\$ 323,966,413	\$ (2,703,611)	\$ 3,978,880	\$ 12,360,134

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, 2015

Exhibit B

	Net (Expense) Revenue and Changes in Net Position										
	Program Revenues				Primary Government			Component Units			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Board of Education	Carroll Community College	Library	Industrial Development Authority
Functions/Programs											
Primary government:											
General government	\$ 49,409,874	\$ 17,670,046	\$ 11,592,264	\$ 199	\$ (20,147,365)	\$ -	\$ (20,147,365)	\$ -	\$ -	\$ -	\$ -
Public safety	43,979,786	1,950,898	2,544,087	122,819	(39,361,982)	-	(39,361,982)	-	-	-	-
Public works	38,511,223	216,246	-	2,124,160	(36,170,817)	-	(36,170,817)	-	-	-	-
Health	4,280,644	6,684	-	-	(4,273,960)	-	(4,273,960)	-	-	-	-
Human services	6,875,694	86,275	-	-	(6,789,419)	-	(6,789,419)	-	-	-	-
Education	191,534,142	-	-	4,308	(191,529,834)	-	(191,529,834)	-	-	-	-
Culture and recreation	4,637,178	1,621,589	201,956	1,532,854	(1,280,779)	-	(1,280,779)	-	-	-	-
Libraries	14,145,909	-	-	-	(14,145,909)	-	(14,145,909)	-	-	-	-
Conservation of natural resources	8,936,174	41,587	48,867	2,778,022	(6,067,698)	-	(6,067,698)	-	-	-	-
Economic development	4,822,656	-	1,049,128	-	(3,773,528)	-	(3,773,528)	-	-	-	-
Judicial	7,283,903	-	-	-	(7,283,903)	-	(7,283,903)	-	-	-	-
Interest on long-term debt	11,851,872	-	-	-	(11,851,872)	-	(11,851,872)	-	-	-	-
Total governmental activities	386,269,055	21,593,325	15,436,302	6,562,362	(342,677,066)	-	(342,677,066)	-	-	-	-
Business-type activities:											
Bureau of Utilities	11,046,657	10,233,000	-	1,945,091	-	1,131,434	1,131,434	-	-	-	-
Solid Waste	9,550,820	6,637,638	-	-	-	(2,913,182)	(2,913,182)	-	-	-	-
Airport	733,816	727,987	-	25,000	-	19,171	19,171	-	-	-	-
Septage	604,130	946,123	-	-	-	341,993	341,993	-	-	-	-
Firearms	106,373	153,687	-	-	-	47,314	47,314	-	-	-	-
Fiber Network	1,230,506	37,558	-	-	-	(1,192,948)	(1,192,948)	-	-	-	-
Total business-type activities	23,272,302	18,735,993	-	1,970,091	-	(2,566,218)	(2,566,218)	-	-	-	-
Total primary government	\$ 409,541,357	\$ 40,329,318	\$ 15,436,302	\$ 8,532,453	(342,677,066)	(2,566,218)	(345,243,284)	-	-	-	-
Component units:											
Board of Education	385,122,696	3,842,585	48,803,116	9,242,656	-	-	(323,234,339)	-	-	-	-
Carroll Community College	38,172,924	10,059,850	4,174,503	-	-	-	(23,938,571)	-	-	-	-
Library	17,278,591	122,083	1,766,782	467,149	-	-	-	-	(14,922,577)	-	-
Industrial Development Authority	217,907	-	673,774	-	-	-	-	-	-	-	455,867
Total component units	\$ 440,792,118	\$ 14,024,518	\$ 55,418,175	\$ 9,709,805	-	-	(323,234,339)	(23,938,571)	(14,922,577)	-	455,867
General revenues:											
Property taxes					195,465,262	-	195,465,262	-	-	-	-
Income tax					144,994,220	-	144,994,220	-	-	-	-
Recordation tax					11,888,637	-	11,888,637	-	-	-	-
Admission and amusement tax					353,937	-	353,937	-	-	-	-
Agricultural transfer tax					59,558	-	59,558	-	-	-	-
Hotel rental tax					284,101	-	284,101	-	-	-	-
Local appropriations					-	-	-	172,875,135	9,327,614	13,687,211	-
State aide					-	-	-	122,047,243	7,705,441	-	-
Grants and contributions not restricted to specific programs					-	-	-	-	4,658,471	-	-
Gain on sale of capital asset					-	1,695	1,695	-	-	-	-
Investment earnings and miscellaneous, unrestricted					2,068,767	404,594	2,473,361	1,269,257	165,054	805,312	42,577
Transfers					(325,053)	325,053	-	-	-	-	-
Total general revenues and transfers					354,789,429	731,342	355,520,771	296,191,635	21,856,580	14,492,523	42,577
Change in net position					12,112,363	(1,834,876)	10,277,487	(27,042,704)	(2,081,991)	(430,054)	498,444
Net position - beginning of year, as restated					151,764,073	127,233,457	278,997,530	351,009,117	(621,620)	4,408,934	11,861,690
Net position - ending					\$ 163,876,436	\$ 125,398,581	\$ 289,275,017	\$ 323,966,413	\$ (2,703,611)	\$ 3,978,880	\$ 12,360,134

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, 2015

Exhibit C

	General Fund	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Equity in pooled cash and investments	\$ 73,517,917	\$ 38,036,291	\$ 4,735,992	\$ 116,290,200
Taxes and receivables, net	20,276,322	1,154,224	2,440,914	23,871,460
Due from component units	624,248	4,269	-	628,517
Due from other governments	29,137,881	1,526,066	-	30,663,947
Due from other governmental funds	7,486,012	-	-	7,486,012
Due from fiduciary funds	579,733	-	-	579,733
Due from proprietary funds	1,733,715	-	-	1,733,715
Inventories	1,370,396	-	-	1,370,396
Prepaid costs	211,074	3,616,413	407,133	4,234,620
Investments- restricted	25,979,899	-	-	25,979,899
Total assets	160,917,197	44,337,263	7,584,039	212,838,499
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,589,847	\$ 4,767,212	\$ 948,472	\$ 12,305,531
Retainage and guarantees due contractors	1,442,216	-	-	1,442,216
Due to component units	31,490,000	1,301,680	3,439	32,795,119
Due to other governmental funds	-	7,486,012	-	7,486,012
Accrued expenditures	1,478,756	-	113,955	1,592,711
Unearned revenue	84,791	2,239,709	2,841,792	5,166,292
Total liabilities	41,085,610	15,794,613	3,907,658	60,787,881
Deferred Inflows of Resources				
Unavailable revenue	17,163,038	-	-	17,163,038
Total deferred inflows of resources	17,163,038	-	-	17,163,038
Fund Balances:				
Nonspendable	29,004,124	-	-	29,004,124
Restricted	27,423,603	292,775	1,472,788	29,189,166
Committed	20,398,120	-	2,203,593	22,601,713
Assigned	18,458,967	28,249,875	-	46,708,842
Unassigned	7,383,735	-	-	7,383,735
Total fund balances	102,668,549	28,542,650	3,676,381	134,887,580
Total liabilities, deferred inflows of resources, and fund balances	\$ 160,917,197	\$ 44,337,263	\$ 7,584,039	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				384,199,871
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.				17,163,038
Adjustment for net pension liabilities				(11,142,251)
Net other postemployment benefit obligation, which is included in the governmental activities in the statement of net position.				(36,259,580)
Deferred outflows related to pensions that are applicable to future periods and, therefore, are not presented in the funds.				1,407,192
Deferred inflows related to pensions that are applicable to future periods and, therefore, are not presented in the funds.				(529,864)
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.				6,366,655
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.			\$ (330,460,387)	
Accrued interest payable			(1,755,818)	(332,216,205)
Net position of governmental activities				\$ 163,876,436

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, 2015

	General Fund	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
-local property	\$ 192,962,798	\$ -	\$ 1,066,890	\$ 194,029,688
-local other	140,153,066	12,668,815	1,780,069	154,601,950
Impact fees	-	-	184,605	184,605
Licenses and permits	1,600,930	-	-	1,600,930
Intergovernmental revenues	2,185,170	5,038,940	13,066,527	20,290,637
Charges for services	4,151,045	-	294,752	4,445,797
Fines and forfeits	96,800	3,040	-	99,840
Interest and gain on investments	1,449,796	1,025,038	2,275	2,477,109
Miscellaneous revenues	8,289,638	1,518,915	-	9,808,553
Total revenues	<u>350,889,243</u>	<u>20,254,748</u>	<u>16,395,118</u>	<u>387,539,109</u>
EXPENDITURES				
Current:				
General government	35,490,896	-	9,483,246	44,974,142
Public safety	41,504,322	-	1,216,794	42,721,116
Public works	17,125,929	-	13,363	17,139,292
Health	4,265,673	-	4,000	4,269,673
Human services	4,878,742	-	1,977,136	6,855,878
Education	186,866,867	-	-	186,866,867
Library	13,687,211	-	-	13,687,211
Culture and recreation	3,891,617	-	291,007	4,182,624
Conservation of natural resources	1,003,041	-	997,947	2,000,988
Economic development	3,537,715	-	1,049,128	4,586,843
Judicial	6,572,962	-	738,008	7,310,970
Capital outlay:				
General government	-	3,904,368	-	3,904,368
Public safety	-	9,899,452	-	9,899,452
Public works	-	11,100,648	-	11,100,648
Education	-	4,667,275	-	4,667,275
Library	-	396,972	-	396,972
Culture and recreation	-	1,853,627	-	1,853,627
Conservation of natural resources	-	9,509,023	-	9,509,023
Debt service:				
Principal	28,145,359	-	-	28,145,359
Interest	13,339,130	-	-	13,339,130
Total expenditures	<u>360,309,464</u>	<u>41,331,365</u>	<u>15,770,629</u>	<u>417,411,458</u>
Excess (deficiency) of revenues over (under) expenditures	(9,420,221)	(21,076,617)	624,489	(29,872,349)
OTHER FINANCING SOURCES (USES)				
Transfers in	15,246,802	6,018,887	1,467,681	22,733,370
Transfers out	(7,463,620)	(14,029,120)	(1,565,683)	(23,058,423)
Payment to escrow agent	(59,780,169)	-	-	(59,780,169)
Refunding bonds issued	52,576,682	-	-	52,576,682
Bonds issued	-	15,000,000	-	15,000,000
Bonds premium	7,290,919	1,258,455	-	8,549,374
Issuance of debt-purchase agreement	-	4,536,852	-	4,536,852
Total other financing sources (uses)	<u>7,870,614</u>	<u>12,785,074</u>	<u>(98,002)</u>	<u>20,557,686</u>
Net change in fund balances	(1,549,607)	(8,291,543)	526,487	(9,314,663)
Fund balance - beginning	104,044,469	36,834,193	3,149,894	144,028,556
Increase in reserve for inventory	173,687	-	-	173,687
Fund balance - ending	<u>\$ 102,668,549</u>	<u>\$ 28,542,650</u>	<u>\$ 3,676,381</u>	<u>\$ 134,887,580</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, 2015

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

Net change in fund balances - total governmental funds	\$ (9,314,663)
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.	4,235,511
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,072,825
Adjustment to the net pension liabilities.	(317,490)
Adjustment to the Other Postemployment Benefit (OPEB) annual OPEB cost for the net OPEB obligation.	(748,587)
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.	8,039,881
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.	80,063
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.	2,231,685
Net change in deferred outflows related to pension expense reported in the Statement of Activities.	1,363,002
Net change in deferred inflows related to pension expense reported in the Statement of Activities.	(529,864)
Change in net position - governmental activities	\$ 12,112,363

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
General Fund
Statement of Revenues, Expenditures, and Change in Fund Balance
Budgetary (NON-GAAP) Basis vs. Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS)				
Revenues				
Taxes:				
-local property	\$ 192,208,631	\$ 192,208,631	\$ 193,415,826	\$ 1,207,195
-local other	135,605,960	135,605,960	140,153,066	4,547,106
Licenses and permits	1,761,770	1,761,770	1,600,930	(160,840)
Intergovernmental revenues	2,209,960	2,209,960	2,185,171	(24,789)
Charges for services	4,267,150	4,267,150	4,151,046	(116,104)
Fines and forfeits	82,000	82,000	96,800	14,800
Interest and gains on investments	1,220,550	1,220,550	1,449,796	229,246
Miscellaneous revenues	1,465,550	1,465,550	8,289,637	6,824,087
Total revenues	<u>338,821,571</u>	<u>338,821,571</u>	<u>351,342,272</u>	<u>12,520,701</u>
Other financing resources				
Appropriated fund balance	14,317,450	14,317,450	-	(14,317,450)
Transfers in	15,355,119	15,355,119	15,246,802	(108,317)
Refunding bonds issued	-	-	52,576,682	52,576,682
Bonds premium	-	-	7,290,919	7,290,919
Total other financing resources	<u>29,672,569</u>	<u>29,672,569</u>	<u>75,114,403</u>	<u>45,441,834</u>
Total Resources (Inflows)	<u>368,494,140</u>	<u>368,494,140</u>	<u>426,456,675</u>	<u>57,962,535</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Expenditures				
Current:				
General government	56,495,190	39,535,977	35,518,078	4,017,899
Public safety	36,202,320	42,462,673	41,440,083	1,022,590
Public works	11,713,730	17,457,986	17,426,853	31,133
Judicial	5,427,710	6,590,482	6,577,161	13,321
Health	4,268,780	4,268,780	4,265,673	3,107
Human services	4,277,010	5,016,007	4,876,177	139,830
Education	179,775,000	179,775,000	186,866,867	(7,091,867)
Library	9,305,210	11,326,319	13,687,211	(2,360,892)
Culture and recreation	3,294,430	4,062,733	3,899,408	163,325
Conservation of natural resources	954,650	1,043,293	1,003,041	40,252
Economic development	3,535,480	3,642,889	3,529,868	113,021
Reserve for contingencies	3,276,083	3,640,211	-	3,640,211
Debt service:				
Debt service-County	28,667,110	28,667,110	28,203,856	463,254
Debt service- Board of Education	13,541,060	13,541,060	13,280,632	260,428
Total expenditures	<u>360,733,763</u>	<u>361,030,520</u>	<u>360,574,908</u>	<u>455,612</u>
Other financing uses				
Transfers out	7,760,377	7,463,620	7,463,620	-
Payment to escrow agent	-	-	59,780,169	(59,780,169)
Total other financing uses	<u>7,760,377</u>	<u>7,463,620</u>	<u>67,243,789</u>	<u>(59,780,169)</u>
Total charges to appropriations (outflows)	<u>368,494,140</u>	<u>368,494,140</u>	<u>427,818,697</u>	<u>(59,324,557)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,362,022)</u>	<u>\$ (1,362,022)</u>
Fund balance - beginning			108,180,582	
Fund balance - ending			<u>\$ 106,818,560</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, 2015

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Bureau of Utilities	Solid Waste	Airport	Non-Major Enterprise Funds	Total	
ASSETS						
Current assets:						
Equity in pooled cash and investments	\$ 16,493,372	\$ 10,850,000	\$ -	\$ 1,679,582	\$ 29,022,954	\$ 8,602,820
Cash and cash equivalents	2,843	23,399	1,575	300	28,117	-
Receivables, net	3,047,219	728,803	38,529	143,021	3,957,572	51,773
Due from component units	-	7,212	-	-	7,212	-
Inventories	354,140	-	13,656	-	367,796	-
Prepaid expenses	-	-	-	3,333	3,333	-
Total current assets	19,897,574	11,609,414	53,760	1,826,236	33,386,984	8,654,593
Noncurrent assets:						
Capital assets:						
Land	182,332	2,083,618	6,677,667	-	8,943,617	-
Buildings	17,676,654	1,752,296	4,569,596	274,051	24,272,597	-
Improvements other than buildings	1,910,610	6,319,553	1,785,748	1,465,140	11,481,051	-
Auto, machinery and equipment	2,200,188	3,608,572	988,265	20,419,010	27,216,035	-
Infrastructure	103,020,470	-	-	-	103,020,470	-
Construction in progress	2,982,515	-	-	1,202,316	4,184,831	-
Less accumulated depreciation	(38,969,487)	(5,324,143)	(2,887,257)	(3,051,831)	(50,232,718)	-
Total capital assets (net of accumulated depreciation)	89,003,282	8,439,896	11,134,019	20,308,686	128,885,883	-
Total assets	108,900,856	20,049,310	11,187,779	22,134,922	162,272,867	8,654,593
Deferred Outflows of Resources						
Deferred charge on refunding	35,047	(57,269)	(7,928)	995	(29,155)	-
Total deferred outflows of resources	35,047	(57,269)	(7,928)	995	(29,155)	-
Total assets and deferred outflows	\$ 108,935,903	\$ 19,992,041	\$ 11,179,851	\$ 22,135,917	\$ 162,243,712	\$ 8,654,593
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 3,420,701	\$ 693,661	\$ 9,259	\$ 218,999	\$ 4,342,620	\$ 284,649
Accrued interest payable	143,172	13,935	-	706	157,813	-
Unearned revenue	9,878	5,019	9,323	-	24,220	11,304
Accrued expenses	58,316	32,138	4,670	2,818	97,942	-
Due to other funds	-	-	75,745	1,657,970	1,733,715	-
Long-term liabilities due within one year:						
General obligation bonds payable	1,425,087	358,312	243,081	12,180	2,038,660	-
Unpaid claims	-	-	-	-	-	1,972,065
Loans payable	29,377	-	-	-	29,377	-
Landfill closure, postclosure remediation	-	229,868	-	-	229,868	-
Compensated absences	75,531	51,406	3,577	-	130,514	-
Total long-term due within one year	1,529,995	639,586	246,658	12,180	2,428,419	1,972,065
Total current liabilities	5,162,062	1,384,339	345,655	1,892,673	8,784,729	2,268,018
Noncurrent liabilities:						
General obligation bonds payable	12,864,078	1,429,950	1,076,696	74,570	15,445,294	-
Unpaid claims	-	-	-	-	-	19,920
Loans payable	158,748	-	-	-	158,748	-
Landfill closure, postclosure remediation	-	12,229,055	-	-	12,229,055	-
Compensated absences	143,519	79,336	4,450	-	227,305	-
Total noncurrent liabilities	13,166,345	13,738,341	1,081,146	74,570	28,060,402	19,920
Total liabilities	18,328,407	15,122,680	1,426,801	1,967,243	36,845,131	2,287,938
NET POSITION						
Net investment in capital assets	74,647,134	7,571,693	9,516,952	20,221,935	111,957,714	-
Restricted for:						
Capital projects	17,753,463	4,984,504	2,012,143	913,684	25,663,794	-
Unrestricted (deficit)	(1,793,101)	(7,686,836)	(1,776,045)	(966,945)	(12,222,927)	6,366,655
Total net position	\$ 90,607,496	\$ 4,869,361	\$ 9,753,050	\$ 20,168,674	\$ 125,398,581	\$ 6,366,655

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, 2015

	<u>Business-type Activities-Enterprise Funds</u>					<u>Governmental Activities- Internal Service Funds</u>
	<u>Bureau of Utilities</u>	<u>Solid Waste</u>	<u>Airport</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>	
Operating revenues:						
Charges for services	\$ 10,233,000	\$ 6,637,638	\$ 727,987	\$ 1,137,368	\$ 18,735,993	\$ 16,043,371
Total operating revenues	10,233,000	6,637,638	727,987	1,137,368	18,735,993	16,043,371
Operating expenses:						
Personal services	2,443,101	1,435,456	198,133	62,969	4,139,659	-
Contractual services	3,870,435	5,948,705	191,901	676,037	10,687,078	-
Materials and supplies	1,006,712	342,752	44,737	60,822	1,455,023	-
Rents and utilities	739,880	52,684	25,071	158,620	976,255	-
Insurance claims	-	-	-	-	-	13,812,022
Miscellaneous	75,101	1,100,016	34,095	135,786	1,344,998	-
Depreciation	2,204,733	577,666	174,578	842,740	3,799,717	-
Total operating expenses	<u>10,339,962</u>	<u>9,457,279</u>	<u>668,515</u>	<u>1,936,974</u>	<u>22,402,730</u>	<u>13,812,022</u>
Operating income (loss)	<u>(106,962)</u>	<u>(2,819,641)</u>	<u>59,472</u>	<u>(799,606)</u>	<u>(3,666,737)</u>	<u>2,231,349</u>
Nonoperating revenues (expenses):						
Penalties and interest	203,991	181,994	5	167	386,157	336
Bond interest subsidy	18,129	-	308	-	18,437	-
Interest and fiscal charges	(706,695)	(93,541)	(65,301)	(4,035)	(869,572)	-
Gain on disposal of capital asset	793	-	902	-	1,695	-
Total nonoperating revenues (expenses)	<u>(483,782)</u>	<u>88,453</u>	<u>(64,086)</u>	<u>(3,868)</u>	<u>(463,283)</u>	<u>336</u>
Income (loss) before contributions and transfers	(590,744)	(2,731,188)	(4,614)	(803,474)	(4,130,020)	2,231,685
Capital contributions (Area Connection Charges & Grants)	482,614	-	25,000	-	507,614	-
Capital contributions (Maintenance Fee)	1,462,477	-	-	-	1,462,477	-
Transfers in	199,420	125,633	-	-	325,053	-
Change in net position	1,553,767	(2,605,555)	20,386	(803,474)	(1,834,876)	2,231,685
Total net position - beginning of year, as restated	89,053,729	7,474,916	9,732,664	20,972,148	127,233,457	4,134,970
Total net position - end of year	<u>\$ 90,607,496</u>	<u>\$ 4,869,361</u>	<u>\$ 9,753,050</u>	<u>\$ 20,168,674</u>	<u>\$ 125,398,581</u>	<u>\$ 6,366,655</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 Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities-Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Bureau of Utilities	Solid Waste	Airport	Non-Major Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 9,955,620	\$ 6,560,181	\$ 753,621	\$ 1,134,192	\$ 18,403,614	\$ 16,009,554
Receipts from other funds	-	-	27,548	1,199,843	1,227,391	-
Payments to suppliers	(3,961,289)	(6,890,638)	(326,970)	(906,277)	(12,085,174)	(13,671,051)
Payments to employees	(2,427,633)	(1,417,035)	(196,212)	(62,490)	(4,103,370)	-
Net cash provided (used) by operating activities	3,566,698	(1,747,492)	257,987	1,365,268	3,442,461	2,338,503
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	199,420	125,632	-	-	325,052	-
Net cash provided by noncapital financing activities	199,420	125,632	-	-	325,052	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(2,750,737)	-	-	(1,168,596)	(3,919,333)	-
Principal paid on capital debt	(1,420,883)	(438,351)	(248,318)	(12,180)	(2,119,732)	-
Interest paid on capital debt	(662,560)	(27,542)	(56,447)	(3,993)	(750,542)	-
Proceeds of the disposition of capital asset	793	-	1,697	-	2,490	-
Capital contributions (Area Connection Charges & Grants)	1,945,091	-	25,000	-	1,970,091	-
Bond interest subsidy	18,129	-	308	-	18,437	-
Net cash provided (used) by capital and related financing activities	(2,870,167)	(465,893)	(277,760)	(1,184,769)	(4,798,589)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments and cash	203,991	181,994	5	167	386,157	336
Net cash provided by investing activities	203,991	181,994	5	167	386,157	336
Net increase (decrease) in cash and cash equivalents	1,099,942	(1,905,759)	(19,768)	180,666	(644,919)	2,338,839
Cash and cash equivalents at beginning of year	15,396,273	12,779,158	21,343	1,499,216	29,695,990	6,263,981
Cash and cash equivalents at end of year	<u>\$ 16,496,215</u>	<u>\$ 10,873,399</u>	<u>\$ 1,575</u>	<u>\$ 1,679,882</u>	<u>\$ 29,051,071</u>	<u>\$ 8,602,820</u>
Reconciliation of Operating Income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (106,962)	\$ (2,819,641)	\$ 59,472	\$ (799,606)	\$ (3,666,737)	\$ 2,231,349
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	2,204,733	577,666	174,578	842,740	3,799,717	-
Effect of Changes in operating assets and liabilities:						
Due to other funds	-	1,077	27,548	1,199,843	1,228,468	-
Accounts receivable	(279,491)	(79,189)	25,634	(3,176)	(336,222)	(37,931)
Inventory	(37,583)	-	2,539	-	(35,044)	-
Compensated absences payable	6,442	12,737	1,513	-	20,692	-
Accounts payable and accrued expenses	1,777,448	(350,336)	(33,297)	125,467	1,519,282	140,971
Unearned revenue	2,111	655	-	-	2,766	4,114
Landfill closure, postclosure, remediation costs	-	909,539	-	-	909,539	-
Total adjustments	3,673,660	1,072,149	198,515	2,164,874	7,109,198	107,154
Net cash provided (used) by operating activities	<u>\$ 3,566,698</u>	<u>\$ (1,747,492)</u>	<u>\$ 257,987</u>	<u>\$ 1,365,268</u>	<u>\$ 3,442,461</u>	<u>\$ 2,338,503</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, 2015

	Trust Funds	Agency Funds
ASSETS		
Equity in pooled cash and investments	\$ -	\$ 919,239
Receivables-notes	-	120,891
Investments at fair value:		
Short term investments	859,976	-
Bond funds	23,022,451	-
Equity funds	60,001,970	-
Marketable securities	55,518,355	-
Total investments	139,402,752	-
Total assets	139,402,752	\$ 1,040,130
LIABILITIES		
Accounts payable	17,815	154,961
Due to primary government	579,732	-
Deposits	-	885,169
Total liabilities	597,547	\$ 1,040,130
FIDUCIARY NET POSITION		
Net position held in trust for pension, benefits, and other purposes	\$ 138,805,205	

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 Fiscal Year Ended June 30, 2015

	Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 13,276,300
Plan members	2,507,940
Contributions from sources other than employer(s) and plan members	251,701
Total contributions	16,035,941
Investment earnings:	
Interest and dividends	2,489
Net increase in the fair value of investments	5,819,381
Total investment earnings	5,821,870
Less investment expense	(79,022)
Net investment earnings	5,742,848
Total additions	21,778,789
DEDUCTIONS	
Benefits and refunds paid to plan members and beneficiaries	5,463,291
Administrative expenses	56,672
Total deductions	5,519,963
Net increase in fiduciary net position	16,258,826
Net position-beginning	122,546,379
Net position-ending	\$ 138,805,205

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, 2015

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. The component units include the activities of the Board of Education, the Library, the Community College, and Industrial Development Authority. The component units are included in the County's reporting entity because of the significance of their operational or financial relationship with the County in that the County approves budgetary request and provides a significant amount of funding.

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, 2015. 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, 2015

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, 2015. 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 Article §16-304. The College serves the constituents of the County. At year end any unspent appropriation up to 10% of the current year operating budget are retained by the College as a component of their net position. Any excess above the 10% 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, 2015.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 CliftonLarsonAllen 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, 2015.

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, 2015

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.

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

The *Carroll County Septage Treatment* 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 COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies-continued

D. Basis of presentation- fund financial statements - continued

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

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 Funds* are revenues that are formally restricted by law for a particular purpose or have specific requirements associated with eligible program costs.

The *Impact Fee Fund* is restricted by law and provides 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.

The *Agricultural Transfer Tax Fund* 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.

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 *Cable Franchise Fee Fund* is committed by County Resolution to provide funding for public interest and educational programming on cable TV, and the administration of the cable franchise agreement. Cable Franchise Fees are five percent of gross cable television revenue.

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 COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies-continued

D. Basis of presentation- fund financial statements – continued

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 employee 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 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 Drug Task Force funds are held on behalf of a multi-agency County law enforcement task force. The Sherriff and Law Enforcement activities account for funds held by the County on behalf of the inmates in county detention center. The 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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies-continued

D. Basis of presentation- fund financial statements – continued

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 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. 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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies-continued

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 and on an annual basis for Impact Fees Fund, Agricultural Transfer Tax Fund, Hotel Rental Tax Fund, Cable Franchise Fee Fund and Watershed Protection and Restoration Fund.

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, 2015, expenditures exceeded appropriations by \$7,091,867 in Education and \$2,360,892 in Library due 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. The overspending in both functions occurred due to the recording of unbudgeted in-kind services.

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies-continued

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

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. 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 the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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 cost, which approximates fair value. 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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies-continued

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

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.

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 the lower of average cost or market. 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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies-continued

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

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 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 estimated fair 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. 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:

Capital Assets

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 financial 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/expenditure) 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 1-5 year period.

In addition, to liabilities the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*,

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies-continued

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

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 Activities 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. The government has one such item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category.

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 represent 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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies-continued

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

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 for each Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 also 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 \$1,788,262 in the solid waste fund, \$920,058 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, 2015 fees collected through water/sewer user rates, area connection charges and maintenance fees totaling \$17,753,463 have been restricted for future capital projects. The Solid Waste, Airport, Septage, and Firearms funds have restricted component of net position for capital projects in the amounts of \$4,984,504, \$2,012,143, \$667,234 and \$246,450 respectively. These amounts totaling \$25,663,794 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.

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies-continued

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) Unanticipated general fund revenues in total fall more than one percent below 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, 2015. 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.

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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies

J. Revenues and expenditures/expenses- continued

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, 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 2015 the following discounts were allowed: 1 percent on full year tax payments made on or before July 31st; 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 real property tax rate during the year ended June 30, 2015 was \$1.018 per \$100 of assessed value and the personal property rate was \$2.515 per \$100. In fiscal year 2015 the Commissioners issued a real property tax rebate of \$0.01 per \$100 of assessed value. Taxes for the County, State and Towns are billed to property owners and collected by the County.

5.) 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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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.

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.

6.) 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 reported as deferred charges and amortized over the term of the related debt.

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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies

J. Revenues and expenditures/expenses- continued

7.) Arbitrage Payable

Arbitrage rebate requirements under Internal Revenue Code Section 1.148-3 apply to general obligation bond issuances of 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, 2015 there is no arbitrage liability due to the Internal Revenue Service.

K. New Accounting Pronouncements

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*

The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. The County has implemented the effects of this Statement for reporting period ending June 30, 2015. The effect of this statement was reporting of the net pension liability on the Government Wide statements for the County's pension plans including LOSAP. In addition there was a restatement of the beginning balance of net postision. See letter L in this note.

Statement No. 69, *Government Combinations and Disposals of Government Operations*

This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The County has implemented the effects of this Statement for reporting period ending June 30, 2015. The effect of this statement had no substantial impact on the financial statements.

Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date- an Amendment of GASB Statement No. 68*

This Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The County has implemented the effects of this Statement for the reporting period ending June 30, 2015.

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. 72, *Fair Value Measurement and Application*

This Statement will provide guidance for applying fair value to investments and disclosures related to all fair value measurements. This Statement will become effective for reporting periods beginning after June 15, 2015.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies

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. This Statement will become effective for fiscal years beginning after June 15, 2016.

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. This Statement will become in effect for fiscal years beginning after June 15, 2016.

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.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The objective of this Statement is to identify in the context of the current governmental financial reporting environment- the hierarchy of generally accepted accounting principles. This Statement will become effective for reporting periods beginning after June 15, 2015.

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. This Statement will become effective for reporting periods beginning after December 15, 2015.

L. Prior Period Adjustment

Governmental Activities:

Capital Assets balances were restated as of June 30, 2014 to correctly record assets that were previously constructed as part of the Watershed Protection and Restoration Program. It was determined that those projects qualified as assets and were added based on completion date which created an understatement in Construction in Progress of \$1,421,008, Improvements of \$2,404,620, and Accumulated Depreciation-Improvements of \$410,002.

Economic Development funded a fiber connection totaling \$71,646. The connection was placed in service in June 2014. The asset was then transferred into the Fiber Network Fund based on the in-service date which resulted in certain incorrect Capital Assets balances in Governmental Activities as of June 30, 2014.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies

Total Net Capital Assets were restated from \$376,620,380 to \$379,964,360.

Total Net Capital Assets, June 30, 2014, as previously stated	\$376,620,380
Construction in Progress	1,421,008
Improvements	2,404,620
Accumulated Depreciation-Improvements	(410,002)
Automobiles, machinery, and equipment	<u>(71,646)</u>
Total Net Capital Assets, June 30, 2014, as restated	<u>\$379,964,360</u>

Net Position was restated as of June 30, 2014 to reflect the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions* and GASB Statement 71, *Pension Transition for Contributions made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68*. This Statement eliminated Negative Net Pension Obligations for both the County Employee Pension Plan (CCEPP) and the Certified Law Officers Pension

(CCLOPP) Plan. It also eliminated the Net Pension Obligation for the Volunteer Firemen's Length of Service Award Program (LOSAP). GASB Statement 68 requires governments to report the Net Pension Liability on the Statement of Net Position for all pensions.

Net Position at June 30, 2014 was reduced by \$15,946,685 to reflect the implementation of GASB Statement 68 and 71.

Eliminate the Negative Net Pension Obligation-CCEPP at June 30, 2014	\$(5,653,132)
Eliminate the Negative Net Pension Obligation-CCLOPP at June 30, 2014	(382,937)
Eliminate the Net Pension Obligation- LOSAP at June 30, 2014	869,955
Set up CCEPP Net Pension Liability at June 30, 2014	(6,263,004)
Set up CCLOPP Net Pension Liability at June 30, 2014	(2,772,236)
Set up LOSAP Net Pension Liability at June 30, 2014	(1,418,500)
Set up CC Officials Net Pension Liability at June 30, 2014	(155,486)
Set up Soil Conservation Net Pension Liability at June 30, 2014	(215,535)
Reclassify FY 14 CC Officials contributions as deferred outflows	18,519
Reclassify FY 14 Soil Conservation contributions as deferred outflows	<u>25,671</u>
Total adjustment to Net Position to reflect GASB 68 as of June 30, 2014	<u>\$(15,946,685)</u>

Total Net Position was restated from \$164,366,778 to \$151,764,073.

Total Net Position, June 30, 2014, as previously stated	\$164,366,778
Adjustment to Net Position for restatement of Capital Assets	3,343,980
Adjustment to Net Position to reflect GASB 68 and 71	<u>(15,946,685)</u>
Total Net Position, June 30, 2014, as restated	<u>\$151,764,073</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies

Business-type Activities:

Capital Assets balances for the Carroll County 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 assets were completed in 2013 and totaled \$7,916,542 and Accumulated Depreciation totaled \$290,273.

A fiber connection was built and funded by the General Fund totaling of \$71,646. The connection was placed in service in June 2014. It was then transferred into the Fiber Network Fund based on the in-service date which resulted in an increase to Automobiles, machinery, and equipment of \$71,646 and Accumulated Depreciation of \$120.

Net Capital Assets were restated from \$121,069,265 to \$128,767,060.

Total Net Capital Assets, June 30, 2014, as previously stated	\$121,069,265
Automobiles, machinery, and equipment	7,916,542
Accumulated Depreciation-Automobiles, machinery and equipment	(290,273)
Automobiles, machinery, and equipment	71,646
Accumulated Depreciation-Automobiles, machinery and equipment	<u>(120)</u>
Total Net Capital Assets, June 30, 2014, as restated	<u>\$128,767,060</u>

Total Net Position was restated from \$119,535,662 to \$127,233,457.

Total Net Position, June 30, 2014, as previously stated	\$119,535,662
Adjustment to Net Position for restatement of Capital Assets	<u>7,697,795</u>
Total Net Position, June 30, 2014, as restated	<u>\$127,233,457</u>

Component Units-Board of Education:

The Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which improves accounting and financial reporting by state and local government employers whose employees are provided benefits through pensions. The Board is now required to record a liability for future pension benefits in excess of accumulated plan contributions. These pronouncements require the restatement of the June 30, 2014 net position of governmental activities.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of significant accounting policies

In addition to the new accounting pronouncement, net position at July 1, 2014 of governmental activities has been restated to correct an error in accounting for compensated absences as follows:

Net position July 1, 2014, as previously stated	\$ 368,593,026
Effect of correction of an error	(3,512,885)
Cumulative affect of application of GASB 68, net pension liability	(15,959,173)
Cumulative affect of application of GASB 71, deferred outflow of resources for Board contributions made to the plan during the fiscal year ending June 30, 2014	<u>1,888,149</u>
Net position July 1, 2014, as restated	<u>\$ 351,009,117</u>

Library

The Library adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which improves accounting and financial reporting by state and local government employers whose employees are provided benefits through pensions. The Library is now required to record a liability for future pension benefits in excess of accumulated plan contributions.

These pronouncements require the restatement of the June 30, 2014 net position of governmental activities as follows:

Net position July 1, 2014, as previously stated	\$ 4,810,053
Cumulative affect of application of GASB 68, net pension liability	(454,944)
Cumulative affect of application of GASB 71, deferred outflow of resources for Library contributions made to the plan during the fiscal year ending June 30, 2014	<u>53,825</u>
Net position July 1, 2014, as restated	<u>\$ 4,408,934</u>

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 COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Bonds Payable	\$277,922,490
General Obligation Debt-Installment Purchases	31,050,584
Purchase Agreements Payable	5,875,768
Compensated Absences	6,107,397
Deferred charges	(10,452,016)
Premium on Bonds	<u>19,956,164</u>
	<u>\$ 330,460,387</u>

The details of net pension liabilities differences are as follows:

Net Pension Liability	\$7,055,782
Net Certified Law Officer’s Pension Liability	2,627,554
Net LOSAP Pension Liability	1,122,389
Net MSRA Pension Liability:	
CC Officials State of MD	141,030
Soil Conservation	<u>195,496</u>
	<u>336,526</u>
	<u>\$11,142,251</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	\$1,435,574
Income Taxes- unavailable	<u>15,727,464</u>
	<u>\$17,163,038</u>

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:

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

Purchase of Capital Assets	\$ 19,826,368
Donated Assets	4,838,904
Depreciation	(20,152,516)
Loss on Trade in of Assets	<u>(277,245)</u>
	<u>\$ 4,235,511</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 \$7,072,825 difference represents the net change of \$(256,383) in Property Taxes-unavailable plus \$7,329,208 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 Purchase Agreement	\$ (4,536,852)
Issuance of New General Obligation Bonds	(67,576,682)
Principal Payments on General Obligation Bonds	81,616,297
Principal Payments on Purchase Agreements	201,774
Net Change in Amortization of	
Deferred loss on Refunding Bonds	5,397,460
Net Change in Amortization of Bond Premium	(7,014,848)
Net Change In Accrued Interest Expense	<u>(47,268)</u>
	<u>\$ 8,039,881</u>

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	\$ (93,624)
Difference between accrual method used in Government wide Statements and the Purchase Method of inventory used in the Fund Statements	<u>(173,687)</u>
	<u>\$ 80,063</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

County Pension Liability		(\$792,778)
Certified Law Officers Pension Liability		144,682
LOSAP Pension Liability		296,111
MSRA Pension Liability:		
CC Officials	14,456	
Soil Conservation	<u>20,039</u>	
		<u>34,495</u>
		<u>(317,490)</u>

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 \$19,050,315. The Federal Depository Insurance Corporation (FDIC) insured \$250,000 and the balance of \$18,800,315 was collateralized with investments held in the County's name at the Federal Reserve Bank. At June 30, 2015, 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 assets and the statement of fiduciary net position.

Reconciliation:

<u>Total Primary Government – Exhibit A</u>		
Equity in Pooled Cash and Investments		\$153,915,974
Cash and cash equivalents		28,117
Restricted Assets – Investments		25,979,899
<u>Trust Funds-Exhibit J</u>		
Trust funds:		
Total Cash and Investments		139,402,752
Agency Funds:		
Equity in pooled cash and investments		<u>919,239</u>
Total all cash and investments		320,245,981
Less: Investments –		<u>(301,195,666)</u>
Total collected bank balance		<u>\$19,050,315</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

COMPONENT UNITS

At year-end the carrying amount of combined deposits was \$32,511,337 including cash on hand of \$7,058. 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 following table reconciles the Component Unit's deposits and investments to the government-wide statement of net assets.

Reconciliation:

Cash & Investments for Component Units

Board of Education	\$10,804,821
Carroll Community College	7,491,162
Carroll County Library	1,215,302
Industrial Development Authority	<u>13,000,052</u>
Total	<u>\$32,511,337</u>

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, 2015 the 30 percent was \$44,986,000). 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, 2015, 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 that 10 percent of it's 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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Primary Government
Investment Risk-continued

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, 2015, the County's investments were not exposed to custodial credit risk.

The following table displays segmented time distribution investments for the primary government and fiduciary funds by maturity and investment type as of June 30, 2015.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 yr.</u>	<u>1 to 2 yrs.</u>	<u>over 2 yrs.</u>
<u>Pooled Investments</u>				
Federal agencies (2)	\$ 65,080,600	\$ 20,094,600	\$ 44,986,000	\$ -
MLGIP	7,956,919	7,956,919	-	-
subtotal	73,037,519	28,051,519	44,986,000	-
<u>Non-Pooled Investments</u>				
U.S. government securities (1)	25,749,899	-	-	25,749,899
Money rate savings account	63,005,496	63,005,496	-	-
Other Post Employment				
Benefits and Pension Funds:				
Short-term investments (3)	859,976	859,976	-	-
Equities (3)	60,001,970	-	-	60,001,970
Corporate Bonds	23,022,451	-	-	23,022,451
Marketable securities	55,518,355	-	-	55,518,355
subtotal	228,158,147	63,865,472	-	164,292,675
Total	\$ 301,195,666	\$ 91,916,991	\$ 44,986,000	\$ 164,292,675

- (1) These investments are backed by full faith & credit of the U.S. Government.
(2) These agencies mature in fiscal year 2016/2017 but are callable monthly, quarterly, semi-annually until maturity.
(3) These investments are unrated.

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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.

Component Units

At year-end, the carrying value of the Board of Education’s combined deposits was \$10,417,796 excluding agency cash held by the Board) and cash on hand was \$3,758. The bank balance of deposits was \$15,834,010. 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, 2015, the cash on hand for petty cash and change in funds for Carroll Community College was \$3,300.

At June 30, 2015, the College’s cash and cash equivalents balance by type were as follows:

Cash on hand	\$ 3,300
Cash in bank	1,705,968
Bank money market	5,007,370
Maryland Local Government Investment Pool	416,587
Cash with Carroll Community College Foundation	<u>357,937</u>
	<u>\$7,491,162</u>

As of June 30, 2015, the carrying amount of the Library’s deposits was \$1,215,302 and the bank balance was \$1,317,339. There is no custodial credit risk for either of these investments as the amounts are fully collateralized.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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, 2015, the Industrial Development Authority bank balance was \$13,000,052. 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 Impact Fees Fund, Agricultural Transfer Tax Fund, Hotel Rental Tax Fund, Cable Franchise Fee 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.

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 COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 4 - Budgets and Budgetary Accounting-continued

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, 2015.

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 year end 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	\$ 1,604,735	\$ 361,668	\$ 274,257	\$ 18,200,412	\$ 20,441,072
Capital Projects fund	-	1,154,111	113	-	1,154,224
Non-major funds	-	2,440,914	-	-	2,440,914
	<u>1,604,735</u>	<u>3,956,693</u>	<u>274,370</u>	<u>18,200,412</u>	<u>24,036,210</u>
Uncollectible allowance	(164,750)	-	-	-	(164,750)
Total governmental funds	<u>\$ 1,439,985</u>	<u>\$ 3,956,693</u>	<u>\$ 274,370</u>	<u>\$ 18,200,412</u>	<u>\$ 23,871,460</u>
Amount not scheduled for collection during subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,868,590</u>	<u>\$ 16,868,590</u>

	<u>Accounts</u>
<u>Business-type funds</u>	
Bureau of Utilities	\$ 3,047,219
Solid Waste	728,803
Airport	164,873
Non-major funds	143,021
Internal Service Fund	51,773
	<u>4,135,689</u>
Uncollectible allowance(Airport)	(126,344)
Total business-type funds	<u>\$ 4,009,345</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 Airport Fund does not have liens on real property therefore; an allowance account for its receivables has been established.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5 – Receivables and Deferred Inflows/Outflows-continued

Balances for the component units for the year ended June 30, 2015 was as follows:

<u>Component Units</u>	<u>Accounts Restricted</u>	<u>Accounts and Notes Unrestricted</u>	<u>Other</u>	<u>Students</u>	<u>Contributions</u>	<u>Total</u>
Board of Education	\$ -	\$ 421,494	\$ -	\$ -	\$ -	\$ 421,494
Carroll Community College	-	-	285,160	816,237	424,727	1,526,124
Library	52,201	9,330	-	-	-	61,531
Industrial Development Authority	-	7,736,976	-	-	-	7,736,976
	<u>52,201</u>	<u>8,167,800</u>	<u>285,160</u>	<u>816,237</u>	<u>424,727</u>	<u>9,746,125</u>
Less: allowance	-	(664,510)	-	(397,886)	-	(1,062,396)
Total component unit activities	<u>\$ 52,201</u>	<u>\$ 7,503,290</u>	<u>\$ 285,160</u>	<u>\$ 418,351</u>	<u>\$ 424,727</u>	<u>\$ 8,683,729</u>
Amount not scheduled for collection during subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,707</u>	<u>\$ 107,707</u>

Unearned Revenues

Governmental funds report deferred inflows- unearned revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and Enterprise Funds also report unearned revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2015, the various components of unearned revenue reported were as follows:

	<u>Unearned</u>
<u>Governmental funds</u>	
General Fund:	
City of Westminster	\$ 84,791
Capital Fund:	
Other	2,239,709
Grants Fund:	
Draw down of excess of expenditures	2,841,792
Internal Service Fund:	
Future benefit payments from retirees	11,304
Total governmental funds	<u>\$ 5,177,596</u>
<u>Business-type funds</u>	
Solid Waste- property rentals	\$ 5,019
Bureau of Utilities	9,878
Airport	9,323
Total business-type funds	<u>\$ 24,220</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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:

<u>Government-Wide</u>	<u>Deferred Charge</u>
Governmental activities	
Deferred charge on refunding	\$ 10,452,016
Deferred charge for pension:	
Carroll County Employee Pension	1,151,286
Carroll County law officers pension	165,546
State employee pension- cc officials	61,788
State employee pension- soil conservation	28,572
Total deferred charge for pension	1,407,192
Business-type activities	
Deferred charge on refunding	(29,155)
Total government-wide	\$ 11,830,053

Deferred Inflows of Resources

Deferred Inflows are as follows:

<u>Government-Wide</u>	<u>Deferred Inflows for Pension</u>
Governmental activities	
Carroll county employee pension	\$ 83,672
Carroll county law officers pension	217,931
LOSAP	191,426
MSRA- CC Officials	15,437
MSRA- Soil Conservation	21,398
Total governmental wide	\$ 529,864
<u>Governmental funds</u>	
General Fund:	
Income taxes	\$ 15,727,464
Property taxes	1,435,574
Total governmental funds	\$ 17,163,038

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 – Interfund Receivables, Payables and Transfers

Interfund Transfers

At June 30, 2015, the Interfund transfers between primary government major and non-major funds were as follows:

	Transfers Out			
	General Fund	Capital Projects Fund	Non-Major Fund	Total
Transfers In:				
General Fund	\$ -	\$ 14,029,120	\$ 1,217,682	\$ 15,246,802
Capital Projects Fund	5,670,886	-	348,001	6,018,887
Bureau of Utilities	199,420	-	-	199,420
Solid Waste	125,633	-	-	125,633
Non-Major Governmental Funds	1,467,681	-	-	1,467,681
Total transfers	<u>\$ 7,463,620</u>	<u>\$ 14,029,120</u>	<u>\$ 1,565,683</u>	<u>\$ 23,058,423</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.

Due to/from Component Units

The due to/from component units at June 30, 2015 consisted of the following:

Carroll Community College	166	390,562
Library	1,344	22,003
Industrial Development Authority	612,910	75,000
Component Units:		
Primary Government	32,307,554	21,309
Primary Government	390,562	166
Primary Government	22,003	1,344
Primary Government	75,000	612,910
	<u>\$ 33,430,848</u>	<u>\$ 33,430,848</u>

Due to/from Fiduciary Funds

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

	Due From	Due To
Trust Fund:		
General Fund	\$ -	\$ 579,733
Governmental Activities:		
Other Postemployment Benefit Trust	579,733	-
	<u>\$ 579,733</u>	<u>\$ 579,733</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 – Interfund Receivables, Payables and Transfers-continued

Due to/from Other Governmental Funds

Due to primary government and due from Other Governmental Funds:

	Due From	Due To
Governmental Activities:		
General Fund	\$ -	\$ 7,486,012
Capital Fund	7,486,012	-
	\$ 7,486,012	\$ 7,486,012

Internal Balances

Due to/due from Business-type funds:

	Due From	Due To
Business-type Activities:		
General Fund	\$ -	\$ 1,733,715
Governmental Activities:		
Fiber Network	1,657,970	
Airport	75,745	-
	\$ 1,733,715	\$ 1,733,715

The Airport Fund and Fiber Network overdrew 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, Solid Waste and Fiber Network at June 30, 2015.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 7 – Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance, Restated June 30, 2014	Additions	Net of Transfers and Retirements	Balance June 30, 2015
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 33,041,200	\$ 1,562,824	\$ (137,396)	\$ 34,466,628
Construction in progress	31,640,221	16,841,598	(9,932,784)	38,549,035
Total capital assets, not being depreciated	64,681,421	18,404,422	(10,070,180)	73,015,663
Capital assets, being depreciated:				
Buildings and contents	185,447,068	1,186,400	-	186,633,468
Improvements other than buildings	32,475,255	9,792,526	-	42,267,781
Automobiles, machinery and equipment	42,518,400	2,623,503	(1,577,097)	43,564,806
Infrastructure	567,431,922	2,591,205	-	570,023,127
Total capital assets, being depreciated	827,872,645	16,193,634	(1,577,097)	842,489,182
Less accumulated depreciation for:				
Buildings and contents	48,836,538	4,425,499	-	53,262,037
Improvements other than buildings	20,855,287	2,157,862	-	23,013,149
Automobiles, machinery and equipment	29,655,588	3,052,151	(1,437,248)	31,270,491
Roads and bridges	413,242,293	10,517,004	-	423,759,297
Total accumulated depreciation	512,589,706	20,152,516	(1,437,248)	531,304,974
Total capital assets, being depreciated, net	315,282,939	(3,958,882)	(139,849)	311,184,208
Governmental activities capital assets, net	<u>\$ 379,964,360</u>	<u>\$ 14,445,540</u>	<u>\$ (10,210,029)</u>	<u>\$ 384,199,871</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 8,944,412	\$ 1	\$ (796)	\$ 8,943,617
Construction in progress	1,039,342	3,795,906	(650,417)	4,184,831
Total capital assets, not being depreciated	9,983,754	3,795,907	(651,213)	13,128,448
Capital assets, being depreciated:				
Buildings and contents	24,272,597	-	-	24,272,597
Improvements other than buildings	10,830,634	650,417	-	11,481,051
Automobiles, machinery and equipment	27,310,603	123,427	(217,995)	27,216,035
Infrastructure:				
Water facilities	55,193,273	-	-	55,193,273
Sewer facilities	47,827,197	-	-	47,827,197
Total capital assets, being depreciated	165,434,304	773,844	(217,995)	165,990,153
Less accumulated depreciation for:				
Buildings and contents	8,340,639	485,670	-	8,826,309
Improvements other than buildings	4,111,489	533,069	-	4,644,558
Automobiles, machinery and equipment	7,607,480	1,106,370	(217,996)	8,495,854
Water facilities	10,427,263	963,340	-	11,390,603
Sewer facilities	16,164,127	711,267	-	16,875,394
Total accumulated depreciation	46,650,998	3,799,716	(217,996)	50,232,718
Total capital assets, being depreciated, net	118,783,306	(3,025,872)	1	115,757,435
Business-type activities capital assets, net	<u>\$ 128,767,060</u>	<u>\$ 770,035</u>	<u>\$ (651,212)</u>	<u>\$ 128,885,883</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 7 – Capital Assets-continued

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

Governmental activities:

General Government	\$5,808,894
Public Safety	1,752,280
Public Works	11,497,867
Health	10,971
Human Services	11,586
Culture & Recreation	570,715
Judicial	42,297
Economic Development	231,698
Conservation of Natural Resources	<u>226,208</u>
Total depreciation expense-governmental activities	<u>\$20,152,516</u>

Business-type activities:

Bureau of Utilities	\$2,204,733
Solid Waste	577,666
Septage	174,578
Airport	22,999
Firearms Facility	23,915
Fiber Network	<u>795,827</u>
Total depreciation expense-business-type activities	<u>\$3,799,716</u>

Component units

Activity for the Board of Education for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Net Transfers and Retirements	Balance June 30, 2015
Capital assets not being depreciated				
Land and improvements	\$ 15,049,603	\$ -	\$ -	\$ 15,049,603
Construction in Progress	<u>5,275,167</u>	<u>8,808,048</u>	<u>10,464,774</u>	<u>3,618,441</u>
Total capital assets, not being depreciated	20,324,770	8,808,048	10,464,774	18,668,044
Capital assets being depreciated				
Building and improvements	584,407,409	9,076,624	-	593,484,033
Equipment	<u>40,772,963</u>	<u>3,005,383</u>	<u>1,032,244</u>	<u>42,746,102</u>
Total capital assets being depreciated	625,180,372	12,082,007	1,032,244	636,230,135
Less accumulated depreciation				
Buildings and improvements	186,134,636	14,730,111	-	200,864,747
Equipment	<u>29,949,232</u>	<u>3,079,401</u>	<u>1,027,934</u>	<u>32,000,699</u>
Total accumulated depreciation	<u>216,083,868</u>	<u>17,809,512</u>	<u>1,027,934</u>	<u>232,865,446</u>
Total capital assets, being depreciated, net	<u>409,096,504</u>	<u>(5,727,505)</u>	<u>4,310</u>	<u>403,364,689</u>
Capital assets, net	<u>\$ 429,421,274</u>	<u>\$ 3,080,543</u>	<u>\$ 10,469,084</u>	<u>\$ 422,032,733</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 7 – Capital Assets-continued

Component units-continued

Activity for the Carroll Community College for the year ended June 30, 2015 was as follows:

	Balance at June 30, 2014	Additions	Net Transfers and Retirements	Balance at June 30, 2015
Capital assets not being depreciated				
Foundation	\$ 562,525	\$ -	\$ -	\$ 562,525
Capital assets being depreciated				
Building Improvements	1,649,567	292,046	-	1,941,613
Equipment	3,379,421	240,011	10,754	3,608,678
Vehicles	128,692	-	-	128,692
Library Books	1,794,144	37,941	64,867	1,767,218
Total capital assets being depreciated	6,951,824	569,998	75,621	7,446,201
Less accumulated depreciation				
Building improvements	795,774	108,563	-	904,337
Equipment	3,000,181	173,130	10,754	3,162,557
Vehicles	112,228	7,242	-	119,470
Library books	1,698,816	63,539	63,723	1,698,632
Total accumulated depreciation	5,606,999	352,474	74,477	5,884,996
Total capital assets, being depreciated, net	1,344,825	217,524	1,144	1,561,205
Capital assets, net	<u>\$ 1,907,350</u>	<u>\$ 217,524</u>	<u>\$ 1,144</u>	<u>\$ 2,123,730</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 \$381,025, as of June 30, 2015 and 2014, and adjusted accordingly in the financial statements. Collectibles and artwork with indeterminate useful lives are not depreciated.

The doll collection consists of approximately 100 dolls from various countries, purchased by the donor while traveling to the various countries over a period of twenty years. These donated items are recorded at their fair value of \$1,500, as determined by management, at the date of donation.

The Foundation was gifted real estate in 2009. The fair value of the real estate was \$180,000 and is included with Capital Assets on the Statements of Net Assets.

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, 2015

Note 7 – Capital Assets-continued

Activity for the Carroll County Public Library for the year ended June 30, 2015 was as follows:

	Balance at June 30, 2014	Additions	Net Transfers and Retirements	Balance at June 30, 2015
Capital assets being depreciated by location				
Headquarters	\$ 1,131,984	\$ 30,941	\$ 18,214	\$ 1,144,711
Westminster	1,113,831	112,381	-	1,226,212
Eldersburg	434,613	-	-	434,613
Mt. Airy	867,415	94,050	-	961,465
North Carroll	309,561	-	-	309,561
Taneytown	133,357	-	-	133,357
Finksburg	127,425	-	3,211	124,214
Circulation materials	3,324,004	1,067,688	1,134,674	3,257,018
Construction in progress	139,166	0	139,166	0
Total capital assets, being depreciated	<u>7,581,356</u>	<u>1,305,060</u>	<u>1,295,265</u>	<u>7,591,151</u>
Less accumulated depreciation	<u>3,258,972</u>	<u>-</u>	<u>(350,727)</u>	<u>3,609,699</u>
Capital assets, net	<u><u>\$ 4,322,384</u></u>	<u><u>\$ 1,305,060</u></u>	<u><u>\$ 1,645,992</u></u>	<u><u>\$ 3,981,452</u></u>

Activity for the Industrial Development Authority of Carroll County for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Net Transfers and Retirements	Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ 7,682,468	\$ 227,697	\$ 635,842	\$ 7,274,323
Construction in Progress	1,768,770	10,574	-	1,779,344
Total capital assets, not being depreciated	<u>9,451,238</u>	<u>238,271</u>	<u>635,842</u>	<u>9,053,667</u>
Capital assets being depreciated				
Equipment	5,000	32,886	-	37,886
Total capital assets being depreciated	<u>5,000</u>	<u>32,886</u>	<u>-</u>	<u>37,886</u>
Less accumulated depreciation				
Equipment	5,000	1,068	-	6,068
Total capital assets, being depreciated, net	<u>-</u>	<u>31,818</u>	<u>-</u>	<u>31,818</u>
Capital assets, net	<u><u>\$ 9,451,238</u></u>	<u><u>\$ 270,089</u></u>	<u><u>\$ 635,842</u></u>	<u><u>\$ 9,085,485</u></u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015.

	Balance 7/1/2014 (restated)	Additions	Principal Repayments/ Amortization	Balance June 30, 2015	Due Within One Year
Governmental activities:					
Purchase Agreements	\$ 1,540,690	\$ 4,536,852	\$ 201,774	\$ 5,875,768	\$ 209,666
General Obligation Debt	31,050,584	-	-	31,050,584	-
General Obligation Bonds	291,962,105	67,576,682	81,616,297	277,922,490	27,961,865
Bonds premium/discount	12,941,316	8,549,374	1,534,526	19,956,164	1,712,638
Subtotal	337,494,695	80,662,908	83,352,597	334,805,006	29,884,169
Net other post employment benefit obligation	35,510,993	12,596,770	11,848,183	36,259,580	-
Net LOSAP liability	1,418,500	117,258	413,369	1,122,389	-
Net pension liability	6,263,004	6,491,857	5,699,079	7,055,782	-
Net certified law officers pension liability	2,772,236	1,267,954	1,412,636	2,627,554	-
Net pension liability (CC Officials State of MD)	155,486	-	14,456	141,030	-
Net pension liability (Soil Conservation- State)	215,535	-	20,039	195,496	-
Estimated liability for claims in process	1,960,574	13,512,217	13,480,806	1,991,985	1,972,065
Compensated Absences	6,013,773	2,797,782	2,704,158	6,107,397	2,704,158
Governmental activity Long-term liabilities	\$ 391,804,796	\$ 117,446,746	\$ 118,945,323	\$ 390,306,219	\$ 34,560,392
Business-type activities:					
Loans Payable	\$ 216,757	\$ -	\$ 28,632	\$ 188,125	\$ 29,377
General Obligation Bonds	19,575,054	5,938,318	8,029,418	17,483,954	2,038,660
Subtotal	19,791,811	5,938,318	8,058,050	17,672,079	2,068,037
Landfill closure/postclosure	11,549,384	909,539	-	12,458,923	229,868
Compensated Absences	337,127	131,406	110,714	357,819	130,514
Business-type activity Long-term liabilities	\$ 31,678,322	\$ 6,979,263	\$ 8,168,764	\$ 30,488,821	\$ 2,428,419
Component Units:					
Board of Education:					
Net other post employment benefit obligation	\$ 58,881,226	\$ 23,464,000	\$ 7,202,795	\$ 75,142,431	\$ -
Compensated Absences	18,888,176	722,712	2,359,542	17,251,346	2,100,000
Net pension liability (State of MD)	14,071,024	308,067	-	14,379,091	-
Capital Lease Obligations	4,189,410	-	759,714	3,429,696	813,850
Total Board of Education	\$ 96,029,836	\$ 24,494,779	\$ 10,322,051	\$ 110,202,564	\$ 2,913,850
Carroll Community College					
Net other post employment benefit obligation	\$ 15,043,591	\$ 2,481,513	\$ -	\$ 17,525,104	\$ -
Compensated Absences	812,812	64,966	-	877,778	691,801
Total Carroll Community College	\$ 15,856,403	\$ 2,546,479	\$ -	\$ 18,402,882	\$ 691,801

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 – Long-Term Debt-continued

A.) Governmental Activities

	Balance 7/1/14 (restated)	Additions	Principal Repayments/ Amortization	Balance June 30, 2015	Due Within One Year
Library					
Compensated Absences	\$ 455,843	\$ 44,178	\$ -	\$ 500,021	\$ -
Net pension liability	\$ 454,944	-	45,043	409,901	-
Total Library	\$ 910,787	\$ 44,178	\$ 45,043	\$ 909,922	\$ -
Industrial Development Authority					
Loan	\$ 4,000,000	-	-	\$ 4,000,000	-
Total Industrial Dev. Authority	\$ 4,000,000	\$ -	\$ -	\$ 4,000,000	\$ -

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.

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, 2015 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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 – Long-Term Debt—continued

A.) Governmental Activities—continued

Issue	Interest Rate	Year Series Matures	Amount of Original Issue	Outstanding June 30, 2015	Due Within One Year
<u>General Government:</u>					
Suntrust/AAIG Johnson Controls	4.040%	2021	\$ 2,649,079	\$ 1,338,916	\$ 210,378
AAIG Johnson Controls	2.353%	2031	4,536,852	4,536,852	(712)
Total Purchase Agreements				<u>\$ 5,875,768</u>	<u>\$ 209,666</u>

Years Ending June 30,	Principal	Interest	Total
2016	\$ 209,666	\$ 187,375	\$ 397,041
2017	331,393	149,308	480,701
2018	296,536	138,025	434,561
2019	316,017	126,594	442,611
2020	336,498	114,513	451,011
2021-2025	1,941,662	411,375	2,353,037
2026-2030	2,208,573	166,430	2,375,003
2031	235,423	2,076	237,499
Total purchase agreement	<u>\$ 5,875,768</u>	<u>\$ 1,295,696</u>	<u>\$ 7,171,464</u>

General Obligation Debt

The County issues general obligation debt to provide funds for the Agricultural Preservation Program to finance 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 2034. The interest rates on these purchase agreements range from 4.641% to 6.00%.

Years Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 1,728,795	\$ 1,728,795
2017	-	1,728,795	1,728,795
2018	-	1,728,795	1,728,795
2019	1,201,212	1,728,795	2,930,007
2020	-	1,656,722	1,656,722
2021-2025	4,113,488	8,038,680	12,152,168
2026-2030	8,699,720	6,454,238	15,153,958
2031-2034	17,036,164	1,371,230	18,407,394
Total general obligation debt	<u>\$ 31,050,584</u>	<u>\$ 24,436,050</u>	<u>\$ 55,486,634</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 – Long-Term Debt–continued

A.) Governmental Activities-continued

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, 2015

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

Issue	Interest Rate	Year Series Matures	Amount of Original Issue	Outstanding June 30, 2015	Due Within One Year
<u>General Government:</u>					
FHA Loan of 1972-Watershed Bonds	3.502%	2022	\$ 769,700	\$ 210,640	\$ 25,451
FHA Loan of 1974- Watershed Bonds	3.649%	2024	253,000	97,135	8,580
FHA Loan of 1979- Watershed Bonds	3.649%	2031	678,800	355,266	16,761
2005 Public Improvement Bonds	3.50%-4.125%	2020	31,799,320	1,812,966	1,812,966
2006 Public Improvement Bonds	3.50%-4.00%	2021	20,260,000	2,116,409	1,058,204
2007 Refunding Bonds (January)	3.50%-5.00%	2020	23,165,983	5,090,351	1,337,505
2007 Public Improvement Bonds	3.75%-5.25%	2022	20,430,000	9,297,565	1,164,829
2007 Refunding Bonds (November)	3.75%-5.25%	2022	6,670,000	3,790,000	560,000
2008 Public Improvement Bonds	3.25%-5.00%	2028	28,294,094	7,172,691	1,669,499
2009 Public Improvement Bonds Series A	2.00%-4.00%	2019	14,759,547	8,081,296	1,482,694
2009 Public Improvement Bonds Series B	4.70%-5.625%	2029	17,631,476	17,631,476	-
2010 Refunding Bonds Series A	0.30%-1.70%	2018	6,044,297	2,231,777	881,660
2010 Public Improvement Bonds Series D	1.03%-3.51%	2030	8,841,618	8,046,339	411,926
2011 Public Improvement Bonds	2.00%-4.25%	2031	11,042,955	9,788,498	435,822
2011 Refunding Bonds	2.00%-4.25%	2031	9,104,764	8,732,052	1,796,247
2012 Public Improvement Bonds	2.00%-5.00%	2032	13,600,000	12,237,412	681,294
2012 Refunding Bonds	2.00%-5.00%	2032	13,685,415	13,685,415	-
2013 Public Improvement Bonds	2.00%-5.00%	2033	23,412,567	22,210,438	1,206,649
2014 Public Improvement Bonds	2.00%-5.00%	2034	14,099,475	14,099,476	704,974
2014 Refunding Bonds	2.00%-5.00%	2029	19,078,563	19,078,563	1,771,499
Subtotal General Government				\$ 165,765,765	\$ 17,026,560
<u>Board of Education:</u>					
2005 Public Improvement Bonds	3.50%-4.125%	2020	31,799,320	243,023	243,023
2006 Public Improvement Bonds	3.50%-4.00%	2021	20,260,000	500,484	250,242
2007 Refunding Bonds (January)	3.50%-5.00%	2020	23,165,983	6,847,888	1,799,303
2007 Public Improvement Bonds	3.75%-5.25%	2022	20,430,000	817,072	102,365
2008 Public Improvement Bonds	3.25%-5.00%	2028	43,613,906	8,329,249	1,939,055
2009 Public Improvement Bonds Series A	2.00%-4.00%	2019	8,305,513	4,547,518	834,344
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	2,235,381	883,084
2010 Public Improvement Bonds Series D	1.03%-3.51%	2030	10,272,510	9,291,691	506,061
2011 Public Improvement Bonds	2.00%-4.25%	2031	6,957,045	6,166,702	274,578
2011 Refunding Bonds	2.00%-4.25%	2031	769,193	636,082	147,151
2012 Public Improvement Bonds	2.00%-5.00%	2032	6,400,000	5,758,870	320,565
2012 Refunding Bonds	2.00%-5.00%	2032	2,347,757	2,347,757	-
2013 Public Improvement Bonds	2.00%-5.00%	2033	1,852,433	1,757,307	95,471
2014 Public Improvement Bonds	2.00%-5.00%	2034	2,347,757	900,525	45,026
2014 Refunding Bonds	2.00%-5.00%	2029	1,852,433	33,437,662	1,194,646
Subtotal Board of Education				\$ 99,763,495	\$ 8,634,914

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015	Due Within One Year
<u>Volunteer Fire Companies:</u>					
2003 Fire Company Bonds	2.00%-3.85%	2018	2,100,000	660,000	155,000
2004 Fire Company Bonds	4.13%	2019	2,065,000	829,402	152,736
2005 Public Improvement Bonds	3.50%-4.125%	2020	31,799,320	105,000	105,000
2005 Fire Company Bonds	3.50%-4.125%	2020	2,900,000	1,145,000	195,000
2006 Public Improvement Bonds	3.50%-4.00%	2021	20,260,000	79,865	39,932
2007 Public Improvement Bonds	3.75%-5.25%	2022	20,430,000	495,000	160,000
2008 Public Improvement Bonds	3.25%-5.00%	2028	180,000	52,687	12,262
2009 Public Improvement Bonds Series A	2.00%-4.00%	2019	270,000	147,833	27,123
2010 Refunding Bonds Series A	0.30%-1.70%	2018	381,976	141,039	55,717
2010 Refunding Bonds Series B	0.30%-1.70%	2018	2,210,000	855,000	295,000
2010 Public Improvement Bonds Series D	3.75%-4.90%	2030	535,000	435,000	50,000
2011 Public Improvement Bonds	2.00%-4.25%	2031	750,000	664,800	29,600
2012 Public Improvement Bonds	2.00%-5.00%	2032	1,460,000	1,313,718	73,141
2012 Refunding Bonds	2.00%-5.00%	2032	187,173	187,173	-
2013 Public Improvement Bonds	2.00%-5.00%	2033	735,000	697,255	37,880
2014 Refunding Bonds	2.00%-5.00%	2024	60,458	60,458	-
Subtotal Volunteer Fire Companies				\$ 7,869,230	\$ 1,388,391
2013 Taxable Pension Bonds	2.24%	2019	\$ 4,524,000	\$ 4,524,000	\$ 912,000
Subtotal Taxable Pension Bonds				\$ 4,524,000	\$ 912,000
Subtotal General Obligation Bonds				\$ 277,922,490	\$ 27,961,865
Bond premium/ discount				19,956,164	1,712,638
Total				\$ 297,878,654	\$ 29,674,503

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2015, are as follows:

Years Ending June 30,	Principal	Interest	Total
2016	\$ 27,961,865	\$ 11,012,299	\$ 38,974,164
2017	26,983,502	10,020,779	37,004,281
2018	25,467,476	8,964,032	34,431,508
2019	23,913,733	7,921,900	31,835,633
2020	22,170,753	6,953,242	29,123,995
2021-2025	74,943,239	22,999,846	97,943,085
2026-2030	60,556,431	9,097,014	69,653,445
2031-2035	15,925,491	984,565	16,910,056
Total General Obligation Bonds	\$ 277,922,490	\$ 77,953,677	\$ 355,876,167

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015	Due Within One Year
Maryland Water Quality Financing:					
2002 Revolving Loan- Hampstead	2.60%	2021	\$ 532,680	\$ 188,125	\$ 29,377
Total Loans Payable				<u>\$ 188,125</u>	<u>\$ 29,377</u>

The annual requirements to repay the loans payable outstanding as of June 30, 2015, are as follows:

Years Ending June 30,	Principal	Interest	Total
2016	\$ 29,377	\$ 6,606	\$ 35,983
2017	30,141	5,842	35,983
2018	30,924	5,059	35,983
2019	31,729	4,255	35,984
2020	32,554	3,430	35,984
2021	33,400	2,583	35,983
Total Loans Payable	<u>\$ 188,125</u>	<u>\$ 27,775</u>	<u>\$ 215,900</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, 2015

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

Issue	Interest Rate	Year Series Matures	Amount of Original Issue	Outstanding June 30, 2015	Due Within One Year
<u>Bureau of Utilities:</u>					
2005 Public Improvement Bonds	3.50%-4.125%	2020	302,525	20,139	20,139
2006 Public Improvement Bonds	3.50% -4.00%	2021	200,000	28,883	14,442
2007 Refunding Bonds (January)	3.50% -5.00%	2020	212,504	109,511	28,774
2007 Public Improvement Bonds	3.75% -4.25%	2022	9,401,000	5,008,570	627,490
2008 Public Improvement Bonds	3.25% -5.00%	2028	7,616,000	1,563,731	364,019
2009 Public Improvement Bonds Series A	2.00% -4.00%	2019	745,461	408,162	74,887
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	2,352	929
2010 Public Improvement Bonds Series D	3.75% -4.90%	2030	13,742	12,430	677
2011 Refunding Bonds	2.00% -4.25%	2021	484,430	418,538	93,486
2012 Refunding Bonds	2.00% -5.00%	2022	198,550	198,550	-
2014 Refunding Bonds	2.00% -5.00%	2028	5,446,358	5,446,058	200,244
Subtotal Bureau of Utilities				\$ 14,289,164	\$ 1,425,087
<u>Solid Waste Fund</u>					
2007 Refunding Bonds (January)	3.50% -5.00%	2020	345,658	178,130	46,804
2007 Public Improvement Bonds	3.75% -5.25%	2022	604,000	321,795	40,315
2008 Public Improvement Bonds	3.25% -5.00%	2028	296,000	86,642	20,165
2009 Public Improvement Bonds Series A	2.00% -4.00%	2019	9,479	5,190	952
2011 Refunding Bonds	2.00% -4.25%	2021	789,648	789,646	157,250
2014 Refunding Bonds	2.00% -5.00%	2024	406,860	406,860	92,826
Subtotal Solid Waste Fund				\$ 1,788,263	\$ 358,312
<u>Airport Fund</u>					
2001 Public Imp. Bonds	3.25% -4.75%	2021	2,200,000	770,000	110,000
2005 Public Improvement Bonds	3.50% -4.125%	2020	58,555	3,871	3,871
2007 Refunding Bonds (January)	3.50% -5.00%	2020	240,854	124,120	32,613
2010 Refunding Bonds Series A	0.30% -1.70%	2018	93,300	34,451	13,609
2010 Public Improvement Bonds Series D	3.75% -4.90%	2030	27,130	24,539	1,336
2011 Refunding Bonds	2.00% -4.25%	2021	286,966	258,680	55,866
2012 Refunding Bonds	2.00% - 5.00%	2022	18,716	18,716	-
2014 Refunding Bonds	2.00% - 5.00%	2020	85,400	85,400	25,785
Subtotal Airport Fund				\$ 1,319,777	\$ 243,080
<u>Septage Fund</u>					
2006 Public Improvement Bonds	3.50% -4.00%	2021	200,000	24,359	12,181
2012 Refunding Bonds	2.00% -5.00%	2022	62,391	62,391	-
Subtotal Septage Fund				\$ 86,750	\$ 12,181
Total General Obligation Bonds				\$ 17,483,954	\$ 2,038,660

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2015, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Business-type activities:			
2016	\$ 2,038,660	\$ 732,226	\$ 2,770,886
2017	2,020,147	649,939	2,670,086
2018	1,934,622	557,802	2,492,424
2019	1,880,153	466,576	2,346,729
2020	1,755,273	383,352	2,138,625
2021-2025	5,439,749	942,397	6,382,146
2026-2030	2,412,579	129,558	2,542,137
2031	2,771	68	2,839
Total General Obligation Bonds	\$ 17,483,954	\$ 3,861,918	\$ 21,345,872

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 – Long-Term Debt—continued
General Obligation Bonds-continued

Advanced Refunding

The County issued general obligation refunding bonds during the current year. The County issued \$58,515,000 on November 13, 2014 of general obligation refunding bonds to provide resources to purchase United States Government State and Local Government Series Securities (SLGS) that were placed in an irrevocable trust. The net proceeds of \$59,780,169 (after payment of \$87,432 for issuance costs) were deposited in an irrevocable trust with an escrow agent for the purpose of generating resources for all future debt service payments of \$53,672,712 of general obligation bonds from 2008 bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amounts of the old debt by \$6,194,889. This amount is a deferred outflow and amortized over the life of the new debt issued, which is shorter than the remaining life of the refunded debt. The November 2014 advanced refunding was undertaken to reduce total debt service payments by \$3,761,972 and resulted in an economic loss of \$6,107,457.

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, 2015, \$71,473,866 of defeased bonds remains outstanding.

Bond Authorization

The County has authorization to sell approximately \$151,333,058 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 \$95,279,435 of the available authorization.

C.) Component Units

During the fiscal year ended June 30, 2015, no new capital leases were entered into by the Board of Education. In October of 2004, the Board entered into a ten-year energy management plan to provide air conditioning to three elementary schools. Additionally, the plan will upgrade water and lighting fixtures.

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, 2015

Note 8 – Long-Term Debt–continued

<u>Years Ending June 30,</u>	<u>Energy Management Equipment</u>
2016	\$ 935,285
2017	963,343
2018	992,243
2019	844,235
	<u>3,735,106</u>
less interest	(305,410)
Present value of future minimum lease payments	<u><u>\$ 3,429,696</u></u>

Interest expense related to capital leases was \$148,329 for the year ended June 30, 2015.

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 2014 and 2013, 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, 2015 and 2014. The accrued interest payable at June 30, 2015 and 2014 totals \$906,842 and \$786,842, respectively.

The annual requirements to amortize note payable outstanding as of June 30, 2015 are as follow:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Component Unit-IDA:			
2016	\$ 1,894,738	\$ 808,947	\$ 2,703,685
2017	210,526	60,001	270,527
2018	210,526	53,684	264,210
2019	210,526	47,368	257,894
2020	210,526	41,053	251,579
2021-2025	1,263,158	198,947	1,462,105
Total	<u>\$ 4,000,000</u>	<u>\$ 1,210,000</u>	<u>\$ 5,210,000</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 9 – Lease Obligations

Operating Leases

Governmental Activities

The County is committed under various leases for 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, 2015 for the County amounted to \$290,084. Future lease payments for these leases are as follows:

<u>Years Ending June 30,</u>	
2016	\$304,000
2017	311,600
2018	320,948
2019	330,576
2020	340,494
2021-2024	1,467,234

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, 2015 amounted to \$230,104. Future lease revenues for these rentals are as follows:

<u>Years Ending June 30,</u>	
2016	\$267,536
2017	267,536
2018	267,536
2019	267,536
2020	267,536
2021-2025	1,337,680
2026-2095	70

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, 2015 for the County totaled to \$353,252 and has a 7 year commitment remaining. The total future payments are as follows:

<u>Years Ending June 30,</u>	
2016	\$363,849
2017	374,764
2018	386,008
2019	397,587
2020	409,045
2021-2025	855,277

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 9 – Lease Obligations-continued

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 quarterly payments begin on March 15, 2016. The total future payments are as follows:

<u>Years Ending June 30,</u>	
2016	\$ 53,975
2017	109,570
2018	112,856
2019	116,242
2020	119,730
2021-2025	654,729
2026-2030	759,010
2031	81,642

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, 2015 amounted to \$320,813. Future lease revenues for these rentals are as follows:

<u>Years Ending June 30,</u>	
2016	\$304,506
2017	262,981
2018	238,510
2019	180,489
2020	160,000
2021-2025	160,000

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

	<u>Governmental</u> <u>Activities</u>	<u>Type Activities</u>	<u>Business</u> <u>Total</u>
Asset:			
Land	\$12,329,475	\$512,770	\$12,842,245
Buildings	17,279,243	-	17,279,243
Less: Accumulated depreciation	(6,181,566)	-	(6,181,566)
Net carrying value	<u>\$23,427,152</u>	<u>\$512,770</u>	<u>\$23,939,922</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 9 – Lease Obligations-continued

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 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>
2016	\$ 495,700
2017	422,642
2018	104,572
2019	<u>8,381</u>
Total	<u>\$ 1,031,295</u>

Operating lease expenditures/expenses for the year ended June 30, 2015 were \$447,185.

The Library leases various office equipment under noncancelable operating leases. Total rental expenditures were \$21,283 for leases for the year ended June 30, 2015. The future minimum lease payments for these leases are as follows:

<u>Years Ending June 30,</u>	
2016	\$ 21,282
2017	11,454
2018	4,434
2019	<u>4,434</u>
Total	<u>\$41,604</u>

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 \$204,617 and \$195,030 for the years ended June 30, 2015 and 2014, respectively. 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>	
2016	\$169,620
2017	169,620
2018	169,620
2019	<u>14,135</u>
Total	<u>\$ 522,995</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 21.4 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 all 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 \$5,664,791 of which 100 percent has been accrued as of June 30, 2015. 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 \$1,794,132 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 \$12,458,923.

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.

Note 11– Pension Plans

Carroll County Employee Pension Plan

The Carroll County Government established the Carroll County Employee Pension Plan (CCEPP) for its employees in July 2003.

Plan Description

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 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:

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Carroll County Employee Pension Plan-continued

- 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, 2014. The membership data related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits	181
Terminated plan members entitled to, but not yet receiving benefits	164
Active plan members	<u>732</u>
Total	<u>1,077</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 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 3 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 5 percent of their annual base pay. The County contributed 8.3 percent of the employees’ annual base pay.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Carroll County Employee Pension Plan-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 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	\$3,092,098
Harbor International Fund	3,126,430

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, 2015</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, 2015

Note 11– Pension Plans-continued

Carroll County Employee Pension Plan-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:

Carroll County Employee Pension Plan

	Minimum	Maximum
Domestic Large Cap Equities	35.0%	55.0%
Domestic Small Cap Equities	4.5%	14.5%
Real Estate Equities	5.5%	15.5%
International Equities	5.0%	15.0%
Domestic Fixed Income	20.0%	30.0%
Cash Equivalents	0.0%	5.0%

Rate of return: For the year ended June 30, 2015, the annual money-weighted rate of return on the CCEPP investments, net of pension plan investment expense, was 4.53 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, 2015, were as follows:

Total pension liability	\$69,571,070
CCEPP fiduciary net position	<u>(62,515,288)</u>
County’s net pension liability	<u>\$ 7,055,782</u>

CCEPP fiduciary net position as a percentage of the total pension liability	89.86%
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Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2014 rolled forward to June 30, 2015 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-2000 with generational projections by Scale AA

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Carroll County Employee 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%	5.90%
U.S. Small/Mid Cap Equities	10%	6.50%
Foreign Equities	10%	6.90%
Real Estate (REITs)	10%	5.80%
Core Fixed Income	25%	0.75%
Cash	0%	0.00%
Inflation		3.00%
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 7 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, 2015

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/14	\$ 63,079,213	\$ 56,816,209	\$ 6,263,004
Changes for the year:			
Service cost	3,300,577		3,300,577
Interest	4,377,540		4,377,540
Changes of benefit terms	-		-
Differences between expected and actual experience	(100,407)		(100,407)
Changes of assumptions	-		-
Contributions - employer		2,558,020	(2,558,020)
Contributions - member		1,618,955	(1,618,955)
Net investment income		2,644,922	(2,644,922)
Benefit payments, including refunds of member contributions	(1,085,853)	(1,085,853)	-
Administrative expense		(36,965)	36,965
Other		-	-
Net Changes	<u>6,491,857</u>	<u>5,699,079</u>	<u>792,778</u>
Balances at 6/30/15	<u>\$ 69,571,070</u>	<u>\$ 62,515,288</u>	<u>\$ 7,055,782</u>

<u>Amount</u>	
Service Cost	\$ 3,300,577
Interest on the total pension liability	4,377,540
Changes of benefit terms	-
Differences between expected and actual experience	(16,735)
Changes of assumptions	-
Employee contributions	(1,618,955)
Projected earnings on pension plan investments	(4,084,030)
Differences between expected and actual earnings on plan investments	287,822
Pension plan administrative expense	36,965
Other changes in fiduciary net position	-
Total Pension Expense	<u>\$ 2,283,184</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Carroll County Employee Pension Plan-continued

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

At June 30, 2015, 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	\$ -	\$ 83,672
Net difference between projected and actual earnings		
On pension plan investment	<u>1,151,286</u>	<u>-</u>
Total	<u>\$ 1,151,286</u>	<u>\$ 83,672</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Carroll County Employee Pension Plan-continued

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

Year ended June 30:		
2016	\$	271,087
2017		271,087
2018		271,087
2019		271,085
2020 and thereafter		(16,732)

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	\$17,718,208	\$7,055,782	\$(1,664,290)

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

The actuarially determined contribution was determined as part of the July 1, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7 percent 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%

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, 2014 ranges from 17 to 20 years.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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	\$ 367,355
Bond funds	15,313,399
Equity funds	<u>46,843,052</u>
Total assets	<u>62,523,806</u>
Liabilities:	
Accounts payable	<u>8,518</u>
Total liabilities	<u>8,518</u>
Fiduciary Net Position:	
Net position held in trust for pension and other purposes	<u><u>\$ 62,515,288</u></u>

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

ADDITIONS	
Contributions:	
Employer	\$ 2,558,020
Plan Members	<u>1,618,955</u>
Total Contributions	4,176,975
Investment earnings:	
Net increase in the fair value of investments	<u>2,688,846</u>
Total investment earnings	<u>2,688,846</u>
Less investment expense	<u>(43,924)</u>
Net investment earnings	<u>2,644,922</u>
Total additions	6,821,897
DEDUCTIONS	
Benefits	1,085,853
Administrative expenses	<u>36,965</u>
Total deductions	<u>1,122,818</u>
Change in net position	5,699,079
NET POSITION RESTRICTED FOR COUNTY PENSION	
Beginning of year	56,816,209
End of year	<u><u>\$ 62,515,288</u></u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Carroll County Employee Pension Plan-continued

The Schedule of funding progress 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.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Percentage Funded (1)/(2) (3)	Unfunded AAL (UAAL) (2)-(1) (4)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll ((2-1)/5) (6)
July 1, 2009	\$ 15,523,970	\$ 25,213,680	61.57%	\$ 9,689,710	\$ 32,267,152	30.03%
July 1, 2010	22,285,227	29,210,223	76.29%	6,924,996	30,414,456	22.77%
July 1, 2011	32,467,828	34,721,749	93.51%	2,253,921	29,603,146	7.61%
July 1, 2012	38,015,237	40,184,901	94.60%	2,169,664	29,795,430	7.28%
July 2, 2013	44,313,054	46,486,737	95.32%	2,173,683	30,698,576	7.08%
July 1, 2014	51,844,307	52,935,676	97.93%	1,091,369	32,277,749	3.38%

Schedule of Employer Contributions:

Year Ended June 30:	Actuarially Determined Contribution	Actual Contribution	Percentage Contributed
2010	\$ 1,301,090	\$ 2,660,000	204%
2011	2,810,444	3,000,000	106%
2012	2,550,479	2,741,200	107%
2013	2,252,813	2,585,599	114%
2014	2,365,793	2,367,000	100%
2015	2,537,821	2,558,020	101%

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	7/1/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of payroll (closed)
Remaining amortization period	17 to 20 years
Asset valuation method	5 years smoothed market
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases	Varies by age (8.75% at age 25 to 5.25% at age 45)

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Carroll County Employee Pension Plan-continued

Projected payroll increases	3% per year
Salary valuation	36-month average highest pay
Post retirement cost-of-living adjustments	2%
Inflation rate	N/A

Carroll County Certified Law Officers Pension Plan

The Carroll County Government established the Carroll County Certified Law Officers Pension Plan (CCCLOPP) for eligible law enforcement officers on October 1, 2009.

Plan Description

Plan administration. The Carroll County Certified Law Officers Pension Plan (CCCLOPP) 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 CCCLOPP.

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, 2014. The membership data related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits	8
Terminated plan members entitled to, but not yet receiving benefits	1
Active plan members	<u>102</u>
Total	<u>111</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 8 percent of their annual base pay. The County contributed 14.8 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 appreciation of assets and consistency of portfolio returns. However, cash and cash equivalent investments are limited to maturities of one year or less.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

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	\$445,343
Harbor International Fund	450,308

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, 2015</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 Certified Law Officer Trust Fund

	Minimum	Maximum
Domestic Large Cap Equities	35.0%	55.0%
Domestic Small Cap Equities	4.5%	14.5%
Real Estate Equities	5.5%	15.5%
International Equities	5.0%	15.0%
Domestic Fixed Income	20.0%	30.0%
Cash Equivalents	0.0%	5.0%

Rate of return. For the year ended June 30, 2015, the annual money-weighted rate of return on the CCCLOPP investments, net of pension plan investment expense, was 4.51 percent. The money-weighted

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

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, 2015, were as follows:

Total pension liability	\$ 11,733,031
CCCLOPP fiduciary net position	(9,105,477)
County’s net pension liability	\$ <u>2,627,554</u>
 CCCLOPP fiduciary net position as a percentage of the total pension liability	 77.61%

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2014 rolled forward to June 30, 2015 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-2000 with generational projections by Scale AA

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, 2015**

Note 11– Pension Plans-continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equities	45%	5.90%
U.S. Small/Mid Cap Equities	10%	6.50%
Foreign Equities	10%	6.90%
Real Estate (REITs)	10%	5.80%
Core Fixed Income	25%	0.75%
Cash	0%	0.00%
Inflation		3.00%
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 7 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, 2015

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/14	\$ 10,465,077	\$ 7,692,841	\$ 2,772,236
Changes for the year:			
Service cost	983,042		983,042
Interest	725,606		725,606
Changes of benefit terms	-		-
Differences between expected and actual experience	(242,146)		(242,146)
Changes of assumptions	-		-
Contributions - employer		835,380	(835,380)
Contributions - member		415,107	(415,107)
Net investment income		368,124	(368,124)
Benefit payments, including refunds of member contributions	(198,548)	(198,548)	-
Administrative expense		(7,427)	7,427
Other		-	-
Net Changes	<u>1,267,954</u>	<u>1,412,636</u>	<u>(144,682)</u>
Balances at 6/30/15	<u>\$ 11,733,031</u>	<u>\$ 9,105,477</u>	<u>\$ 2,627,544</u>

Description	Amount
Service Cost	\$ 983,042
Interest on the total pension liability	725,606
Changes of benefit terms	-
Differences between expected and actual experience	(24,215)
Changes of assumptions	-
Employee contributions	(415,107)
Projected earnings on pension plan investments	(575,057)
Differences between expected and actual earnings on plan investments	41,387
Pension plan administrative expense	7,427
Other changes in fiduciary net position	-
Total Pension Expense	<u>\$ 743,083</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

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

At June 30, 2015, 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	\$ -	\$ 217,931
Net difference between projected and actual earnings		
On pension plan investment	<u>165,546</u>	<u>-</u>
Total	<u>\$ 165,546</u>	<u>\$ 217,931</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

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

Year ended June 30:

2016	\$	17,172
2017		17,172
2018		17,172
2019		17,170
2020		(24,215)
Thereafter		(96,856)

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	\$4,674,566	\$2,627,554	\$992,938

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, 2015

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, 2014 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, 2014 ranges from 17 to 20 years.

**THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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	\$ 157,781
Bond funds	2,205,576
Equity funds	<u>6,746,427</u>
Total assets	<u>9,109,784</u>

Liabilities:

Accounts payable	<u>4,307</u>
Total liabilities	<u>4,307</u>

Net Position:

Net position held in trust for pension benefits and other purposes	<u>\$ 9,105,477</u>
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**Statement of Changes in Fiduciary Net Position
Carroll County Certified Law Officers Pension Plan**

ADDITIONS

Contributions:

Employer	\$ 835,380
Plan Members	<u>415,107</u>
Total Contributions	1,250,487

Investment earnings:

Net increase in fair value of investments	<u>384,778</u>
Total investment earnings	<u>384,778</u>
Less investment earnings	<u>(16,654)</u>
Net investment earnings	<u>368,124</u>

Total additions 1,618,611

DEDUCTIONS

Benefits and refunds paid to

plan members and beneficiaries 198,548

Administrative expenses 7,427

Total deductions 205,975

Change in net position 1,412,636

NET POSITION RESTRICTED FOR LAW OFFICERS

PENSION

Net position-beginning of year 7,692,841

Net position-end of year \$ 9,105,477

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Carroll County Certified Law Officers Pension Plan-continued

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Percentage Funded (1)/(2) (3)	Unfunded AAL (UAAL) (2)-(1) (4)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll ((2-1)/5) (6)
July 1, 2009	\$ 987,940	\$ 4,240,867	23.30%	\$ 3,252,927	\$ 3,115,115	104.42%
July 1, 2010	1,468,264	4,372,214	33.58%	2,903,950	3,098,478	93.72%
July 1, 2011	2,469,585	5,155,892	47.90%	2,686,307	3,120,474	86.09%
July 1, 2012	3,609,591	6,059,575	59.57%	2,449,984	3,648,792	67.15%
July 1, 2013	5,210,054	7,928,099	65.72%	2,718,045	4,630,473	58.70%
July 1, 2014	7,104,110	9,119,997	77.90%	2,015,887	4,841,747	41.64%

Schedule of Employer Contributions:

Year Ended June 30:	Actuarially Determined Contribution	Actual Contribution	Percentage Contributed
2011	\$ 544,156	\$ 590,000	108%
2012	519,754	700,000	134%
2013	504,699	786,577	155%
2014	558,367	869,760	155%
2015	685,558	835,380	121%

The Information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	7/1/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of payroll (closed)
Remaining amortization period	17 to 20 years
Asset valuation method	5 year smoothed market
Investment rate of return	7%
Actuarial assumptions:	
Projected salary increases	Varies by age (8.75% at age 25 to 5.25% at age 45)
Projected disability increase	Varies by age (.11% at age 25 to 1.44% at age 55)
Projected payroll increases	3% per year
Salary valuation	36-month average highest pay
Post retirement cost-of-living adjustments	2%
Inflation rate	N/A

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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 January 1, 2015. 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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Volunteer Firemen Pension Plan (LOSAP)-continued

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 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	\$433,260
Harbor International Fund	434,913

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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Volunteer Firemen Pension Plan (LOSAP)-continued

<u>Ratings</u>	<u>Maximum</u>	<u>Allocation at June 30, 2015</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:

Volunteer Firemen Pension Plan (LOSAP)

	Minimum	Maximum
Domestic Large Cap Equities	35.0%	55.0%
Domestic Small Cap Equities	4.5%	14.5%
Real Estate Equities	5.5%	15.5%
International Equities	5.0%	15.0%
Domestic Fixed Income	20.0%	30.0%
Cash Equivalents	0.0%	5.0%

Rate of return. For the year ended June 30, 2015, the annual money-weighted rate of return on the LOSAP investments, net of pension plan investment expense, was 4.43 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, 2015, were as follows:

Total pension liability	\$ 9,585,804
LOSAP fiduciary net position	(8,463,415)
County's net pension liability	\$ <u>1,122,389</u>

LOSAP fiduciary net position as a percentage of the total pension liability	88.30%
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THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Volunteer Firemen Pension Plan (LOSAP)-continued

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015 using the following actuarial assumptions, applied to the periods included in the measurements:

Inflation	3.0 percent
Salary increases	Not Applicable
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Healthy tables with Blue Collar adjustments, Blended 75% male and generational projection using Scale AA

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%	5.90%
U.S. Small/Mid Cap Equities	10%	6.50%
Foreign Equities	10%	6.90%
Real Estate (REITs)	10%	5.80%
Core Fixed Income	20%	0.75%
Cash	5%	0.00%
Inflation		3.00%
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 7 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, 2015

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/14			
Changes for the year:	\$ 9,766,944	\$ 8,533,208	\$ 1,233,736
Service cost	146,317		146,317
Interest	661,242		661,242
Changes of benefit terms	-		-
Differences between expected and actual experience	-		-
Changes of assumptions	-		-
Contributions - employer		250,000	(250,000)
Contributions - member		-	-
Net investment income		363,329	(363,329)
Benefit payments, including refunds of member contributions	(988,699)	(675,742)	(312,957)
Administrative expense		(5,075)	5,075
Other		(2,305)	2,305
Net Changes	<u>(181,140)</u>	<u>(69,793)</u>	<u>(111,347)</u>
Balances at 6/30/15	<u>\$ 9,585,804</u>	<u>\$ 8,463,415</u>	<u>\$ 1,122,389</u>

Description	Amount
Service Cost	\$ 146,317
Interest on the total pension liability	661,242
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Employee contributions	-
Projected earnings on pension plan investments	(570,519)
Differences between expected and actual earnings on plan investments	(47,857)
Pension plan administrative expense	5,075
Other changes in fiduciary net position	104,685
Total Pension Expense	<u>\$ 298,943</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

Volunteer Firemen Pension Plan (LOSAP)-continued

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

At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 191,426
Net difference between projected and actual earnings		
On pension plan investment	-	-
Total	\$ -	\$ 191,426

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

Year ended June 30:		
2015	\$	(47,857)
2016		(47,857)
2017		(47,857)
2018		(47,855)
2019		-
Thereafter		-

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans-continued

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 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%)
LOSAP net pension liability	\$2,226,809	\$1,122,389	\$197,788

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 actuarially determined contribution was determined as part of the January 1, 2015 actuarial valuation using the traditional unit credit actuarial cost method. The actuarial assumptions included 7.0 percent investment rate of return compounded annually. The Firemen are volunteers and therefore would not have a projected salary increase. The assumptions did not include postretirement benefit increases since none are provided. The actuarial value of assets was determined using market value as of January 1, 2015. The unfunded actuarial accrued liability is being amortized as a level dollar on a closed basis. The remaining amortization period at January 1, 2015 was 10 years.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Volunteer Firemen Pension Plan (LOSAP)-continued

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

Assets:

Investments at fair value:

Short term investments	\$ 334,840
Bond funds	1,721,074
Equity funds	<u>6,412,491</u>

Total assets	<u>8,468,405</u>
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Liabilities:

Accounts payable	<u>4,990</u>
Total liabilities	<u>4,990</u>

Net Position:

Net position held in trust for pension benefits and other purposes	<u>\$ 8,463,415</u>
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Statement of Changes in Fiduciary Net Position
Volunteer Firemen Pension Plan (LOSAP)

ADDITIONS

Contributions:	\$ 250,000
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Investment earnings:

Net increase in the fair value of investments	<u>374,273</u>
Total investment earnings	374,273
Less investment expense	<u>(10,944)</u>
Net investment earnings	<u>363,329</u>

Total additions	<u>613,329</u>
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DEDUCTIONS

Benefits	675,742
Administrative expenses	<u>7,380</u>
Total deductions	<u>683,122</u>
Change in net position	(69,793)

NET POSITION RESTRICTED FOR LOSAP

Net position-beginning of year	<u>8,533,208</u>
Net position-end of year	<u>\$ 8,463,415</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Volunteer Firemen Pension Plan (LOSAP)-continued

The Schedule of funding progress 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.

Schedule of Funding Progress: (Inception to date)

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Liability (AAL) (2)	Percentage Funded (1)/(2) (3)	Unfunded AAL (UAAL) (2)-(1) (4)
January 1, 1997	\$ 1,000,000	\$ 3,068,020	32.59%	\$ 2,068,020
January 1, 2003	6,767,155	4,465,745	151.53%	(2,301,410)
January 1, 2006	7,233,605	5,259,708	137.53%	(1,973,897)
January 1, 2009	6,218,088	7,327,879	84.86%	1,109,791
January 1, 2012	6,956,744	8,274,618	84.07%	1,317,874
January 1, 2015	8,761,863	8,993,371	97.43%	231,508

Schedule of Employer Contributions:

Year Ended June 30:	Actuarially Determined Contribution	Actual Contribution	Percentage Contributed
2010	\$ 380,384	\$ -	N/A
2011	380,384	-	N/A
2012	380,384	-	N/A
2013	435,951	-	N/A
2014	435,951	250,000	57%
2015	435,951	250,000	57%

The Information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	1/1/2015
Actuarial cost method	Traditional unit credit
Amortization method	Level dollar
Remaining amortization period	10 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7%

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System

Projected salary increases	N/A
Post retirement cost-of-living adjustments	N/A
Inflation Rate	N/A
Service Credit after Retirement	Potential to earn additional service and benefits after “retire” allowing their benefit to increase further.

Maryland State Retirement and Pension System

Plan Description

The State Retirement Agency (the “Agency”) is the administrator of the Maryland State Retirement and Pension System (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. 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 Agency is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan member or beneficiary as defined by the terms of the plan. Consequently, the System is accounted for as a single 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, 2014 can be found at www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2014.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.

On June 30, 1985, the Board of Carroll County Commissioners elected to withdraw from the Maryland State Retirement Agency (“MSRA”). Employees participating in the Retirement System or the NC Pension System at that time continued their participation in those Systems. Employees hired July 1, 1985 and after were not permitted to enroll in the State Retirement System or State NC Pension System. After the County’s withdrawal, MSRA calculated an unfunded accrued liability owed by the County and instituted a payment schedule whereby the County would make 33 annual payments until the liability was paid. The balance of the unfunded accrued liability was paid to MSRA with the proceeds from taxable pension funding bonds issued in 2004. As of June 30, 2015, 45 employees participate in the NC Pension System and 5 employees participate in the Retirement System.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System

In addition, certain “State Elected Officials” employees hired after June 30, 1985 are entitled to participate in “State Employer” plans established by the MSRA. As of June 30, 2015, 3 officials are thereby enrolled in the Maryland State Alternate Contributory Pension System (“ACPS”) and 1 official is enrolled in the Maryland State Reformed Contributory Pension System (“RCPS”). The ACPS replaces 1.2 percent of “final average salary” for each year of service prior to June 30, 2009, and 1.8 percent of “final average salary” for each year of service afterward. Employees hired on or after July 1, 2011 are enrolled in the RCPS and receive 1.5 percent of their “final average salary” for each year of service. Employees contribute 7 percent to both ACPS and RCPS. The County’s contribution to the MSRA in fiscal year 2016 will be 16.38 percent of the base salaries of the 4 employees enrolled.

The “Soil Conservation District,” is another Participating Governmental Unit (PGU). PGUs are subject to both a Contributory Pension Benefit (CPB) surcharge and an ACPS surcharge. As of June 30, 2015, 5 Soil Conservation District employees are enrolled in the ACPS. The County’s contribution to the ACPS in fiscal year 2016 will be 8.53 percent of the base salaries of the 5 employees

At June 30, 2015 the County reported a total liability of \$336,526 for its proportionate share of the net pension liability: \$141,030 for County Elected/Appointed Officials and \$195,496 for County Soil Conservation District. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2014. At June 30, 2014, the County’s proportion of the net pension liability for County Elected/Appointed Officials was .000795 percent and County Soil Conservation District was .001102 percent.

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, 2015, the County reported a liability of \$336,526 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2014. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2014, the County’s proportionate share was 0.00079468% for CC Elected Officials and 0.00110158% for Soil Conservation employees.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System

At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to the MSRA for CC Official from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 2,040	\$ -
Net difference between projected and actual earnings on pension plan investments	-	15,437
County contributions subsequent to the measurement date	<u>59,748</u>	<u>-</u>
Total	<u>\$61,788</u>	<u>\$ 15,437</u>

\$59,748 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2016	\$ (3,349)
2017	(3,349)
2018	(3,349)
2019	(3,350)

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

County Elected/Appointed Officials Contribution	\$18,519
St. of MD total adjusted contributions	<u>\$2,330,360,947</u>
County’s proportion of total contributions	.00079468376026228%
Total Net Pension Liability –St. of MD	\$17,746,731,000
County Elected/Appointed Officials share of NPL	\$141,030

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System

Total Pension Expense – St. of MD	\$511,236,000
County Elected/Appointed Officials share pension exp.	\$17,460

At June 30, 2015, 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	\$ 2,828	\$ -
Net difference between projected and actual earnings on pension plan investments	-	21,398
County contributions subsequent to the measurement date	<u>25,744</u>	<u>-</u>
Total	<u>\$28,572</u>	<u>\$ 21,398</u>

\$28,572 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2016	\$ (4,642)
2017	(4,642)
2018	(4,643)
2019	(4,643)

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

County Soil Conservation Dist. Contribution	\$25,671
St. of MD total adjusted contributions	<u>\$2,330,360,947</u>
County’s proportion of total contributions	.00110158900640925%
Total Net Pension Liability –St. of MD	\$17,746,731,000
County Soil Conservation Dist. share of NPL	\$195,496
Total Pension Expense – St. of MD	\$511,236,000
County Soil Conservation Dist. - pension expense	\$24,202

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System

Actuarial assumptions: Key actuarial assumptions used to perform the June 30, 2014 State of Maryland pension liability calculations are as follows:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of payroll, closed
Inflation	2.90% general, 3.4% wage
Salary increases	3.40% to 11.9%, including inflation
Discount rate	7.65%
Investment Rate of Return	7.65%
Mortality	RP-2000 combined Healthy Mortality Table projected to the year 2025

The economic and demographic actuarial assumptions used in the June 30, 2014 valuation were adopted by the System’s Board of Trustees based upon review of the System’s experience study for the period 2006-2010, which was completed during FY 2011. 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, 2012. The System’s Board of Trustees adopted new economic assumptions for the June 30, 2013 valuation, in particular, an investment return assumption of 7.70% and an inflation assumption of 2.95%. The ultimate assumptions of a 7.55% investment return and 2.80% price inflation are being phased in over a four-year period. As a result, an investment return assumption of 7.65% and an inflation assumption of 2.90% were used for the June 30, 2014 valuation. The COLA, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

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, 2015

Note 11– Pension Plans–continued
Maryland State Retirement and Pension System

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Public Equity	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	<u>1%</u>	1.40%
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, 2014.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 14.38%. 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 7.65%. This single discount rate was based on the expected rate of return on pension plan investments of 7.65%. 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:

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Maryland State Retirement and Pension System

	1% Decrease	Current Discount Rate	1% Increase
	(6.65%)	(7.65%)	(8.65%)
St. of MD CC Elected Officials.	\$203,242	\$141,030	\$88,920
St. of MD Soil Conservation.	\$281,734	\$195,496	\$123,260

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.

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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

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 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.

The State makes a substantial portion of the Board'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, 2015, was \$21,274,653. The fiscal 2015 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.

Beginning in FY 2013, the State of Maryland General Assembly passed a bill that required the Boards of Education in Maryland to begin paying the normal cost for their teachers into the Teachers' Retirement and Pension Systems. The legislation structured this as a four year phase in to the full normal cost so that 50% was paid in FY 2013. Full normal cost will be paid in FY 2017 and each year thereafter. The

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Board’s required contribution to the Teachers’ Retirement and Pension Systems for the year ended June 30, 2015 was \$6,495,621.

The Board’s contractually required contribution rate for the Employees’ Retirement and Pension Systems for the year ended June 30, 2015, was 6.72% 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, 2015 of \$1,812,859.

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, 2015, the Board reported a liability of \$14,379,091 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2014, 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, 2014. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2014, the Board’s proportionate share was 0.08102%.

For the year ended June 30, 2015, the Board recognized pension expense of \$1,287,167. At June 30, 2015, 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>
Changes in assumptions	\$ 208,005	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,573,885
Net difference between actual and proportionate share of contributions	3 86,781	-
Board contributions subsequent to the measurement date	<u>1,812,859</u>	<u>-</u>
Total	<u>\$ 2,407,645</u>	<u>\$ 1,573,885</u>

\$1,812,859 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2016	\$ (244,775)
2017	(244,775)
2018	(244,775)
2019	(244,774)

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Teachers Retirement and Pension Systems

At June 30, 2015, 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	\$ 201,622,624
Board's proportionate share of the net pension liability	<u>-</u>
Total	<u>\$ 201,622,624</u>

The net pension liability was measured as of June 30, 2014, 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, 2015, the Board recognized pension expense of \$27,770,274 and revenue of \$21,274,653 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, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.90% general, 3.4% wage
Salary increases	3.40% to 11.9%, including inflation
Investment rate of return	7.65%

Mortality rates were based on RP-2000 Combined Healthy Mortality Table projected to the year 2025.

The economic and demographic actuarial assumptions used in the June 30, 2014 valuation were adopted by the System’s Board of Trustees based upon review of the System’s experience study for the period 2006-2010, which was completed during FY 2011. 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, 2012. The System’s Board of Trustees adopted new economic assumptions for the June 30, 2013 valuation, in particular, an investment return assumption of 7.70% and an inflation assumption of 2.95%. The ultimate assumptions of a 7.55% investment return and 2.80% price inflation are being phased in over a four-year period. As a result, an investment return assumption of 7.65% and an inflation assumption of 2.90% were used for the June 30, 2014 valuation. The COLA, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–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-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	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	1%	1.40%
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, 2014.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 14.38%. 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 7.65%. This single discount rate was based on the expected rate of return on pension plan investments of 7.65%. 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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

discount rate of 7.65%, 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
	(6.75%)	(7.65%)	(8.75%)	
Board's proportionate share of the net pension liability	\$ 20,722,051	\$ 14,379,091	\$ 9,066,036	

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- 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/>.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

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 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 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 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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

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, 2015 and 2014, was \$898,711 and \$828,973, respectively. The fiscal 2015 contributions made by the State on behalf of the college have been included as both revenues 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, 2015, 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:

State’s proportionate share of the net pension liability	\$6,312,997
College’s proportionate share of the net pension liability	<u>-</u>
Total	<u>\$6,312,997</u>

The net pension liability was measured as of June 30, 2014, 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 June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.90% general, 3.4% wage
Salary increases	3.40% to 11.9%, including inflation

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Investment rate of return 7.65%

Mortality rates were based on RP-2000 Combined Healthy Mortality Table projected to the year 2025. The economic and demographic actuarial assumptions used in the June 30, 2014 valuation were adopted by the System’s Board of Trustees based upon review of the System’s experience study for the period 2006-2010, which was completed during FY 2011. Certain assumptions from the experience study including mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the College for the first use in the actuarial valuation as of June 30, 2012. The System’s Board of Trustees adopted new economic assumptions for the June 30, 2013 valuation, in particular, an investment return assumption of 7.70% and an inflation assumption of 2.95%. The ultimate assumptions of a 7.55% investment return and 2.80% price inflation are being phased in over a four-year period. As a result, an investment return assumption of 7.65% and an inflation assumption of 2.90% were used for the June 30, 2014 valuation. The COLA, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

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>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Public Equity	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	<u>1%</u>	1.40%
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, 2014.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 14.38%. 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 7.65%. This single discount rate was based on the expected rate of return on pension plan investments of 7.65%. 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.

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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

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 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 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, 2015, was \$739,249. The fiscal 2015 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 COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

The Library’s contractually required contribution rate for the Employees’ Retirement and Pension Systems for the year ended June 30, 2015, was 6.72% 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, 2015 of \$58,948.

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, 2015, the Library reported a liability of \$409,901 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2014, 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, 2014. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2014, the Library’s proportionate share was 0.002%.

For the year ended June 30, 2015, the Board recognized pension expense of \$36,693. At June 30, 2015, 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	\$ 5,930	\$ -
Net difference between projected and actual earnings on pension plan investments	-	44,866
Net difference between actual and proportionate share of contributions	11,026	-
Board contributions subsequent to the measurement date	<u>58,948</u>	<u>-</u>
Total	<u>\$ 75,904</u>	<u>\$ 44,866</u>

\$58,948 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

Year ending June 30:

2016	\$ (6,978)
2017	(6,978)
2018	(6,978)
2019	(6,978)

Teachers Retirement and Pension Systems

At June 30, 2015, 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	\$ 5,354,388
Board's proportionate share of the net pension liability	<u> -</u>
Total	<u>\$ 5,354,388</u>

The net pension liability was measured as of June 30, 2014, 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, 2015, the Board recognized pension expense of \$739,249 and revenue of \$739,249 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, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.90%	general, 3.4% wage
Salary increases	3.40%	to 11.9%, including inflation
Investment rate of return	7.65%	

Mortality rates were based on RP-2000 Combined Healthy Mortality Table projected to the year 2025. The economic and demographic actuarial assumptions used in the June 30, 2014 valuation were adopted by the System’s Board of Trustees based upon review of the System’s experience study for the period 2006-2010, which was completed during FY 2011. Certain assumptions from the experience study including mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

were adopted by the Board for the first use in the actuarial valuation as of June 30, 2012. The System’s Board of Trustees adopted new economic assumptions for the June 30, 2013 valuation, in particular, an investment return assumption of 7.70% and an inflation assumption of 2.95%. The ultimate assumptions of a 7.55% investment return and 2.80% price inflation are being phased in over a four-year period. As a result, an investment return assumption of 7.65% and an inflation assumption of 2.90% were used for the June 30, 2014 valuation. The COLA, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

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	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	<u>1%</u>	1.40%
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, 2014.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 14.38%. 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 7.65%. This single discount rate was based on the expected rate of return on pension plan investments of 7.65%. 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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

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 7.65%, 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:

	1% Decrease	Current	1% Increase
	(6.75%)	(7.65%)	(8.75%)
Board's proportionate share of the net pension liability	\$ 590,719	\$ 409,901	\$ 258,443

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.

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 American Funds 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)

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11– Pension Plans–continued

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, 2015 were \$168,762 and \$1,792,199, respectively.

The Plan also offers a “Roth” option which allows employees to make after-tax contributions. Approximately 11.5 percent of employee contributions to the plan are being made as “Roth” contributions as of June 30, 2015.

Note 12 – Postemployment Benefits Other Than Pension Benefits

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

Plan Description: 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 County incurred total post-employment medical plan benefit expenditures of \$3,503,148 during the fiscal period ending June 30, 2015. Of this amount, the County paid \$3,029,270 and the retirees paid \$473,878.

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

Retirees who meet certain age and years of service thresholds, may qualify for membership in the County’s retiree group medical plan(s). Full-time employees who retire can also insure their spouses. As of June 30, 2015 retirees pay between 8 percent and 100 percent of the County’s full premium equivalent cost, based upon their age and years of service at retirement. As of June 30, 2015, 307 Primary Government retirees and 228 retiree spouses were eligible to receive benefits. Of these, 271 retirees and 204 spouses were enrolled. 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.

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, 2015

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

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

The most recent actuarial valuation was completed as of July 1, 2014. The membership data related to the plan was as follows:

Number of Participants	
Active employees	919
Deferred vested terminations	-
Retirees in pay status (pre Medicare)	112
Retirees in pay status (Medicare age)	<u>249</u>
 Total	 <u>1,280</u>

Contributions: In fiscal year 2015, the County contributed \$9,632,900 towards the ARC for the Other Postemployment Benefit fund. Retirees contribute a portion of their health care cost which is based on their age and years of service with the County. Administrative costs of the RBTCCCC are financed through investment earnings.

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	\$ 10,111,000
Interest	2,485,770
Adjustment to annual required contribution	<u>(2,215,283)</u>
Annual OPEB cost	10,381,487
Contributions made	<u>(9,632,900)</u>
Change in net OPEB obligation	748,587
Net OPEB obligation - beginning of year	<u>35,510,993</u>
Net OPEB obligation - end of year	<u>\$ 36,259,580</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

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

The annual required contribution was determined as part of the July 1, 2014 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, 2014.

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, 2015 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>
2010	\$13,074,008	48%	\$6,225,000	\$23,050,704
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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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:	
Investments at fair value:	
Short term investments	\$ 3,782,402
Marketable securities	55,518,355
Total assets	<u>59,300,757</u>
Liabilities:	
Accounts Payable	-
Due to primary government	579,732
Total liabilities	<u>579,732</u>
Net Position:	
Net position held in trust for OPEB and other purposes	<u>\$ 58,721,025</u>

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

ADDITIONS:	
Contributions:	
Employer	\$ 9,632,900
Plan members	473,878
Contributions from sources other than employer(s) and plan members	251,701
Total contributions	<u>10,358,479</u>
Investment earnings:	
Interest and dividends	2,489
Net increase or decrease in the fair value of investments	2,371,484
Total investment earnings	<u>2,373,973</u>
Less investment expense	<u>(7,500)</u>
Net investment earnings	<u>2,366,473</u>
Total additions	12,724,952
DEDUCTIONS	
Benefits	3,503,148
Administrative expenses	4,900
Total deductions	<u>3,508,048</u>
Change in net position	9,216,904
Net position-beginning of year	49,504,121
Net position-end of year	<u>\$ 58,721,025</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

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

The Schedule of funding progress from the current and two preceding actuarial valuations, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress:

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	\$ 12,612,050	\$ 132,526,000	9.52%	\$ 119,913,950	\$ 44,405,390	270.04%
July 1, 2012	25,999,300	132,709,000	19.60%	106,709,700	44,548,939	239.53%
July 1, 2014	47,996,872	144,903,000	33.12%	96,906,128	47,677,710	203.25%

Schedule of Employer Contributions:

Year Ended June 30:	Annual Required Contribution	Amount Contributed by Employer	Percentage Contributed by Employer	Federal Subsidy	Total Percentage Contributed
2010	\$ 12,993,000	\$ 6,225,000	48%	\$ 145,995	49%
2011	11,937,000	7,298,000	61%	172,559	63%
2012	11,661,000	7,852,800	67%	184,061	68%
2013	10,142,000	8,438,080	83%	197,696	85%
2014	10,457,000	10,056,900	96%	226,975	98%
2015	10,111,000	9,632,900	95%	251,701	98%

The Information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	7/1/2014
Actuarial cost method	Projected unit credit
Amortization method	Closed
Remaining amortization period	24 years
Asset valuation method	Market value

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

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

Actuarial assumptions:

Investment rate of return	7.0%
Projected salary increases	3.0%
Inflation Rate	2.5%

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, 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.

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.

Employees with current medical enrollment with Carroll County Government that were hired before 5/1/2005 are assumed to elect medical coverage 98 percent of the time. After 5/1/2005, the election of medical enrollment that will elect medical coverage at retirement is based on the following rates:

<u>Service</u>	<u>Rate</u>
Less than 10	N/A
10 to 14	80%
15 to 19	90%
20 to 24	95%
25 or more	100%

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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Retirees with at least ten years of service (fifteen 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 thirty 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, 2015, 2014 and 2013 were \$1,243,684, \$1,266,128 and \$1,066,088, respectively.

Board of Education

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, 2015, 992 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 thirty 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, 2015

Note 12 – Postemployment Benefits Other Than Pension Benefits-continued

Component Units -continued

Annual required contribution	\$21,182,000
Interest	2,282,000
Adjustment to annual required contribution	<u>(2,557,000)</u>
Annual OPEB cost	20,907,000
Contributions made	<u>(4,645,795)</u>
Increase in net OPEB obligation	16,261,205
Net OPEB obligation - beginning of year	<u>58,881,226</u>
Net OPEB obligation - end of year	<u>\$75,142,431</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 2015 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>
2013	\$16,556,000	32.14%	43,190,699
2014	19,602,000	19.95%	58,881,226
2015	20,907,000	22.22%	75,142,431

Funding Policy:

As of July 1, 2014, the most recent actuarial valuation date, the Plan was 5.4% funded. The actuarial accrued liability for benefits was \$245,811,000 and the actuarial value of assets was \$13,252,000 resulting in an unfunded actuarial accrued liability (UAAL) of \$232,559,000. The covered payroll (annual payroll of active employees covered by the plan) was \$199,079,448, and the ratio of the UAAL to the covered payroll was 116.80%.

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, 2015

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 Payrol (5)	UAAL as a Percentage of Covered Payroll ((2-1)/5) (6)
July 1, 2008	\$ -	\$ 75,282,000	0.00%	\$ 75,282,000	\$ 205,042,209	36.7%
July 1, 2009	1,500,000	116,797,000	1.30%	115,297,000	204,209,308	56.5%
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%

Schedule of Employer Contributions:

Year Ended June 30:	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 7,558,000	46.27%	\$ 10,758,137
2010	10,211,000	41.65%	16,785,610
2011	9,725,000	53.53%	21,373,441
2012	15,475,000	32.03%	31,956,508
2013	16,499,000	32.26%	43,190,699
2014	19,744,000	19.95%	58,881,226
2015	21,182,000	22.22%	75,142,431

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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

In the July 1, 2014 actuarial valuation, the projected unit credit method, with linear pro-ration 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, 2014, was 26 years.

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2014
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 / 4.4% ultimate (not applicable to Life)
Post-65 Medical	7.0% initial / 4.4% ultimate (not applicable to Life)

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 ten 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 COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

The College continues contributions toward the premiums for medical insurance for such employees with at least ten 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 2013, Carroll Community College contributed \$386,646 to the plan, which is recorded in the statement of revenues, expenses and changes in net assets allocated 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 thirty years. 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.

Annual required contribution	\$3,123,000
Interest	595,000
Adjustment to annual required contribution	<u>(747,000)</u>
Annual OPEB costs (expense)	2,971,000
Contributions made	<u>(489,487)</u>
Increase in net OPEB obligation	2,481,513
Net OPEB obligation-beginning of year	<u>15,043,591</u>
Net OPEB obligation-end of year	<u>\$17,525,104</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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 Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/13	\$2,407,000	16.1%	\$12,673,850
6/30/14	2,800,000	15.4%	15,043,591
6/30/15	2,971,000	16.5%	17,525,104

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (1)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (2)</u>	<u>Percentage Funded (1)/(2) (3)</u>	<u>Unfunded AAL (UAAL) (2)-(1) (4)</u>	<u>Covered Payroll (5)</u>	<u>UAAL as a Percentage of Covered Payroll ((2-1)/5) (6)</u>
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%

Funded Status and Funding Progress. The actuarial accrued liability for benefits was \$28.202 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$28.202 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14,234,818, and the ratio of the UAAL to the covered payroll was 198 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.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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, 2013 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 8%, decreasing gradually to 4.4% in 2050. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization at June 30, 2015, was 23 years.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 13 – Fund Equity

A summary of fund balances as of June 30, 2015 follows:

	General Fund	Capital Projects Funds	Non Major Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>				
Inventory	\$ 1,370,396	\$ -	\$ -	\$ 1,370,396
Prepaid costs	211,074	-	-	211,074
Loans to community organizations	5,786,268	-	-	5,786,268
Loans to fire companies	11,082,322	-	-	11,082,322
Loans to municipalities	141,695	-	-	141,695
Due from other funds	9,799,459	-	-	9,799,459
Advances and proceeds to Industrial Development Authority	612,910	-	-	612,910
Total nonspendable fund balance	<u>29,004,124</u>	<u>-</u>	<u>-</u>	<u>29,004,124</u>
<u>Restricted:</u>				
Weed control	\$ 111,882	\$ -	\$ -	\$ 111,882
Agricultural preservation investments	25,749,899	-	-	25,749,899
Loans collectible within one year	1,331,822	-	-	1,331,822
Farmers & Merchants-collateral	230,000	-	-	230,000
Unspent bond proceeds	-	292,775	-	292,775
Impact fees	-	-	467,479	467,479
Agriculture transfer tax	-	-	481,181	481,181
Hotel tax	-	-	524,128	524,128
Total restricted fund balance	<u>27,423,603</u>	<u>292,775</u>	<u>1,472,788</u>	<u>29,189,166</u>
<u>Committed:</u>				
Stabilization arrangement	\$ 18,998,120	\$ -	\$ -	\$ 18,998,120
ISF health	1,400,000	-	-	1,400,000
Cable franchise fee	-	-	2,077,789	2,077,789
Watershed Protection and Restoration	-	-	125,804	125,804
Total committed fund balance	<u>20,398,120</u>	<u>-</u>	<u>2,203,593</u>	<u>22,601,713</u>
<u>Assigned:</u>				
Encumbrances:				
General government	\$ 524,420	\$ 1,086,047	\$ -	\$ 1,610,467
Public safety	34,510	2,554,485	-	2,588,995
Public works	1,171,355	7,691,245	-	8,862,600
Culture and recreation	4,199	796,459	-	800,658
Conservation of natural resources	7,790	1,027,105	-	1,034,895
Economic development	25,000	-	-	25,000
Subsequent year's expenditure:				
Use in fiscal year 2016 budget	10,245,750	-	-	10,245,750
Use in fiscal year 2017 budget	5,574,885	-	-	5,574,885
Capital	-	15,094,534	-	15,094,534
Community Media Center	871,058	-	-	871,058
Total assigned fund balance	<u>18,458,967</u>	<u>28,249,875</u>	<u>-</u>	<u>46,708,842</u>
<u>Unassigned:</u>				
General fund	\$ 7,383,735	\$ -	\$ -	\$ 7,383,735
Total unassigned fund balance	<u>7,383,735</u>	<u>-</u>	<u>-</u>	<u>7,383,735</u>
Grand total fund balances	<u>\$ 102,668,549</u>	<u>\$ 28,542,650</u>	<u>\$ 3,676,381</u>	<u>\$ 134,887,580</u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 5.088 percent. The balance of these loans at June 30, 2015 is \$12,414,144 and is secured by land, buildings and equipment. The County made loans to various community organizations. The balance of these loans at June 30, 2015 is \$5,786,268 and they are secured through promissory notes.

The County 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, 2015 in the amount of \$9,799,459.

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>Budgetary Funds</u>	<u>General Fund</u>
<u>Revenues</u>	
Actual amount (budgetary basis) "revenues" from the budgetary comparison schedule	\$ 351,342,272
Unavailable property tax revenues	(453,029)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-General Fund	\$ 350,889,243
 <u>Expenditures</u>	
Actual amount (budgetary basis) "expenditures" from the budgetary comparison	\$ 360,574,908
Encumbrance adjustment	(265,444)
Total expenditure as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-General Fund	\$ 360,309,464

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, 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	\$ 37,252,338	\$ 23,500,876	\$ 31,597,902	\$ 5,654,436
Public Safety	38,375,587	31,670,108	27,871,399	10,504,188
Public Works	59,678,508	27,502,788	31,183,140	28,495,368
Board of Education	207,696,302	190,339,881	204,636,516	3,059,786
Carroll Community College	7,270,600	5,496,339	6,550,600	720,000
Culture and Recreation	13,186,409	10,820,033	11,984,598	1,201,811
Library	3,277,900	2,930,288	3,115,900	162,000
Conservation of Natural Resources	192,622,766	175,191,533	179,042,898	13,579,868
Water Resources	34,661,167	20,943,229	21,602,122	13,059,045
Governmental Activities	<u>\$ 594,021,577</u>	<u>\$ 488,395,075</u>	<u>\$ 517,585,075</u>	<u>\$ 76,436,502</u>
Wastewater Treatment Facilities	8,766,000	1,920,713	4,183,887	4,582,113
Other Water Projects	7,945,857	5,058,858	7,385,061	560,796
Other Wastewater Projects	14,983,118	4,074,727	8,846,290	6,136,828
Landfill Upgrades	4,742,000	313,494	4,742,000	-
Landfill Remediations	3,023,626	2,467,628	3,023,626	-
Fiber Network	1,100,000	853,550	1,100,000	-
Septage	4,500,000	348,766	1,016,000	3,484,000
Airport	50,473,513	581,751	2,471,577	48,001,936
Business Type Activities	<u>\$ 95,534,114</u>	<u>\$ 15,619,487</u>	<u>\$ 32,768,441</u>	<u>\$ 62,765,673</u>
Total Funds	<u><u>\$ 689,555,691</u></u>	<u><u>\$ 504,014,562</u></u>	<u><u>\$ 550,353,516</u></u>	<u><u>\$ 139,202,175</u></u>

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, the County's share in the limited liability company totaled \$4,976.

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.

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.

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, general, excess, 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 COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 16 – Risk Management-continued
Primary Government-continued

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.

The Trust 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 is using an internal service fund to account for and finance its uninsured risks of loss except for worker's compensation. 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, 2015 for the deductible portions of general, auto, police, legal and public officials covered under LGIT and employee health care coverage are \$30,000 and \$1,961,985, respectively.

The total claims liability of \$1,991,985 reported in the internal service fund at June 30, 2015 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

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 16 – Risk Management-continued
Primary Government-continued

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:

	Beginning- Of-Fiscal Year <u>Liability</u>	Current-Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance at Fiscal <u>Year-End</u>
<u>Liability and property:</u>				
July 1, 2012 – June 30, 2013	\$44,741	\$(16,355)	\$(17,453)	\$10,933
July 1, 2013 – June 30, 2014	10,933	7,808	(9,603)	9,138
July 1, 2014 – June 30, 2015	9,138	50,962	(30,100)	30,000
<u>Employee Health Care Coverage:</u>				
July 1, 2012 – June 30, 2013	\$1,838,974	\$13,810,198	\$(13,594,285)	\$ 2,054,887
July 1, 2013 – June 30, 2014	2,054,887	13,664,821	(13,768,272)	1,951,436
July 1, 2014 – June 30, 2015	1,951,436	13,461,255	(13,450,706)	1,961,985

The County is self-insured for its worker's compensation. Premiums are paid into the general 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 general fund. As of June 30, 2015 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 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 \$2,274,763 has been reported at June 30, 2015 in the general fund since it is anticipated that they will be paid from expendable available financial resources. This liability is calculated based on historical claim settlement trends.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 16 – Risk Management-continued

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, 2012 – June 30, 2013	\$1,749,451	\$ 597,542	\$(491,508)	\$1,895,485
July 1, 2013 – June 30, 2014	1,895,485	711,984	(528,820)	2,078,649
July 1, 2014 – June 30, 2015	2,078,649	1,864,656	(1,668,542)	2,274,763

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.

At June 30, 2015 liabilities include an amount for claims that have been incurred but not reported (IBNR’s). Claim liabilities are calculated by an actuary based on the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The liability for claims and judgments is reported in the General Current Expense Fund.

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>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
July 1, 2012 – June 30, 2013	\$5,793,857	\$46,815,972	\$(46,763,547)	\$5,846,252
July 1, 2013 – June 30, 2014	5,846,252	48,917,568	(50,173,820)	4,590,000
July 1, 2014-- June 30, 2015	4,590,000	50,984,357	(47,333,257)	8,241,100

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 17 – Subsequent Events

The County plans to issue \$37,270,000 of general obligation bonds of which \$9,270,000 are refunding bonds to refund the 2007 issue, during fiscal year 2016. The remaining \$28,000,000 of the sale of these securities will be used to finance school additions and projects, several road and bridge projects and Volunteer Fire Company loans.